



Legal Aid
Agency

Annual Report and Accounts 2019-20



Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000.

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HC 394

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Performance Report



Chief Executive's statement



I am delighted to present my first Annual Report and Accounts for the Legal Aid Agency (LAA) for the 2019-20 financial year.

I was honoured to move from my position as Head of Case Management within the LAA to take up post as Interim Chief Executive and Director of Legal Aid Casework at the beginning of July 2019. I inherited a high performing and resilient organisation and would like to thank my predecessor, Shaun McNally, for his exemplary leadership of the LAA for the previous three years, including the first three months of the financial year within this report.

Whilst the focus of this report is on the LAA's performance during the financial year 2019-20 it would be remiss not to mention the impact of the coronavirus (COVID-19) crisis on the last month or so of this reporting period. I am grateful for the hard work undertaken in preceding years to enable successful remote operating capability. This was crucial for the almost immediate move to full time working from home for the majority of staff on 17 March 2020. We are committed to learning from the COVID-19 experience and will ensure we adapt to meet the future needs of both our organisation and our people.

The Agency has made strong progress against the four strategic objectives (SO) set out in the 2019-20 Business Plan, namely: timely and reliable access to legal aid, delivering value for money for the taxpayer, building our relationships, and realising our full potential through being fair, proud and supportive.

Whilst details of performance against the 2019-20 business plan objectives are set out in the Performance Report, I would like to reflect on some important achievements of the last year, initial impacts of COVID-19 and ambitions as we move forward, linked to our objectives.

**Strategic Objective 1**

In our operational performance we have maintained and improved delivery and service quality; we processed 91% of civil applications received within 20 days, 100% of crime applications within two days and 99% of criminal and civil claims within 20 days. We have continued to deliver payments and assessments accurately, with low levels of error while maintaining speed of decision making to support our contracted providers and their clients.

During the year we have worked hard to build stronger relationships with providers and the representative bodies who champion them. In the last year we have professionalised our channels, from Twitter to LinkedIn and our fortnightly operational Legal Aid Bulletin to providers, and focussed our activities to a more customer-first position. The channels are more engaging than ever, performing above last year's figures, and we continue to develop them to be more helpful to our providers. Through monitoring online comments and feedback from contract managers and customer service, we have run regular campaigns aimed at answering frequently asked questions, and trialled responding to online queries directly. Moreover, in January a Twitter help channel was launched to respond to regular queries, triage problems and sign-post training and further guidance for providers, which is going from strength-to-strength.

Throughout the year the Public Defender Service (PDS) continued to provide high quality independent, client-centred advice and representation in all types of criminal cases from the police station to higher courts. The PDS also shares its day-to-day experience of the criminal justice system (CJS) with policy makers and HMCTS colleagues. Providing this practitioner perspective proved helpful as the CJS adapted to ensure safe working in light of the COVID-19 crisis.

I am proud of our collective efforts within the agency during the COVID-19 crisis to deliver our frontline services. We have and continue to work proactively and collaboratively with practitioners and partner agencies to deliver measures to support practitioners and maintain our high performance. At the time of writing action taken has included swiftly implementing measures to assist with easing the financial burden on providers; where possible adjusted fee schemes to facilitate prompt payment for work done and in progress, accommodating the move to virtual hearings, and work with MoJ colleagues to deliver the relaxation of rules around the payment of Hardship claims in the Crown Court. Comprehensive and frequently updated online guidance has been issued to ensure provider awareness of changes and a significant number of other process and contractual changes have been introduced at pace to assist practitioners during the crisis period.

Strategic Objective 2

We have worked closely with MoJ policy colleagues on the development of the consultation options for the Criminal Legal Aid Review, accelerated items and we implemented the legislation which brought immigration advice for separated migrant children back into scope of legal aid. Importantly, we implemented face to face advice contracts in the Education and Discrimination categories as a first step in the removal of the mandatory telephone gateway and delivered a replacement contract which delivers Immigration telephone advice to those detained at police stations.

