



Legal Aid
Agency

Contract Payments (Legal Help and Crime Lower work)

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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) and Crime (Lower) 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 Ministry of Justice 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 position¹. The contract position percentage is calculated using the following formula:

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

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 1/6th 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 6th

¹ Criminal legal aid providers who have requested a pull forward of 7.5% (of previous 12 months claims) will have a balance target of 92.5% instead of 100% (of previous 12 months claims) for the purposes of setting future payment levels

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 on a case by case basis with the Operational Assurance Reconciliation team. Examples of such exceptions may include (please note this is not an exhaustive list):

- Novations
- Mergers/Acquisitions
- Significant balance discrepancies
- Significant increase in number of Duty Solicitors

New accounts will be paid for the value of work claimed for the first six months and then providers have the option of requesting an SMP or remaining on a Variable Monthly Payment (further details below).

When a Legal Aid provider's contract ends, and is not replaced, the right to an SMP also ends.

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 balance 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 1/6th 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 Operational Assurance Reconciliation team to discuss transitional arrangements.

When a Legal Aid provider's contract ends, and is not replaced, the right to an VMP also ends.

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