



Legal Aid  
Agency

# Monthly Contract Payments (Civil Legal Help, Crime Lower and Mediation contracts)

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### 1. Introduction

The Legal Aid Agency (LAA) offers providers a choice as to how they are paid for Civil (Legal Help), Crime (Lower) and Mediation work. Providers can be paid a Standard Monthly Payment (SMP) or can opt for a Variable Monthly Payment (VMP).

### 2. Standard Monthly Payments

The Standard Monthly Payment reconciliation process implements the Protocol set out in the Deed of Settlement as agreed between the Legal Aid Agency (formerly Legal Services Commission) and the Law Society in 2008. The information in this section provides a guide on how the LAA applies the process.

The aim is to reconcile accounts (claims versus payments) to a 100% balanced position. The contract position percentage is calculated using the following formula:

$$\frac{\text{Claims in last 12 months}}{\text{Total payments aligned to last claim - (Total Claims - Claims in last 12 months)}} \times 100 \%$$

Where an account is within the 90%-110% band no action will be taken to change the SMP. Where an account is below 90% (meaning payments exceed claims by a variance of more than 10%) we will take action to adjust the SMP with the aim of recovering the balance over a period of 6 months to return the contract position to 100%. Likewise where an account is in excess of 110% we will adjust the payment upwards with the aim of bringing the account back to 100% in 6 months.

The new SMP is calculated by taking the average claim value over the preceding 6 months and adding or subtracting 1/6<sup>th</sup> of the current balance (whether overpaid or underpaid at the time of the review).

Although this initial action is intended to return the account to 100% balanced, it may not have the desired effect due to fluctuations in claims. Prior to the setting of the 6<sup>th</sup> payment following the initial review, if the account is still outside of the 90%-110% band further action will be taken to clear the remaining balance over a 3 month period. This is achieved by setting the SMP to the 6 month average claim figure with a series of 3 credits or debits (depending on whether the account is underpaid or overpaid).

If at any time the contract position is less than 50% or in excess of 150% action will be taken to clear the balance over a 3 month period (as above).

Any proposed change to your SMP will be communicated one month in advance of the date of the first SMP at the revised amount.

Every account will be reconciled in accordance with this process, but there may be exceptional circumstances where it is appropriate to vary the action required to reconcile an account. Any exceptions are subject to agreement with the Assurance Reconciliation team.

### **3. Variable Monthly Payments**

If you elect to receive a Variable Monthly Payment (VMP) this is calculated using the amount of the latest monthly submission plus or minus any changes to claims since the previous payment, for example, claim amendments and escape fee case assessments.

All other aspects of the contract payments process including the payment dates and submissions deadlines will remain the same.

The intention of VMP is to make a balancing payment each month so there may be a period of transition required in order to achieve a zero account balance.

On transition if an account is underpaid the balanced will be cleared in a single payment and VMPs will commence from the following month.

If an account is overpaid on transition the balance will generally be recovered over a period of six months by reducing the variable payments by 1/6<sup>th</sup> of the balance. Providers have the opportunity to discharge the balance by making a single payment or by requesting payments are stopped until the account moves into a position of credit, or by a combination of these options. Providers should contact the Assurance Reconciliation team to discuss transitional arrangements.

### **4. Mediation**

Previously Mediation contracts had been paid by SMP although not strictly to the Protocol agreed with the Law Society in 2008 as that only covered solicitor contracts.

From 2015 the LAA was able to offer VMP to Mediation providers and from August 2016 will implement the Protocol to those accounts remaining on SMP.

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