Following the expiry of the previous contract, in 2019 we procured a new service provider for the Defence Solicitor Call Centre (DSCC). While the transition was undertaken over an extended period, reflecting lessons learned from previous changes, the service experienced some issues, including an IT outage, which damaged quality of service. The LAA put in place contingency measures to support quality of service, and the call centre provider invoked business continuity measures to mitigate the impact in conjunction with our contract management team. We were also able to rapidly apply lessons learned to the subsequent similar transition of the Civil Legal Aid (CLA) call centre contract, which led to a smoother handover. We continue to work with the provider to ensure the new service is resilient and of sufficient quality.

Strategic Objective 3

We have made further progress in transforming the Agency to simplify the delivery of legal aid. A highlight for me was launching our new Apply service into private beta in December 2019. This means we are using it with a limited number of providers to receive applications in domestic violence cases, and are able to improve the service as we go, responding to feedback from providers. More recently, as part of our response to COVID-19, we speedily implemented a new Secure File Exchange, allowing providers to share files previously sent on paper or disks. Looking ahead, as the three year Agency Transformation Programme has now drawn to a close, our work to transform the Agency continues. We will embed our transformation work within the Agency, continue to roll out the new Apply service, and seek new opportunities to improve the experience of accessing legal aid for our users and providers.

We will continue to work with our MoJ partners on the sustainability of the legal aid market. The LAA inherently values the work done by practitioners delivering legal aid to those in our society who need it most. We understand the views of practitioners about the existing fee schemes and the LAA is committed to working with the MoJ and our external partners across the wider justice system to support the important work in this area.

**Strategic
Objective 4**

During 2019-20 we launched our flagship new manager development programme and delivered bitesize learning opportunities for all staff. We introduced Change Chats – facilitated conversations about change – so colleagues can talk about changes impacting on them and action can be taken on the results. Our active champions and staff networks were expanded to include two more networks; DisABILITY and the BeProud Race Network. Our active Wellbeing Champions and Mental Health Allies provided tailored wellbeing support. Enabling us to respond swiftly to the COVID-19 crisis and prioritise the health and safety of our people.

We will maintain our focus on becoming an employer of choice that is more diverse, smarter and a truly learning organisation. Across the business we must have genuinely inclusive teams that represent the people of England and Wales and the communities we serve, that we work smarter; flexing how we work together to deliver our best and be well, and that we are continuously learning; providing staff with opportunities to grow together as individuals, leaders and teams.

As CEO I want to build greater confidence in the work of the LAA by focusing on our organisational culture. Putting people first, from those who work within the agency, to our provider base and operational delivery partners, to most importantly the public we serve. We will proactively look at our processes and procedures and build upon becoming a listening and learning organisation that responds to our customers and providers, considering how best we can meet their needs. We are already an exemplar of operational delivery and this is something we will continue to build upon.

The provision of legal aid matters. Every day we help people in need deal with their legal problems. That's why we take pride in supporting one another to make the Legal Aid Agency a great place to work for everyone by living our shared MoJ Values.

I cannot highlight all the positive developments of 2019-20 here. However, it is thanks to the dedication and passion of LAA staff that the agency has performed to the consistently high standard it has with a focus on continuous improvement and innovation. I am grateful to my colleagues for all they have done and continue to do, and look forward to the year ahead as we continue to provide our vital service to the public, in what are unprecedented times.

**Jane Harbottle**

Interim Chief Executive and Accounting Officer
Legal Aid Agency
14 July 2020



We processed over **400,000** applications for legal aid.

91% of civil legal aid applications were processed within 20 working days except in the most complex cases.

