LEGAL SERVICES BOARD

Meeting: Legal Services Board

Date: 17 October 2023

Item: Paper (23) 56

Title: SDT Budget 2024/25

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Status: Official

Introduction: Purpose of the paper/ Issue

1. Approving the Solicitors Disciplinary Tribunal's (SDT) annual budget is a statutory decision reserved to the Board. This paper provides information to support the Board's decision on the SDT's proposed annual budget for the 2024 calendar year.

Recommendation(s)

2. The Board is invited to:

    a) approve the SDT's application for a budget of £2,517,316 and

    b) note the issues raised by the challenge panel.

Timing

3. Under the Memorandum of Understanding (MoU) between the SDT, the Law Society (TLS) and the LSB, the LSB must approve the budget by 31 October 2023.

Background

4. Section 46A of the Solicitors Act 1974 requires that the SDT submits to the Law Society (TLS) an annual budget that has been approved by the LSB. The MoU sets out the process which the parties follow.

5. A Challenge Panel, comprising of LSB Board members and the President and CEO of the SDT, has met to scrutinise the SDT's application in greater detail. On 3 October, Habib Motani (non-lay member) and Catherine Brown (lay member), met with the SDT supported by the LSB executive. The Challenge Panel felt able to support the executive's recommendation to the Board that it approve the SDT's application, and in doing so, made the observations noted throughout this paper.

6. As required by the Legal Services Act 2007, the LSB consulted with TLS on the budget application. TLS responded on 05 October that it had no comments on the proposed budget.

Budget proposal

7. The application from the SDT is for approval of an operating budget of £2,517,316 for the calendar year 2024. This represents a 41.3% decrease compared to the budget approved for 2023 (£4,289,381). This is a significant reduction; however, it must be noted that the 2023 application included £1,162,112 of exceptional costs relating to the cost of SDT relocating to new premises.

8. If these exceptional costs are removed so the 2024 proposed budget is compared with the 2023 LSB-approved budget of operational costs of £3,127,259 on a like-for-like basis, this produces a year-on-year budget decrease of £609,943 or 19.5%. This application explains the reduction reflects the SDT's efforts to deliver value for money. The main contributors to the reduction are savings to building and staff costs going forward. However, the SDT has found ways to be cost effective in almost all areas. The budget assumes a 5% inflation which seems reasonable given inflation is now 6.7%, but expected to fall.

9. The SDT expects to receive a maximum of 108 cases from SRA and lay applications for 2024 and to require 260 sitting days for these. The SDT budget for 2023 was based on 270 sitting days. The application provides information on the expected number of sitting days for the 2023 calendar year. The application notes that for 2023 the SDT expects to have about 85 cases requiring a predicted number of substantive sitting days, not including case management hearings or other interlocutory applications, of about 163 days.

Further analysis

Considerations from the review of the 2023 budget

10. When the LSB approved the SDT budget for 2023, in the decision letter we noted:

- The need to secure new accommodation drives a significant increase in the budget compared to last year (2022) and it will be necessary for the SDT to engage effectively with those on whom the financial burden falls to explain the position.
- The LSB encourages the SDT to view the requirement for new accommodation as an opportunity to consider new, innovative and potentially radical ways to deliver value for money for the solicitors' profession while building its contribution to promoting the public interest.
- The SDT to develop an accommodation strategy which should guide the SDT's efforts to operate in a manner which delivers value for money.
- The SDT to further develop its strategic vision setting out the SDT's purpose and approach in promoting the public interest and the 2024

budget application, should refer to this strategic vision and show how the budget supports its delivery.

11. The LSB also raised the following points:

- The SDT to consider whether the SDT needs permanent physical courtrooms.
- The LSB expects as much cost effectiveness and transparency on accommodation costs as possible.
- The SDT to develop three or four Key Performance Indicators for Value for Money which should be based on the assumption that ongoing administrative costs can be reduced if required.
- The SDT should consider how it can provide improved transparency to its stakeholders, staff and members.
- The SDT to consider what it might do differently next time (accommodation wise) such as getting a lease agreed in writing and account for dilapidations on an ongoing basis.

