



**SUMMARY OF BUSINESS MANAGEMENT PRINCIPLES IN THE 2011 SRA HANDBOOK**

Principle 8 of the new Handbook states that “You must run your business or carry out your role in the business effectively and in accordance with proper governance and sound financial and risk management principles”. The Outcomes and Indicative Behaviours supporting this Principle are set out in Chapter 7, which covers the management of a legal firm’s or in-house business.

This chapter states that although everyone has a role to play in the efficient running of a business, the primary responsibility rests with the manager(s), who should determine what arrangements are appropriate to meet the outcomes. Factors to be taken into account will include the size and complexity of the business; the number, experience and qualifications of the employees; the number of offices; and the nature of the work undertaken.

The outcomes which must be achieved are:

- 7.1 you have a clear and effective governance structure and reporting lines;
- 7.2 **you have effective systems and controls in place** to achieve and comply with all the Principles, rules and outcomes and other requirements of the Handbook, where applicable;
- 7.3 **you identify, monitor and manage risks to comply with all the Principles, rules and outcomes and other requirements of the Handbook, if applicable to you, and take steps to address issues identified;**
- 7.4 **you maintain systems and controls for monitoring the financial stability of your firm and risks to money and assets entrusted to you by clients and others, and you take steps to address issues identified;**
- 7.5 **you comply with legislation applicable to your business, including anti-money laundering and data protection legislation;**
- 7.6 **you train individuals working in the firm to maintain a level of competence appropriate to their work and level of responsibility;**
- 7.7 you comply with the statutory requirements for the direction and supervision of reserved legal activities and immigration work;
- 7.8 **you have a system for supervising clients' matters, to include the regular checking of the quality of work by suitably competent and experienced people;**
- 7.9 you do not outsource reserved legal activities to a person who is not authorised to conduct such activities;
- 7.10 subject to Outcome 7.9, where you outsource legal activities or any operational functions that are critical to the delivery of any legal activities, you ensure such outsourcing:



- (a) does not adversely affect your ability to comply with, or the SRA's ability to monitor your compliance with, your obligations in the Handbook;
- (b) is subject to contractual arrangements that enable the SRA or its agent to obtain information from, inspect the records (including electronic records) of, or enter the premises of, the third party, in relation to the outsourced activities or functions;
- (c) does not alter your obligations towards your clients; and
- (d) does not cause you to breach the conditions with which you must comply in order to be authorised and to remain so.

### Indicative behaviours

Acting in the following ways may tend to show that you have achieved the above outcomes and, therefore, complied with the Principles:

- 7.1 **safekeeping of documents and assets entrusted to the firm;**
- 7.2 **controlling budgets, expenditure and cash flow;**
- 7.3 **identifying and monitoring financial, operational and business continuity risks including complaints, credit risks and exposure, claims under legislation relating to matters such as data protection, IT failures and abuses and damage to offices;**
- 7.4 making arrangements for the continuation of your firm in the event of absences and emergencies, for example holiday or sick leave, with the minimum interruption to clients' business.

Chapter 7 should also be read with the SRA Authorisation Rules, the SRA Financial Services (Conduct of Business) Rules 2001 and the SRA Indemnity Insurance Rules. I have not summarised these here, as I understand that you are specifically interested in the points raised in the new Handbook.

In the context of business management, it is also important to consider Principle 9 of the new Handbook, which states “You must run your business or carry out your role in the business in a way that encourages equality of opportunity and respect for diversity. Whether you are a manager or an employee, you have a role to play in achieving the outcomes in Chapter 2 (Your clients and equality and diversity) of the Code”.

A finding of unlawful discrimination outside the practice could also amount to a breach of Principles 1 (“You must uphold the rule of law and the proper administration of justice”) and 6 (“You must behave in a way that maintains the trust the public places in you and in the provision of legal services”).

The outcomes and indicative behaviours can already be supported in the full use of Norwel *Prescient +* Products, including integrated Document Management, Case & Matter Management, Practice Management, Management Information Reporting, Risk Management and Interactive Matter Administration tools.



If you require any information regarding the items **highlighted In bold** on this document or indeed any other change under the new OFR's, please do not hesitate to contact us on [nicola.moore-miller@norwel.co.uk](mailto:nicola.moore-miller@norwel.co.uk)