

Memorandum of Understanding (“MOU”)

Parties

This MOU is dated 17 November 2025 and is made between the Legal Services Board (the “LSB”), the Solicitors Disciplinary Tribunal (the “SDT”), the Solicitors Disciplinary Tribunal Administration Ltd. (the “Administration Company”) and the Law Society (the “Law Society”) (together the “parties” and each a “party”).

1. Purpose

- 1.1 This MOU sets out the process which the parties have agreed to follow in order to fulfill their respective obligations and duties under Section 46A of the Solicitors Act 1974 (the “SA”), which was inserted into the SA by Paragraph 48 of Schedule 16 to the Legal Services Act 2007 (the “LSA”) (attached at Annex A).
- 1.2 The parties agree that this MOU shall be a public document that is available on the website of each party.

2. Definitions (where not otherwise defined in the text)

Additional Funding Application – the SDT’s application to the Law Society for funding over and above the Approved Amount.

Approved Amount – the amount of money that the LSB approves having considered the SDT’s Annual Budget Application.

Required Information – such information as the LSB might require from the SDT and the Law Society before approving any part of the SDT’s Annual Budget Application.

SDT’s Budget - the amount of money provided for the SDT to operate in a calendar year.

Statutory Procedure – the procedure contained in Section 46A of the SA.

3. The Respective Roles of the Parties

- 3.1 The LSB is responsible for overseeing legal services regulators in England and Wales. It is independent of Government and of the legal profession. It oversees the “approved regulators” as defined in Section 20 of the LSA, each of whom together with the LSB must act in a way that is compatible with the nine regulatory objectives set out in the LSA and which it considers most appropriate in meeting those objectives.
- 3.2 The SDT is constituted as the independent statutory tribunal for the profession under the SA and its powers are contained in the SA, the Administration of Justice Act 1985 and under the Legal Services Act 2007 (Appeals from Licensing Authority Decisions) (No 2) Order 2011. Its primary duties are to protect the public and the reputation of the solicitors’ profession in exercise of its jurisdiction over solicitors, registered foreign lawyers, registered European lawyers, recognised bodies, persons employed or remunerated by solicitors and former solicitors, and has the power, inter alia, to strike off, suspend or fine and, in the case of an unadmitted person, to order that his or her employment within the profession be restricted.
- 3.3 The administration of the SDT, including the management of financial resources, is conducted through the Administration Company which is a company limited by guarantee. The Administration Company is obliged to comply with the Companies Acts including the obligation to file audited annual accounts with Companies House.
- 3.4 The Law Society is the professional body for solicitors in England and Wales. The Law Society represents solicitors’ interests, including through negotiation and lobbying of the profession's regulators, Government and others. The Law Society also offers training and advice to its members, and seeks generally to promote, protect and support solicitors, the rule of law and access to justice across England and Wales. Under the LSA, the Law Society is an Approved Regulator and is responsible for making the arrangements for the regulation of solicitors.

4. Core Principles

- 4.1 The parties agree that in fulfilling their respective obligations and duties under the Statutory Procedure, they will adhere to the following core principles:
- (a) Mutual respect and trust – each party acknowledges the other parties’

statutory basis and independence and their respective obligations and duties under the Statutory Procedure.

- (b) Evidence-based approach – each party shall adopt an evidence-based approach in fulfilling their respective obligations and duties under the Statutory Procedure.
- (c) Communication – the parties agree that they will communicate openly and meaningfully with each other in a manner which promotes an understanding of, and addresses, the other parties' respective concerns.
- (d) Reasonableness – all parties will act reasonably in their dealings with each other.
- (e) Timely information provision – the parties agree to provide information to each other in a timely manner to assist the other parties in complying with their respective obligations and duties under the Statutory Procedure.
- (f) Confidentiality – each party shall respect the confidentiality of any information provided to it by another party.

5. The Agreed Procedure

- 5.1 Each year, the SDT must submit a budget to the Law Society, which has been approved by the LSB (the "Annual Budget").
- 5.2 The Annual Budget of the SDT is a statement of the amount of money which the SDT estimates it will require to meet all of its expenditure in the next calendar year (having regard to any amounts received but not spent in previous years) in order to carry out its statutory functions.