12. To support the SDT in meeting our expectations and as a supplement to the MoU, **in summer 2023 the SDT and LSB agreed three new budget assurance criteria of accountability, transparency and value for money**. The aim of these three new criteria is to:

- increase accountability for how the SDT delivers its activities and objectives,
- encourage the SDT to provide more information in the public domain about the SDT's activities and accounts, and
- reinforce the expectation that the SDT seeks to achieve value for money in how it manages its budget.

13. We welcome that the SDT voluntarily agreed these criteria. Reflecting on what we asked of the SDT in submitting this year's application, we consider the SDT has provided useful information for the LSB Board to consider in making a decision. Overall, the updated style and increased narrative in this year's budget application shows that the SDT is seeking to implement the new assurance criteria. In particular, the main budget application seeks to link operational activities to the SDT strategic priorities and the value for money and variance appendices provide helpful narrative around how the SDT is seeking to be cost effective.

14. As this is the first year working on the new assurance criteria, we expect further improvements in future budget applications; for example, the SDT has explained that the benefits of the activities delivered by the 2024 budget will be measured by the SDT's User Group Satisfaction engagement, feedback surveys, open consultation and increased dialogue with external stakeholders.

SDT Vision

15. At the LSB-SDT Board to Board meeting in July 2022, the LSB asked the SDT to take a more strategic approach and lay out the scope of its ambition to make a difference as an organisation - to the users of legal services and to the

profession. We understand that the SDT Board has now signed off a 5-year strategic vision but that this has not been published yet. The budget application explains that the SDT vision is to inspire and play a significant part in consolidating the disciplinary process as regards the provision of legal services. The application notes that the SDT seeks to deliver its vision by:

- Being cost efficient and cost effective.
- Ensuring consistent and fair outcomes.
- Inspire greater public confidence in the profession by increased accessibility to and transparency in the SDT's processes.

16. The application notes that the SDT appointed a new Executive Team, including new CEO Deborah Baljit, in July 2023 and that this team "will spearhead the transparent, cost efficient and independent delivery of the SDT's vision to remain a key player in the enforcement sector for legal services". The SDT has committed to reviewing its Board Structure and Governance Procedures in 2024.

17. We note the LSB has not yet had an opportunity to engage substantively with the SDT on its vision and there is limited information about how the SDT will implement its strategy in the application. Further, the strategic bullet points do not currently explicitly refer to Equality, Diversity and Inclusion. However, the SDT has a new EDI policy which is awaiting SDT Board approval. The application notes the following EDI initiatives:

- Engagement with the legal profession to understand barriers to membership of the SDT with a view to securing a more diverse membership.
- developing guidance for panels in relation to dealing with vulnerable parties.
- Updating SDT internal policies.

18. The Challenge Panel noted that the SDT has a draft strategy and is preparing to engage with external stakeholders to help further shape it. The Panel was interested in the strategy and welcomed the LSB hearing more about it in the future. The Panel noted that it would be helpful for the SDT in future budgets applications to identify and account for delivery of its strategic objectives against budget proposals.

19. The Panel also considered there was an important public interest element in the SDT fully reflecting equality, diversity and inclusion in its policies.

New accommodation

20. The SDT is expecting to enter into a lease for new accommodation before the end of the year. and we will give the LSB Board an update on this at the Board meeting. The SDT expects to be in its new accommodation by the end of 2023 and with tribunals operational (in relation to in person / hybrid hearings) there in January 2024. The SDT has concluded that the five physical courtrooms and significant staffing area that the SDT currently occupies at in its existing premises is surplus to requirements and does not provide best value for money to the profession going forward. The new accommodation has one large court

room which can be split into two court rooms making best use of the technology available and reflect the reduced number of in person hearings and continued use of remote / hybrid hearings. With 50% smaller premises, the SDT expects buildings and office costs to be 12% of the SDT budget in 2024 as opposed to 21% in 2023.