100% of criminal legal aid applications processed within 2 working days

Processing / Delivery



We processed over **1 million** bills

99% of complete, accurate bills were paid within 20 working days, exceeding the **90%** target

Processing / Delivery



The Public Defender Service maintained their Lexcel accreditation for excellence in legal practice management and client care. They continue to share their experience of the criminal justice system to inform policy makers and court reform

Our people



Our staff engagement score was maintained at **71%** in the annual People Survey. With an **84%** response rate we are confident this represents the experience of the vast majority of our people

Amongst participating Civil Service organisations, the LAA is ranked as **8th** highest and **1st** for an organisation of our size

Our people



We answered over **170,000** phone calls to our call centres, and exceeded all our customer service and correspondence Key Performance Indicator targets

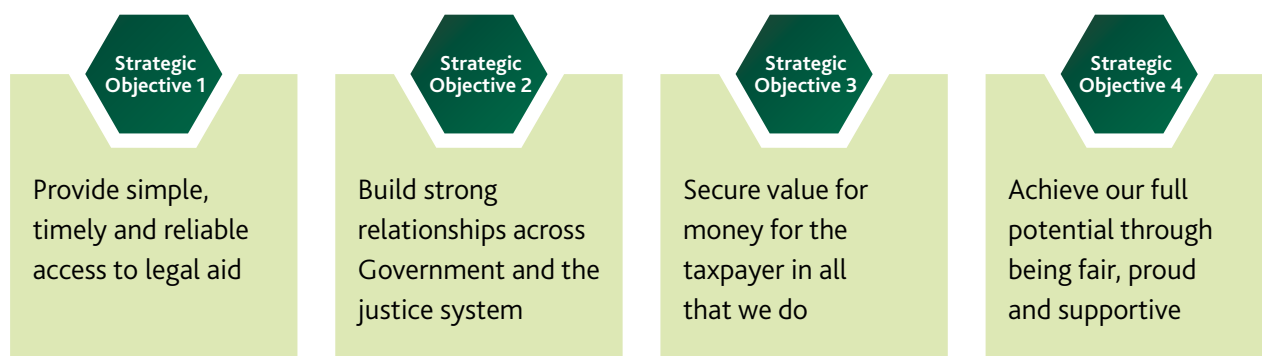
Reputation

About the Legal Aid Agency

Our purpose: Working with others to achieve excellence in the delivery of legal aid

Our work to administer legal aid is essential to the fair, efficient and effective operation of the civil, family and criminal justice systems and we have worked closely with legal providers and the wider Ministry of Justice (MoJ) to attain this. Our purpose has been at the heart of all our day-to-day decision making and our work to improve legal aid services. The engagement and commitment of our staff is crucial to achieving this.

Our work is underpinned by our four Strategic Objectives:



Further detail on our Strategic Objectives can be found on page 13-21 of the Performance Analysis section.

These Strategic Objectives support the wider work of the MoJ, providing the direction that supports our work to improve and modernise the LAA, securing value for money for the taxpayer, and ensuring that our people have the right skills and tools to carry out their roles.

What we do: Our core work



All of this is supported by

MoJ Finance and Digital professionals who support the LAA as part of the functional leadership framework. They administer payment of legal aid, ensure financial requirements are met, and support delivery of key change programmes and our move to digitise services and automate processes.

A corporate function that ensures effective communications, builds a diverse, inclusive and engaged workforce, supports our Board and Executive Leadership Team, leads on business planning corporate reporting, addresses escalated complaints, and answers Freedom of Information (FOI) and Data Protection Act (DPA) requests

Shared functions, including human resources, project delivery and legal services, which provide support to the LAA, MoJ and other Government departments.

Our People

Our people are at the heart of what we do. During 2019-20 we continued to make the LAA a great place to work and were proud this has been reflected in our high levels of engagement in our 2019 People Survey.

We provide the right mix of learning and development opportunities with a comprehensive learning and development offer supported by our active network of capability champions.

We continue to embrace smarter working supported by IT that allows our people to work flexibly. We trust our people to deliver and give them ownership and autonomy. Many of our teams work in shared government buildings.