Preliminary Budget Estimate

- 5.3 Prior to submitting an application to the LSB to approve the Annual Budget (the "Annual Budget Application"), the SDT must submit its preliminary estimate of the likely amount to be sought, and an indication of its reserves position, in its Annual Budget Application to the Law Society (the "Preliminary Budget Estimate").

Annual Budget Application requirements

- 5.4 The SDT shall submit its Annual Budget Application to the LSB for approval and shall include the following:

- (a) The amount of money being sought by the SDT to conduct its business in the following calendar year, specifying also a breakdown of the amount sought by such individual line items as may be appropriate under the following headings:
 - (i) salary and related costs;
 - (ii) general administration costs;
 - (iii) building costs;
 - (iv) costs per court, as a table in the form and manner set out at Annex B hereto;
 - (v) contingency;
 - (vi) irrecoverable VAT;
 - (vii) total revenue costs and capital expenditure.
- (b) The factors that are determining the SDT's likely case load for the following year. This shall include consideration of the:
 - (i) estimated case load the SDT may receive from the Solicitors Regulation Authority;
 - (ii) estimated case load the SDT may receive from other sources (such as cases being carried through from previous calendar years and enquiries and cases from sources other than the Solicitors Regulation Authority); and
 - (iii) estimated amount of time the SDT will require to manage and decide its estimated cases.
- (c) Explanation for individual line items of the amount of money being sought, including:
 - (i) descriptions of what is included in each line item;
 - (ii) explanation for any variance in a line item between the current year's funding level and the amount being sought which is either: (i) more than five per cent (subject to a de minimis threshold of £5,000); or (ii) more than £20,000; (the "**Line Item Variance Thresholds**");
 - (iii) explanation for any variance in a line item exceeding the Line Item Variance Thresholds between the current year's budget and the current year's actual expenditure; and

- (iv) explanation for the addition or removal of any line items from the budget application as compared with the current year's budget.
 - (d) Explanation for any variance of over or under five per cent between the current year's total funding level overall and the total amount being sought in the Annual Budget Application;
 - (e) A comparison of the current year's budget with the current year's actual expenditure with an explanation for any variance of over or under five percent.
 - (f) The final out-turn of the previous year's budget following the format and the line item breakdown utilised when the Annual Budget Application for the current year was submitted in the previous year, including an explanation for any variance exceeding the Line Item Variance Thresholds, between the year-end out-turn and budget of the previous year.
 - (g) An explanation as to how the budget has been set with reference to the SDT's reserves policy, to include the opening and year-end reserve balances, reference to the SDT's target reserves, an explanation of the management of those reserves over the previous year and a note of any predicted risks and contingencies.
- 5.5 In preparing its Annual Budget Application, the SDT shall comply with the Budget Assurance Criteria at Annex C, and otherwise share such information that it considers relevant, acting reasonably, with the LSB, and in turn the Law Society, and the LSB and Law Society shall be entitled to make reasonable requests for further information.

6. Procedure for the approval of the SDT's Annual Budget Application

- 6.1 Upon receiving the Annual Budget Application, the LSB will assess it and decide whether to approve all, or part, of the estimated amount of funding being sought.
- 6.2 In upholding the core principles referred to in paragraph 4, the LSB will assess the Annual Budget Application on an evidence-based approach. The SDT's reserves policy and application of it will be considered by the LSB as part of this assessment. For the avoidance of doubt, the LSB shall not approve, or shall only partially approve, the Annual Budget Application if it

considers, acting reasonably, that it does not have sufficient information in respect of the matters referred to in paragraphs 5.4, 6.4 and 11.2 (the “Required Information”) to enable it to discharge its obligations under the Statutory Procedure and the LSA generally.

- 6.3 Under the Statutory Procedure, the LSB must consult the Law Society prior to making its decision whether or not to approve the Annual Budget Application, providing at least 15 working days for comment by the Law Society.
- 6.4 If requested to do so by the LSB, the SDT and the Law Society will provide information to assist its understanding of the Annual Budget Application in a timely manner.
- 6.5 In making its decision, the LSB will advise the SDT and the Law Society of the reasons for approving all, or part, of the amount of funding being sought (“Approved Amount”).
- 6.6 Once the LSB has approved the Annual Budget Application, the SDT must submit it to the Law Society in accordance with the dates in section 10 below.