21. The application sets out that ‘The annual rent payable consists of 50% rent for the first two years and full rent for years 3–5. Thereafter the rent shall be the amount determined by rent review, provided that for years 6 and 7 the SDT shall only be required to pay rent at a rate of 50%. This will mean that the SDT’s rental costs will double for 2026-28.

22. The Challenge Panel welcomed the new accommodation and noted that the SDT expected to enter into the lease agreement imminently after the meeting.

Cost per court

23. Table 1 sets out the trend for cost per court since 2021. Cost per court is the current value for money measure for the SDT and divides the operational cost of the SDT by the number of sitting days. The SDT expects cost per court for 2023 to be £10,446, which is a 40% decrease in the cost per court from 2022. The main reason for this significant decrease is that the SDT expects to spend about £400K less in 2023 in its ordinary budget compared to 2022 and beyond limited legal spend, the SDT has not spent any of the £1,16m set aside for new accommodation in the 2023 budget. As the SDT gains an overview of these costs in the next few months, the spend for 2023 will increase. As such the final cost per court will only be known once the SDT has finalised its accounts for 2023.

24. The SDT expects cost per court to reduce to £9,682 in 2024 mainly due to reduced accommodation costs. If the SDT achieves a cost per court of £9,682 in 2024 this will be the lowest cost per court since 2019 where the figure was £9,401.

25. Table 2 shows the SDT expects to increase the number of sitting days from 180 in 2022 to 263 in 2023. The majority of cases referred to the SDT come from the SRA and examples of the type of cases that may be referred are explained in in a joint statement[1]. The budget application notes that the SRA considers that referrals to the SDT has reduced by about 20% because of their increased fining powers. The SDT has made a business assumption that ‘Any reduction in demand by the SRA for straightforward first instance disciplinary tribunals will be balanced by increased SRA demand for longer, more complex and serious first instance hearings, an increase in the number of appeals from internal SRA decisions and an increase in the number of applications being received other than from the SRA.’

[1] SRA | Joint statement on referrals to the Solicitors Disciplinary Tribunal (SDT) | Solicitors Regulation Authority, 30 January 2023.

Table 1 – Cost per court – trend since 2021

year	2024 Budget	2023 expected	2023 budget	2022 Actual	2021 Actual
Cost per court	£9,682	£10,446	£15,887	£17,542	£ 12,933

Table 2 - Number of cases and sitting days 2021-2024

Description	2024	2023	2022	2021
Sitting days as per budget application	260	270	270	300
Sitting days as completed or expected	N/A	263	180	239
Cases received or expected	108	85	118	136

26. The Challenge Panel welcomed that the SDT had conducted a bottom-up review of costs and structure and achieved a reduced costs per court which delivers value for money for the sector. The Panel also welcomed the planned governance review. The Panel noted that the SDT will provide public transparency of its moving costs in next year’s accounts.

Value for money indicators

27. The SDT has proposed three new value for money (VfM) indicators. These are:

- Members cost per sitting day
- Staff cost per sitting day
- Building cost per sitting day.

28. The current VfM measure – cost per court - is obtained by dividing the SDT’s operational expenditure by the number of sitting days. The Challenge Panel explored the proposed measures and discussed the need for SDT to develop value for money indicators and milestones that measure benefits and impacts, not just money saved.

Next steps

29. The Board is invited to note the issues considered by the Challenge Panel and accept the recommendation to approve the SDT budget. It is anticipated that the Chair will write to the SDT President to confirm the Board’s decision, which will also reflect key points made by the Challenge Panel and expectations for future budget applications.

Risks and mitigations	
Financial:	N/A
Legal:	N/A
Communications and engagement:	The decision letter will be published.
Equality and diversity:	N/A
Resource:	N/A
Environmental:	N/A

Annexes

Annex A: The application letter
Annex B: Budget table for 2024 vs 2023
Annex C: SDT Budget Principles
Annex D: Continuous Improvement and Value for Money assessment
Annex E: Variance Report
Annex F: Cases and hearing days forecast 2024

Freedom of Information Act 2000 (FoI)		
Para ref	**FoI exemption and summary**	**Expires**
N/A	N/A	N/A
N/A	N/A	N/A