We remain committed to the values of equality, diversity and inclusion in both the delivery of legal aid and in our workplace and have an inclusive culture. Underpinning this we take wellbeing seriously and have an active network of Mental Health Allies and Wellbeing Champions supporting honest conversations about wellbeing amongst our people.

Our Partners

As a key player in the justice system in England and Wales, we work with a wide range of providers of legal services covering many different operating models. These include sole practitioners, large multi-office businesses and not-for-profit organisations. Some provide advice and specialise in a specific area of law, while others deliver work in many different categories of law.

We work with stakeholders across the justice system. These include the Law Society and Bar Council, both the Family and Criminal Justice Boards, the Solicitors Regulation Authority, Legal Aid Practitioners Group, HMCTS and the Crown Prosecution Service (CPS). We also work with other Government departments, including the Home Office.

Our relationships with our providers are central to the work of the LAA. Through meetings such as the Crime and Civil Contract Consultative Groups and the Provider Engagement Team, we ensure we have regular engagement on key operational issues with the main representative bodies. On a daily basis, our contract managers and case management staff work closely with our provider base to ensure the smooth running of our contracts and the processing of applications and bills.

We communicate with our partners across a number of channels, including our GOV.UK page, the fortnightly operational Legal Aid Bulletin which goes to over 9,000 subscribers, LinkedIn and our two Twitter channels.

Engagement in Wales

The LAA, through strategic working groups, maintains links with the Welsh Government, in recognition of the devolved administration.

We work directly with stakeholder groups, for example, the Criminal and Family Justice Boards for Wales, as well as specific Welsh stakeholders including Children and Family Court Advisory and Support Service – CAFCASS Cymru.

Director of Legal Aid Casework

The Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) 2012 ensured that the decision-making process for legal aid applications remained independent from Ministers. The role of Director of Legal Aid Casework (DLAC), which was created as a result of the Act, has responsibility for making decisions on individual applications for legal aid. The LAA's Chief Executive currently undertakes this role, in practice delegating decision making to LAA caseworkers and providers. The LAA Board supports the Director to ensure that robust practices are in place to maintain the independence of the decision-making process. The DLAC Report is published annually alongside the Annual Report and Accounts.

The Public Defender Service (PDS)

The PDS provides defence advice and representation in all types of criminal cases from the police station to the higher courts. It represents legally-aided defendants and includes a Solicitors and an Advocacy Team. PDS advocates conduct cases throughout the country, and can be instructed by any solicitor firm or legally-aided defendant. As confirmed by Lexcel re-accreditation, the PDS continues to have a client-centred approach to criminal defence and is developing specialisms in vulnerable clients particularly those with mental health conditions and learning disabilities, including autism. During 2019-20 the PDS also expanded its prison-law practice, providing quality prison-law advice. PDS lawyers share their experience of the criminal justice system to inform related policy and change initiatives.

Our Reform Programme

Our Agency Transformation Programme (ATP)

In 2017 we started our journey to simplify the delivery of legal aid through ATP. Through working hard together we have:

- Developed a new online tool for legal aid applications called Apply, and started using it for some passported domestic violence applications;
- Improved how we process some types of cases, so that decisions and payment are made more quickly;
- Put user feedback and ideas from our people at the heart of change;
- Worked across Government to find ways to better share data rather than asking for it again from legal aid clients;
- Reviewed the organisation structure and implemented some changes to get us fit for the future; and
- In response to COVID-19 we have implemented a secure file exchange so that providers can share files with us, which were previously sent in on paper or disks.

The journey doesn't stop here; as the Programme draws to a close, we will embed transformation in what we do. We will continue to support the roll out of the new Apply service, and seek further opportunities to improve the experience for the people who apply for legal aid, the providers who deliver the services and those of us in the LAA who administer the scheme.