7. Additional Funding Applications

- 7.1 Under the SA, the Law Society may pay the SDT such other amounts as the Law Society considers appropriate.
- 7.2 If the SDT considers that additional funding is required, it will submit an Additional Funding Application to the Law Society that shall include the following information:
 - (a) an explanation of the requirement for the additional funding;
 - (b) an explanation as to why the additional funding was not included in the Annual Budget Application;
 - (c) an explanation as to why the additional funding cannot be met by reserves held by the SDT;
 - (d) an analysis of what the likely impact of the non-approval of the additional funding will be if not approved; and
 - (e) when the SDT requires the additional funding to be approved and paid.
- 7.3 In preparing its Additional Funding Application, the SDT shall share such information that it considers relevant, acting reasonably, with the Law Society

and the Law Society shall be entitled to make reasonable requests for further information.

- 7.4 The Law Society will assess the Additional Funding Application and decide to approve, all or part, of the funding sought as soon as reasonably practicable and in any event within 40 working days from the date when it received the Additional Funding Application, giving reasons for its decision.
- 7.5 In making its decision whether or not to approve the Additional Funding Application, the Law Society shall consider the LSB's views on the application. The Law Society shall provide a copy of the Additional Funding Application to the LSB within 5 working days of its receipt. The LSB will provide views on the application as soon as reasonably practicable and in any event within 15 working days from the date when it received the application from the Law Society.
- 7.6 Upon its approval, in whole or in part, of the Additional Funding Application, the Law Society will pay the approved Additional Funding Amount to the SDT on a date as agreed between the SDT and the Law Society, and in any event not later than 28 working days from the date of such approval.

8. Payment of Funds

- 8.1 The Law Society will pay the Administration Company a quarter of the Approved Amount on each of 1st January, 1st April, 1st July and 1st October in each year, or as otherwise agreed with the SDT.

9. Reserves

- 9.1 The SDT is permitted to hold reserves to ensure it has the financial flexibility to respond to unforeseen challenges and take advantage of new opportunities, while maintaining operational independence from the LSB and TLS. The SDT Board will annually review its reserves policy and reserves levels to ensure they remain fit for purpose.
- 9.2 Should the Administration Company's expenditure in any year prove to be lower than the funding paid, it may retain the amount of the underspend, either in whole or in part, for the purpose of building up and/or maintaining reserves, acting in accordance with its published reserves policy. Alternatively, the whole or part of the underspend amount may be deducted from the payment to be made to the Administration Company on the basis of

the current two years in arrears arrangement, or as otherwise agreed between the Administration Company and the Law Society.

- 9.3 Any funds that exceed the reserves policy limit will be applied as an adjustment to reduce the amount requested in the next Annual Budget Application. This happens in the financial year after the Statutory Accounts are approved.

10. List of Agreed Dates

- 10.1 By 30th April – The SDT will provide the Preliminary Budget Estimate no later than 30th April of each year.
- 10.2 By the 5th (fifth) working day of September - The SDT will prepare its Annual Budget Application and submit it to the LSB.
- 10.3 Thereafter, the LSB will consult the Law Society on the Annual Budget Application, allowing no less than 15 working days for comments.
- 10.4 By 31st October - the LSB to approve the Annual Budget Application.
- 10.5 By 30th November - the SDT to submit its approved Annual Budget to the Law Society.
- 10.6 1st January, 1st April, 1st July and 1st October - one quarter of the Approved Amount to be paid by the Law Society to the Administration Company on each of these dates, or as agreed between the Law Society and the SDT.

11. General

- 11.1 The Administration Company will provide its monthly management accounts to the Law Society on a quarterly basis. The Law Society may seek clarification from the Administration Company on any matters with regard to the management accounts.
- 11.2 The SDT has developed annual Key Performance Indicators (KPIs) as part of a methodology to measure its performance. It will review its KPIs periodically in line with good practice and will consult with the LSB on any changes it is considering adopting.
- 11.3 The SDT will report to the LSB (and publish such report) on its performance against its KPIs in a calendar year by 15 March in the following year.

