Meeting: Legal Services Board

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Item: Paper (26) 25

Title: SDT 2027 Budget Application

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Status: Official

Introduction: Purpose of the paper

1. To consider the Solicitor's Disciplinary Tribunal's (SDT) annual budget application which is a statutory decision reserved to the Board. This paper provides information to support the Board's consideration and decision on the SDT's proposed annual budget for 2027.

Recommendation(s)

2. The Board is invited to:

   a) **Approve** the SDT's application for an annual budget of £3,156,499 for 2027 comprising of the submission dated 9 September 2026 ("original application") and addendum dated 12 October 2026, ("addendum") – together the 2027 budget application ("budget application").

Timing

3. Under the Memorandum of Understanding dated 17 November 2025 (MoU) between the SDT, the Law Society (TLS) and the LSB, the parties agreed that the LSB would make a decision on the SDT's annual the budget application by 31 October.

Background to the budget application

4. Section 46A of the Solicitors Act 1974 requires that the SDT must submit an annual budget to TLS that has been approved by the LSB. The MoU sets out the process which the parties have agreed to follow. As required by the Legal Services Act 2007 and in line with the MoU, the LSB consulted with TLS on the budget application. TLS responded on 28 September 2026 with the comments set out in paragraph 20 below.

5. After the SDT submitted its budget application, the High Court handed down its judgment in Carter-Ruck Solicitors & another v SRA, holding that the SRA's power under section 44B Solicitors Act 1974 to obtain information when investigating a law firm did not extend to compelling disclosure of material protected by a client's legal professional privilege, contrary to SRA established practice. As a

consequence, it was important for us to understand the potential impacts of this judgment on the SDT and its budget.

6. As part of our scrutiny, a challenge panel met on 6 October to consider the original application in greater detail. It comprised LSB Board members (one lay and one non-lay) as well as the LSB CEO, and was attended by the SDT President and Chair, Chief Operating Officer and Financial Controller, supported by the LSB executive.

7. The LSB requested further information from the SDT to clarify points in the original application. The challenge panel also raised further questions and provided feedback on several elements of the original application which the SDT was asked to consider. The SDT submitted the addendum with further information on 12 October (Annex A), which made a number of changes to the original application. We provided this further information to TLS on 13 October and did not receive any additional comments.

8. In scrutinising the budget, we remain mindful that the SDT depends on SRA case-load forecasts, which have often been overestimated. Although the SRA aims to refer fewer cases, the cases that are referred are increasingly complex, and AI may be increasing complaints to both bodies, including lay applications to the SDT. This wider context is important and the implications of this will be considered under our regulatory oversight of the SDT and SRA, and through our focus on complaints under our proposed three-year strategy.

Summary of the 2027 Budget proposal

9. The original application proposed an operating budget of £3,324,857, an 8.6% increase above the 2026 budget, and assumed a total of 225 actual sitting days, for the following: business as usual (BAU) operational costs, planned strategic spending and non-annualised costs.

10. Following the challenge panel, the SDT submitted the addendum with a revised budget of £3,156,499 for approval, which represents a 3.1% increase from the 2026 approved budget of £3,061,207. This represents a significantly lower proposed increase compared to the original application.

11. The revised budget assumes:

    - 205 sitting days estimated for 2027. This is a reduction compared to 230 estimated in the 2026 budget and a notable decrease from 300 estimated in 2025. This 2027 estimate remains uncertain given the recent Carter-Ruck judgment and the SDT will revise this again in 2027 as the position becomes clear.
    - 40 lay applications (referrals from third parties) and 12 sitting days for these, with the remainder of the estimate for SRA referrals.
    - A 3.6% inflationary increase, reflecting the SDT's historical use of OBR inflation projection.

12. Costs per court is estimated to increase to £15,398 based on the revised 205 sitting days compared to £13,310 budgeted in 2026 and £10,627 (actual) in 2025. The SDT have explained that cost per court is highly sensitive to sitting days.

13. We also asked the SDT Board to consider and approve a new reserves policy to create the new reserve (fixed asset replacement) and allow the transfer of funding between the reserve pots. If Board approval for the new policy was not given, we made clear that the extant approved reserves policy would need to be applied.

14. The SDT expects increased costs in planned strategic spending and non-annualised costs on areas including AI integration to help with case management and judgment writing, tribunal member recruitment for 2027 and changes to CaseLines that supports secure provision of the electronic bundles the SDT use for hearings. The SDT seeks to demonstrate value for money and improved efficiencies through its various activities and has set out how these activities will be measured and monitored through key performance metrics (KPMs). The SDT also now proposes to absorb some additional one-off spend via its existing reserves, following LSB feedback.

Issues raised in last year's budget decision

15. In its decision letter of 30 October 2025 approving the SDT's 2026 budget application, the Board recommended improvements and additional clarity in the SDT's next budget application, including:

    - data that combined actual costs and actual sitting days for the first six months of 2026, with estimated sitting days and forecast spend data for the remaining six months of the year, in order to show a more representative year on year change of cost per court from 2026 to 2027.
    - considering measures that could be used to demonstrate year on year efficiencies, in addition to the cost per court metric.
    - conducting an analysis and assessment of the complexity of cases heard by the SDT and trends of cases, and
    - describing and monitoring the impact of SDT activities with soft qualitative feedback mechanisms including, but not limited to, communications.