Our Change Portfolio

Our Change Portfolio ensures that we make those changes that are necessary to support our operating environment and continue to meet our performance targets. We have updated the way that we work to introduce a process of joint governance with digital teams and to ensure alignment of strategic priorities. Some examples of this include:

- Stabilising our IT infrastructure;
- Responding to legislative changes, new policy initiatives and ministerial priorities;
- Improving data sharing and keeping pace with modernisation across the justice system;
- Renewing and re-tendering business critical contracts; and
- Continuing our work on the LAA's Agency Transformation Programme.



Performance Analysis

Our year in focus

In our seventh year as an Executive Agency we have continued to deliver service and process improvements, positively impacting on the way in which we work. This was achieved whilst continuing to deliver strong performance against our Strategic Objectives and operational targets.

Performance against our Strategic Objectives in 2019-20

The commitments associated with our Strategic Objectives (SOs) have been monitored through the LAA's performance management framework, which includes Key Performance Indicators (KPIs) that measure significant elements of our day-to-day work.

The performance management framework also measures key milestones in relation to the delivery of the LAA 2019-20 Business Plan commitments. Throughout the year the results were reported to the Executive Leadership Team, the LAA Board and the MoJ Executive Committee.

Strategic Objective 1

Provide simple, timely and reliable access to legal aid

KPI: Operational Delivery
KPI: Correspondence and Customer Services

Commitments

- Maintain our focus on providing simple, timely and reliable access to legal aid whilst supporting the work of our Agency Transformation Programme
- Provide high quality, responsive, accessible customer services to our users of and partners in the justice system, utilising digital opportunities where appropriate
- Continue to deliver a high quality Public Defender Service

Strategic Objective 2

Build strong relationships across Government and the justice system

Commitments

- Support delivery of the Secretary of State's priority for an effective and fair justice system which will serve all users, whenever they need it
- Work with our partners across the justice system to respond to the findings of the LASPO Post-Implementation Review and associated Legal Support Action Plan
- Continue to embed the public sector equality duty in our design and delivery of legal aid

Strategic Objective 3

Secure value for money for the taxpayer in all that we do

KPI: Financial Management

Commitments

- Maintain financial stewardship of the Legal Aid Fund, ensuring we prioritise identification of efficiencies in business processes and a focus on fraud prevention
- Undertake the effective commissioning of services and contract management
- Continued delivery of change, particularly across our digital services, whilst retaining a tight grip of our departmental finances

Strategic Objective 4

Achieve our full potential through being fair, proud and supportive

KPI: People

Commitments

- Build on our strengths and capabilities to attract and retain our people whilst being fair and inclusive
- Develop inspiring, confident and empowering leaders at all levels by building capability and nurturing their diverse talents
- Engage with our people on being a future-ready organisation, transforming and embracing smarter working
- Provide an appropriate mix of learning and development that offers opportunities for everyone
- Continue to build an inclusive culture empowering our people to look after their wellbeing wherever they work

Strategic Objective 1

SO 1: Provide simple, timely and reliable access to legal aid



KPI: Case Management processing

Process end-to-end **80%** of civil legal aid applications in **20 working days**, excluding Exceptional and Complex Cases (ECC)

Process **90%** of criminal legal aid applications in **two working days**

Pay **90%** of complete, accurate, eligible bills in **20 working days**

This year we maintained our performance for processing crime applications, crime bills and for processing civil applications and civil bills.

100% of criminal applications were processed within **two working days** maintaining our performance in 2018-19

2 working days

91% of civil applications were processed within **20 working days** maintaining our performance in 2018-19



99% of bills were paid within **20 working days** maintaining our performance in 2018-19

20 working days



KPI: Correspondence and Customer Service

1st Tier Complaints (excluding CCST) **90%** responded to within **20 days**

2nd Tier Complaints **90%** responded to within **20 days**

MPs Correspondence **90%** responded to within **20 days**

Freedom of Information (FOI) requests **90%** responded to within **20 working days**

Internal Review **90%** responded to within **20 working days**

Data Protection Act (DPA) requests **90%** responded to within **30 calendar days** (30 days from May 2019)

The service we provide via the Civil Certificated Helpline:

Crime and civil **75%** of calls to be answered within **5 minutes (mins)**

Crime and civil average speed of calls to be answered between **02.10 mins - 02.50 mins**

This year we improved our performance responding to 1st tier complaints and correspondence from Members of Parliament and saw a decrease in performance responding to Freedom of Information requests although our performance was still well within our target.

