

To:	Legal Services Board	
Date of Meeting:	27 October 2014	Item: Paper (14) 57

Title:	Solicitors Disciplinary Tribunal Budget 2015	
Workstream(s):	Statutory Decisions	
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Status:	Unclassified	

Summary:

Under paragraph 48 of Schedule 16 to the Legal Services Act 2007 (**LSA 2007**), the Board is responsible for considering and approving the Solicitors Disciplinary Tribunal's (**SDT**) annual budget. The approved budget must be paid by The Law Society (**TLS**).

On 10 September 2014 the SDT submitted its 2015 budget application to the LSB with a proposed budget of £2,752,910 - a decrease of £94,110 (3.3%) on the 2014 budget (See **Annex A**). Paragraph 5 of this paper sets out significant variances in individual line items between the 2015 budget estimate and the 2014 budget.

The SDT has submitted the information required for an application as set out in the Memorandum of Understanding (**MoU**) between the SDT, TLS and the LSB.

The LSB indicated in the decision letter to approve the 2014 budget some specific areas of improvement for the SDT to consider in its future submissions. The SDT's consideration of these points is explained in further detail in Paragraph 18 of this paper.

SDT colleagues have consulted TLS in accordance with the statutory requirements and Anthony Brooks (Head of Legal Services, TLS) was copied into the original application submission from SDT. The LSB is also required to consult TLS on the application and a summary of its comments received on 1 October 2014 are noted in Paragraphs 20 to 22.

Recommendation(s):

The Board is invited to approve the SDT's budget application of £2,752,910 for 2015 (**Annex A**).

Risks and mitigations

Financial: N/A

Legal: N/A

Reputational: N/A

Resource: N/A

Consultation	Yes	No	Who / why?
Board Members:		√	
Consumer Panel:		√	
Others:	Under the terms of the MoU LSB is required to consult with TLS on the budget application.		
Freedom of Information Act 2000 (Fol)			
Para ref	Fol exemption and summary		Expires
Paragraphs 12, 24-26	Section 36(2)(b)(i)– information likely to inhibit the free and frank provision of advice		N/A
Annexes A - B	Section 36(2)(b) and (c) - information likely to inhibit the free and frank provision of advice and the exchange of views for the purposes of deliberation. Information likely to prejudice the effective conduct of public affairs		N/A

LEGAL SERVICES BOARD

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Solicitors Disciplinary Tribunal (SDT) Budget 2015

Background / context

1. Paragraph 48 of Schedule 16 to the LSA 2007 requires that the Board approve the SDT's annual budget.
2. A MoU agreed between the LSB, the SDT and TLS sets out the process which the parties follow and this application has been made in accordance with the provisions of that MoU.

Budget application

3. The application is for the approval of a budget of £2,752,910 for 2015. This is a decrease of £94,110 (3.3%) on 2014 (see **Annex A**).
4. The 2015 budget application was submitted to the LSB on 10 September 2014. The LSB consulted with TLS on the budget application on 11 September 2014; a response from TLS was received on 1 October 2014 and is summarised in paragraphs 20 to 22 of this paper.
5. As a part of the MoU, SDT is required to highlight variances¹ in the individual line items for the 2015 budget compared to 2014 and the reasons for the changes (see **Annex A**). The variances for some of the major expenditure categories are summarised in the table below:

Budget line item	Variance between 2014 budget & 2015 estimate		Mains reasons for variance
	(Number)	(%)	
General administration costs	-£171,046	-15.45%	Although the 2015 budget includes investment in IT and the SDT website (related costs up from £10K to £35K), this has been offset by savings in other areas including a reduction in the amount of sitting days for solicitor and lay members.
Salary & related costs	+ £58,830	+6.57%	Staff recruitment at requisite level of seniority and increased investment in staff training.
Building costs	+£14,000	+2.56%	To allow for decorating and carpeting of 3 rd and 5 th floors (a lease requirement).
Irrecoverable VAT	£4,106	+2.71%	A small increase in VATable expenditure.

¹ Including variances over or under 5% or more than £10,000 in difference.