16. When calculating cost per court, the SDT has taken into consideration our recommendations by using actual sitting day figures for the first half of the year and estimates for the remaining half. It has also provided both a normalised view based on 2027 sitting days to remove the impact of different sitting day volumes and also a range of sitting days between 175-275 to demonstrate cost implications across different sitting day scenarios.

17. The SDT considers that the estimated 2027 cost per court remains within a reasonable range compared to costs in recent years and that it is managing its cost base effectively whilst ensuring sufficient capacity to maintain service delivery and handle expected case complexity. We note that the cost per court is not decreasing as we had anticipated but the SDT has focused on efficiencies and a revised listings approach. This has resulted in a number of tangible outcomes

including; attrition rate reduced to 36% from 59.3% in June 2025; and adjournment rate reduction to 21 from 31 in June 2025. There is a one-off recruitment of new member cost in 2027 of £123,418 which, if discounted, would give a cost per court to £14.79.

18. We also note that whilst the SDT expects a reduction in sitting days and budget, it has significant fixed costs (around £2.6m) spread over fewer days which inevitably increases its cost per court. The SDT has said it is working on a methodology that better reflects its efficiency and we remain open to consideration of additional measures that can better demonstrate any efficiencies achieved. We will continue to engage with the SDT on this ahead of next year's budget application.

Challenge panel scrutiny

19. On 6 October, the challenge panel met to scrutinise the budget application. The panel sought clarity and assurance from the SDT in the following areas:

    - a preliminary analysis of the potential operational and financial impact, if any, on the SDT of the Carter-Ruck judgment,
    - a clear articulation on securing budget efficiencies to demonstrate how challenge and flexibility have informed the application including using reserves where appropriate to absorb some of the additional proposed spend. In particular we asked for a set of budget options, highlighting any associated risks and mitigations with each option, starting from what a zero-growth budget would look like, and working in sensible increments up to the original application for 2027, and
    - Its treatments of reserves. This was an area of focus because the information provided by the SDT was unclear. Specifically, the original application contained no reserves figures for 2027 and then when we sought further information it was revealed that a new reserves policy was planned. The SDT told us that this had been reflected in the proposed 2027 budget but had not had SDT Board approval.

20. We also sought information from the SDT on:

    - its proposal to increase staffing, which TLS questioned given falling caseloads.
    - its approach to lay applications, noting that increasing use of AI has made it easier for complaints to be made and that this trend will likely continue. The SDT said it considered lay referrals before or at the end of sitting days for SRA referrals to help maximise efficiencies.
    - how its tenure of office policy, which limits Board members' terms, supports the Tribunal's diversity aims.

21. The addendum included varied growth options requested by the challenge panel and provided a revised approach to aspects of its budget application, including:

    a. a reduction to the total budget sought in the original application with a new overall increase of 3.1% against the 2026 budget.

b. a reduction in estimated sitting days from 225 to 205, reflecting the SDT's estimate of the potential interim impact of the Carter-Ruck judgment. The SDT expects referrals and listings to be delayed while the SRA reviews its caseload, followed by a recovery rather than a sustained fall in cases.

c. a reduction and phased approach to its staff recruitment.

d. funding one off items from its reserves of £35,970, as follows:
   - Additional hearing space: £19,170 (inc VAT): drawn from the Sitting Days reserve.
   - Evidence Management platform discovery £16,800 (inc VAT): drawn from the Fixed Asset Replacement Reserve.

e. a revised reserves policy setting out its new approach to treatment of reserves, which now has full SDT Board approval, including:
   - providing a full schedule showing the movement of reserves reducing the sitting days used in the sitting days reserves from 100 to 70-80 sitting days, with assurance that that can be met within existing resources.
   - a new Fixed Asset Replacement Reserve category
   - justification for each reserves category
   - setting out how funds may be moved between different reserves categories
   - confirming that the updated policy will be approved annually by the SDT Board before submitting the budget application.

f. change to its Tenure of office policy principally that it will no longer include a maximum four terms for Members which is expected to mitigate losing valuable expertise and knowledge at a time that cases are becoming longer, more complex and more high profile.

Improvements from last year's application

22. We consider that overall, the SDT has made improvements to its budget application that reflect the October 2025 decision letter, the MoU and addendum provided following the challenge panel. The SDT intends to demonstrate continued improvements in its operational efficiencies and planned activities through its KPMs.

23. We are content with the improvements made and activities planned by the SDT in the budget application. The Board may wish to note:

    a. Revisions to the cost per court calculation following Board recommendations to show the cost per court for actuals for the first six months of 2026 alongside projected costs for the remaining six months 2026. The SDT also provides a normalised view based on 2027 sitting days, to remove the impact of different sitting day volumes, alongside a range of sitting days between 175-275 to show cost implications across different sitting day scenarios. This shows that the cost per court is highly sensitive to the number of sitting days.