100% of 1st tier complaints were dealt with within **20 days** compared with **99%** in 2018-19



99% of 2nd tier complaints were dealt with within **20 days** maintaining our performance in 2018-19

20 days

100% of correspondence from Members of Parliament were dealt with within **20 days** compared with **98%** in 2018-19



99% of FOI requests were answered in **20 days** compared with **100%** in 2018-19

20 days

98% of DPA requests were answered in **30 days** maintaining our performance in 2018-19



02.17 mins The average time it took for **Civil calls to be answered** in our Central Contact Centre compared with **02.35 mins** in 2018-19

02.17 mins

02.11 mins The average time it took for **Crime calls to be answered** in our Central Contact Centre compared with **01.47 mins** in 2018-19



83% of Civil calls were answered within **5 minutes** compared with **80%** in 2018-19

5 minutes

84% of Crime calls were answered within **5 minutes** compared with **87%** in 2018-19



Strategic Objective 1 is linked to the following commitments:

- ✓ Maintain our focus on providing simple, timely and reliable access to legal aid whilst supporting the work of our Agency Transformation Programme (ATP)
- ✓ Provide high quality, responsive, accessible customer services to our users of, and partners in the justice system, utilising digital opportunities where appropriate
- ✓ Continue to deliver a high quality Public Defender Service

We have maintained strong performance this year for crime and civil applications and bills, exceeding our performance targets for all. In correspondence and customer services we've seen our performance improve for 1st tier complaints and Members of Parliament correspondence. There was a drop in our performance responding to Freedom of Information requests although we remained well within our target. Our performance in operational work took place alongside our support for the work progressed as part of the ATP, further details of which are provided on page 17.

In 2019 we completed the transition to a new service provider for the Defence Solicitor Call Centre (DSCC). The service experienced a range of issues, including an IT outage, that impacted the quality of provision. The LAA put in place contingency measures to support quality of service, and the provider invoked business continuity measures to mitigate the impact in conjunction with our contract management team. The LAA was also able to rapidly apply lessons learned to the subsequent provider transition for the Civil Legal Advice (CLA) contract. We continue to work with the provider to ensure the service is resilient and of sufficient quality.

Maintaining their Lexcel qualifications, our Public Defender Service has continued to provide independent, client-centred advice and representation in all types of criminal cases informing policy makers and court reform.

Strategic
Objective 2

SO 2: Build strong relationships across Government and the justice system

Strategic Objective 2 is linked to the following commitments:

- ✓ Support delivery of the Secretary of State's priority for an effective and fair justice system which will serve all users, whenever they need it
- ✓ Work with our partners across the justice system to respond to the findings of the LASPO Post-Implementation Review and associated Legal Support Action Plan
- ✓ Continue to embed the public sector equality duty in our design and delivery of legal aid

As the Agency Transformation Programme draws to a close in 2020, to date we have:

- Developed a new online tool for legal aid applications called Apply, and started using it for some passported domestic violence applications;
- Improved how we process some types of cases, so that decisions and payment are made more quickly;
- Implemented a secure file exchange so that files can be shared with us electronically instead of on paper or disks;
- Put user feedback and ideas from our people at the heart of change;
- Worked across Government to find ways to better share data rather than asking for it again from legal aid clients; and
- Reviewed the organisation structure and implemented some changes to get us fit for the future.