6. In addition to the variances highlighted in the table above, we note that ABS appeals costs will remain at £91,568 for an estimated 20 ABS appeals for 2015 (unchanged from 2014). No ABS appeals have been referred to the SDT to date. We also note that contingency will remain at £55,000 for 2015 (unchanged from 2014); this was not used as sufficient funds have been available under each budget category.
7. The SDT has provided an analysis showing the 2013 actual expenditure compared to the 2013 budget (**Annex B**). This indicates that the SDT has under spent by 24.9% or £691,661 during 2013. According to the SDT where savings have been made this is a result of careful budgeting and focus on driving costs down with suppliers.
8. The biggest costs savings were for general administration costs i.e. a decrease in Member's expenses due to adjournments and multi day hearings going short; planned delay in implementation of IT projects; a reduction in legal fees etc.
9. Under spend was also noted for building costs (service charges lower than expected), contingency (not used in 2013) and irrecoverable VAT (under spend due to reduced VATable expenditure).
10. The SDT's budget is provided by TLS and any underspend in one year is deducted from the SDT's following year's quarterly payments (for example, the 2013 underspend is proportionally recouped from each quarter's 2014 payment). LSB colleagues have queried whether any unspent funds that go back to TLS reserves are ring-fenced for the purposes set out under section 51 of the LSA 2007 (although TLS provides the SDT budget, money is raised through practising fee income and so can only be spent on permitted purposes). TLS confirmed that SDT under spent funds are paid into TLS' reserves and used only for section 51 permitted purposes.
11. We note a recurring theme from this and previous applications of a large underspend from the previous year's estimated budget. We acknowledge that the SDT has had difficulty in the past with obtaining accurate estimated caseload data from the Solicitors Regulation Authority (**SRA**) from which to develop its future budgets, and this may contribute to the over-budgeting. This issue is explained in further detail in paragraph 12 to 14 below.

Caseload data

12. [REDACTED]
13. In the absence of any firm data on which to predict caseloads, SDT has looked at its experience with the number of sitting days per Tribunal for Solicitor

Members and Lay Members from last year. This indicated fewer sitting days were required than predicted due to adjournments and multi-day hearings going short, plus tighter financial controls. There were also no ABS appeals referred to the SDT during the year.

14. Based on the above information, the budget has been calculated on the following estimates for sitting days:
 - 180 standard sitting days with 2 Solicitors Members per Tribunal for 2015 (down from 225 estimated for the 2014 budget application) ;
 - 130 part-heard/long case sitting days with 2 Solicitor Members per Tribunal for 2015 (down from 150 estimated in 2014);
 - 180 standard sitting days with one Lay Member per Tribunal for 2015 (down from 225 estimated in 2014) ;
 - 130 part-heard/long case sitting days with one Lay Member per Tribunal for 2015 (down from 150 estimated in 2014).

Other information

15. Last year, the application was accompanied by a draft Business Plan for 2014. This was not included in this year's budget application as the SDT does not currently have sufficient accurate data available to be able to devise a meaningful plan. The intention is to prepare a revised plan in late November 2014 for approval by the SDT Board and Policy Committee on 9 December. Once approved, TLS and LSB will be sent a copy of the 2015 Business Plan.
16. The SDT is planning to alter its annual reporting period from 1 May to 30 April, to a calendar year reporting 1 January to 31 December. Therefore the next reporting periods will be as follows:
 - A report for the period from 1 May 2013 - 31 August 2014 (16 months); this was included in the application.
 - A report from 1 September 2014 - 31 December 2014 (4 months) to complete the 2014 year.
 - The final report for 1 January - 31 December 2015 will be provided to the LSB in January 2016.
17. As agreed between the SDT and LSB, future applications submitted to the LSB for approval in September each year will include a short summary update on its annual reporting for a partial year, rather than an additional interim report. The first full year annual report will be sent to the LSB in January 2016 and received each January thereafter.
18. In the letter approving the 2014 budget application, the LSB highlighted areas of improvement to be addressed for 2015. These points (included in the summary table below) have been addressed in the 2015 budget application.