Current and planned activities:

a. Changes to headcount. The SDT currently has 13 employees, equivalent to 11.37 FTE and plan to recruit two full-time junior roles and one part-time finance assistant. The SDT explained that this is needed to support the effective administration of proceedings, maintain service levels and provide greater resilience to manage increasing complex case work.

   - **Following the challenge panel and SDT's consideration of different growth options, the SDT propose a phased approach and amending its headcount increase from three to two additional staff. This includes one part-time finance assistant in 2027 with a view taken later in 2027 on whether an additional junior role is required for 2028 and if a fixed term contract is appropriate.**

b. Increase in IT and website costs overall. We note a reduction in proposed website update spend whilst the increase in IT costs is driven by:

   - Replacement of end of life courtroom and staff laptops.
   - Renewal of SDT's contract with CaseLines, with a new one year agreement following changes to its pricing structure. The SDT secured a more competitive price than would have been available under a longer term arrangement and have explained that the one year agreement allows it flexibility to review longer term options.
     - **The challenge panel suggested that the SDT may wish to consider partnership options with other similarly small organisations and it will consider the feasibility in future contract negotiations.**
   - Initial discovery work to explore the requirements, feasibility and potential build of a suitable tailored system for the Tribunal's needs.
     - **Following challenge panel, the SDT will now absorb this one off cost of £16,800 as part of its reserves.**

c. A member recruitment campaign in 2027 to maintain capacity and to encourage diversity of applicants for future appointments. The SDT explains that the broad pool of solicitor and lay members with a range of professional backgrounds and availability is important as its case load and complexity continues to evolve.

d. Contingency for additional hearing space. The SDT has budgeted for the hire of alternative hearing space for up to five hearing days to accommodate attendees for high profile cases, including Post Office Inquiry-related cases, estimated at £15,975.

   - **Following challenge panel, the SDT will now fund this additional spend through its sitting day reserves, as needed.**

e. The SDT is exploring how AI can help its work navigating large volumes of material served in proceedings and support clerks staff manage hearing

bundles more efficiently. The SDT has allocated £35,000 for this and envisage that use of AI will eventually become part of BAU spend.

f. New Case Assurance Committee established to provide oversight and quality assurance of decision making. The committee reviews SDT's processes, observes hearings and identifies learning points for training and development.

g. Continuation of the student placement programme, now in its third year, which aims to promote diversity and awareness of the Tribunal's role.

h. Updating the Tribunal case management and listing processes and procedures to help reduce court attrition rate and last-minute cancellations. The SDT demonstrate clear improvements including reductions in:

- The attrition rate to 36% compared to 59.3% in June 2025 and more than 50% in each of the previous three years.
- Adjournment applications down to 21 compared with 31 in 2025.

i. Embedding a Competency Framework for recruitment and governance and roll out of the 360-appraisal process.

j. Improvements to strengthen governance arrangements and the Board's financial oversight through the appointment of an independent Non-Executive Director with financial expertise. **This has not yet proven to be evident given the need for a revised budget and we will take this forward through our regular meetings.**

Conclusion and recommendations

24. Overall, we consider the SDT has demonstrated improved flexibility in its approach to securing efficiencies within the budget application, including by identifying the potential operational and financial impacts of the Carter-Ruck judgment (although the SDT does not foresee a big impact on case load, more a delay in the pipeline of referrals) and where appropriate, using its reserves to absorb additional expenditure.

25. The Board is invited to note the issues considered by the challenge panel, the SDT's revised proposals as an addendum to the original 2027 budget application, and to accept the recommendation to approve the SDT 2027 budget.

26. We propose that the 2028 SDT budget application should:

- Include a full option budget analysis with risks and mitigations, including a zero growth option starting from scratch rather than zero growth from the previous year's budget.
- Reflect and be in line with an updated reserves policy that has full SDT Board approval before the application is submitted
- Include a reporting chart by category of costs and movements
- Include general reserve cover with a schedule showing movements in reserves.

- Consider trends in lay application referrals to the SDT. We plan to discuss with the SDT its handling of these through our ongoing engagement.

Next steps

27. It is anticipated that the LSB's Board Chair will write to the SDT Chair and President to confirm the Board's decision to reflect key points made by the challenge panel and to set out the LSB's expectations for future budget applications.

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

Annexes:

Annex A - SDT Addendum to the 2027 budget application 12 October 2026

Annex B – Initial SDT Budget cover letter 7 September 2026

Annex C - SDT 2027 Budget Application 7 September 2026

Annex D - SDT 2027 Budget by key categories - supporting spreadsheet 7 September 2026

Annex E - SDT Out-Turn 2022-2025

Annex F - SDT Management Accounts 1 January to 30 June 2026

Annex G - SDT Reserves policy October 2026

Annex H - SDT Tenure of Office Policy

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

Paragraph 23, Annexes A and B – all partial	Section 22: Future publication and Section 41: Confidentiality tbc.	N/A