12. Contact points

- 12.1 Each party is to appoint a person to serve as the official contact and to coordinate the activities of the parties to this MOU. The parties will notify each other immediately when there is any change in the appointed person and a list of contact details will be circulated each year.

13. Meetings

- 13.1 The parties will meet should any one party request this.

14. Effective date and review

- 14.1 This MOU may be amended only by the written agreement of all parties.
- 14.2 The parties will review this MOU every three years from the date of the document.

15. Signatures



Catherine Brown

Interim Chair

Legal Services Board



Alison Kellett

President

Solicitors Disciplinary Tribunal



Alison Kellett

Chair

Solicitors Disciplinary Tribunal
Administration Ltd



Ian Jeffery

Chief Executive

Law Society

Annex A - Section 46A of the Solicitors Act 1974 as inserted by Paragraph 48 of Schedule 16 to the Legal Services Act 2007

46A Funding of the Tribunal

- (1) The Tribunal must submit to the Society in respect of each year a budget for the year approved by the Legal Services Board.
- (2) A budget for a year is a statement of the amount of money which the Tribunal estimates is required to enable it to meet all of its expenditure in that year (having regard to any amounts received but not spent in previous years).
- (3) Before approving a statement for the purposes of subsection (1) the Legal Services Board must consult the Society.
- (4) The budget for a year must be submitted to the Society under subsection (1) no later than the date in the preceding year specified by the Society for the purposes of this subsection.
- (5) Before specifying a date for this purpose the Society must consult the Tribunal.
- (6) The amount specified in a budget submitted under subsection (1) must be paid by the Society to the Tribunal—
 - (a) in such instalments and at such times as may be agreed between the Society and the Tribunal, or
 - (b) in the absence of such agreement, before the beginning of the year to which the budget relates.
- (7) The Society may pay the Tribunal such other amounts as the Society considers appropriate.
- (8) In this section “year” means a calendar year.

Annex B – Paragraph 5.5: Costs per court table:

	[insert 4 years before] Actual	[insert 3 years before] Actual	[insert 2 years before] Budget Application	[insert previous year] Budget application	[year of current] Budget Application
Sitting days	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Total Costs	[£xxx]	[£xxx]	[£xxx]	[£xxx]	[£xxx]
Cost per Court (£)	[£xxx]	[£xxx]	[£xxx]	[£xxx]	[£xxx]

Annex C - SDT Budget Assurance Criteria

The following budget assurance criteria are designed to support the SDT's annual budget application to the LSB. The criteria is intended to provide clarity and certainty for the parties on how the SDT's annual budget under s46A Solicitors Act will be assessed, in the public interest:

1. **Accountability:** SDT is responsible for the delivery of its activities and objectives each year and is accountable for its delivery through the budget application process.
2. **Transparency:** The SDT meaningfully engages with the profession and other stakeholders about its budget and what it funds.
3. **Value for money:** The SDT seeks to achieve value for money in how it manages its budget. This criterion aligns with the SDT's own current budget principle to *'Ensure that performance, evaluation and value for money are integral to the budget process'*.

B. Supporting information requirements for the SDT Budget Assurance Criteria

1. The SDT will provide the required information as part of each budget it submits, including:
 - a. a narrative overview which explains how its activities/functions support the delivery of the SDT's strategic objectives and the [regulatory objectives](#) set out in the Legal Services Act 2007;
 - b. key data (including data in paragraph 5.4 of the MOU) which is consistent year on year, to aid transparency;
 - c. an explanation of potential benefits, and how those benefits will be assessed;
 - d. an assessment of benefits delivered from prior year activities;
 - e. an assessment of equality, diversity and inclusion impacts;
 - f. an assessment of impacts on the profession;
 - g. an explanation of how value for money will be delivered and measured;
 - h. an explanation of how the SDT has addressed any issues raised by the LSB in prior years;
 - i. an overview of risks and how they are being managed and mitigated;
 - j. best estimates (e.g. percentage of budget) of how the budget will be allocated to different activities;
 - k. staff numbers allocated to different activities, making reasonable assumptions for vacancies;
 - l. a summary of the governance process involved in preparing the submission.