Issue for improvement from 2014 budget approval	Description	Progress
ABS appeals	We indicated to the SDT that we would monitor the number of ABS appeals estimated in the 2015 budget application.	No ABS appeals to date; the estimate will remain at 20 appeals for 2015. LSB agrees that this estimate appears sensible at this time; SDT should consider whether these assumptions remain appropriate in the light of actual experience when preparing its next application to LSB.
Business Plan	We requested that the SDT include a Business Plan in future Budget applications.	Given the changes to the SDT planning cycle, LSB is content to receive the 2015 Business Plan in December 2014.
Key Performance Indicator (KPIs) Reporting	We agreed that SDT's KPI reporting would occur annually instead of quarterly and a report to be provided to the LSB in February each year.	We received the 2013 KPI Report in February 2014 and updated the Board at its April 2014 meeting.

19. In February 2014, the SDT provided the LSB a progress report on its full year key performance indicators (KPIs) for 2013. We gave the Board an update in the Chief Executive's Report at the April 2014 meeting and will update the Board again in April 2015 performance against KPIs for 2014.

Consultation with TLS

20. In accordance with the terms of the MoU, SDT sent a preliminary budget estimate to TLS in May 2014. TLS was formally invited by the LSB to comment on the 2015 budget application on 11 September 2014.

21. TLS is supportive of the 2015 budget application and the work of the SDT and made specific comments on:

- the SDT's strategy of continuous improvement noting that in 2013, SDT completed the restructuring, modernisation and expansion of its offices at Gates House and set up the User Group Committee (UGC)² and in 2014 has been preparing for the Investors in People Accreditation (IIP).³
- the 2015 estimate for ABS appeals remains at the same level in the 2014 approved budget. TLS supports this estimate and commented that while

² The SDT and SRA have taken steps to improve joint working and the sharing of information through the inception of the UGC which aims to improve cross party case management and build understanding which should contribute towards working together more effectively.

³ The Solicitors Disciplinary Tribunal Administration Limited (SDTAL) set an additional objective for itself in 2014, namely to work towards IIP accreditation. The IIP Report for August 2014 has indicated that SDTAL achieved 35 out of 37 successful outcomes in the first audit and expects to be awarded IIP accreditation in January 2015. The input from IIP has also led to revision of some of the SDT's HR policies and strategies. A copy of this report is available on request.

there is yet to be an ABS appeal it remains prudent for the SDT to make appropriate provision in the budget.

- the reduction in the 2015 budget when compared to the 2014 approved budget reflects a decrease in the estimates for the number of sitting days for non-ABS cases which are based on the expected 2014 out-turn figures (allowing for expected increases in the volume of cases coming from the SRA in 2015). TLS noted an improved exchange of information resulting from the establishment of the UGC which has largely resolved the concern noted at the 2014 budget application point about the need for better workload estimation.

22. We have noted that the final bullet in the above paragraph expresses a different view on the reliability of future caseload data than that presented by the SDT in its application. Further enquiry of TLS established that the UGC agenda includes discussion on trends that are likely to generate cases but it is recognised that there is scope to improve the estimates of future cases; the UGC is the right forum to deliver this.

Meeting held with SDT on 14 October 2014

23. On 14 October 2014, the Chair and LSB colleagues visited the SDT's offices to observe a Tribunal hearing followed by a meeting with the President and Chief Executive of the SDT to discuss current topics impacting on the SDT's work. The high level points discussed in the meeting were largely in relation to SDT's relationship with the SRA and have been summarised in the paragraphs below.

24. [Redacted]

25. [Redacted]

26. [Redacted]

[REDACTED]

Conclusions and recommendations

- 27. The SDT's 2014 budget application was made in accordance with the procedure set out in the MoU; no major concerns were raised by TLS.
- 28. The LSB Executive supports the application and the reduction in the 2015 budget compared to the 2014 approved budget and invites the Board to approve the SDT's budget application of £2,752,910 for 2015 (**Annex A**).

16 October 2014