Throughout the year we have continued to work with Legal Aid Policy colleagues on recommendations from the Legal Support Action Plan. These have included:

- Providing feedback and recommendations on aspects of the means test from an operational perspective as part of the Legal Aid Means Test Review reform programme.
- The development of options and recommendations for the Criminal Legal Aid Review reform programme.
- At the end of October 2019 separated migrant children became eligible for legal aid to help with citizenship and non-asylum immigration applications.

We have met with representative bodies to discuss and resolve operational and policy issues on a regular basis. We have worked collaboratively with other parts of Government to ensure that legal aid is considered in wider policy and legislative changes, and have participated in a variety of pilots and projects.

Strategic Objective 3

SO 3: Secure value for money for the taxpayer in all that we do



KPI: Financial Management

Legal Aid Agency Fund spend – careful financial stewardship of the Legal Aid Fund, focusing on identifying efficiencies and fraud prevention

Legal Aid Agency Admin spend – efficiencies and cost savings required to enable the Agency to deliver simple, timely and reliable access to legal aid within the allocation administration budget

Minimise net error rate, ensuring it remains **below 1%** – monitoring the accuracy with which we grant applications for legal aid and process bills

£1.72bn

Our fund spend decreased compared to 2018-19

£1.74bn
in 2018-19

£721k increase

The amount our staff costs increased by, compared to 2018-19



0.83% The net estimated error rate for 2019-20

0.65%
in 2018-19

For more information on LAA expenditure refer to the Financial Management Commentary and Financial Statements.

Strategic Objective 3 is linked to the following commitments:

- ✓ Maintain financial stewardship of the Legal Aid Fund, ensuring we prioritise identification of efficiencies in business processes and a focus on fraud prevention
- ✓ Undertake the effective commissioning of services and contract management
- ✓ Continued delivery of change, particularly across our digital services, whilst retaining a tight grip of our departmental finances

Maintaining a focus of financial stewardship our net estimated error rate for 2019-20 remains below 1% and echoing that performance our Legal Help net error rate also remains below 1%.

Working with our MoJ colleagues in Estates, moving to shared government spaces we saw in one case consolidation of desk space resulting in a significant saving.

In terms of our IT infrastructure, working with MoJ colleagues we have seen improved stability and reliability of our digital services as the year has progressed.

A challenge for us this year has been our recovery of debt in civil and crime cases and we end the year not having recovered the level of debt we set ourselves to deliver. During 2019-20 we have undertaken a review of our debt collection teams and implemented new team structures which will allow us to improve performance in this area. We had planned work to set targets for 2020-21, to develop a new cross-MoJ debt strategy but the progression of this work at this time will be dependent on business planning and contingencies owing to COVID-19.

There was a significant increase in bills being submitted by our providers towards the end of 2019-20 in response to the COVID-19 outbreak. This resulted in an increase in payments from the fund for amounts that we would have expected to pay during the early part of 2020-21. Subsequently we have elected to facilitate earlier payments on account, interim and final bill payments in civil and crime cases to support our providers during this time of potential financial hardship.

Strategic Objective 4

SO 4: Achieve our full potential through being fair, proud and supportive



KPI: People

Monitor the number of days lost through sickness – **5.3 Average Working Days Lost (AWDL)**

6.0 AWDL due to sickness of staff across LAA compared with **5.7** in 2019-19.

6 working days

This is **below** the Civil Service benchmark of **7.3** days



In the 2019-20 annual Civil Service People Survey

71% our staff engagement score, maintaining our performance in the 2018-19 survey



Ranked 8th highest amongst participating Civil Service organisations, improving our performance of **9th** highest in the 2018-19 survey



1st highest for similar sized Civil Service organisations, maintaining our performance in the 2018-19 survey



The LAA is in the **top 10** of **102** Civil Service organisations that took part in **8 out of 9** categories in the survey



Strategic Objective 4 is linked to the following commitments:

- ✓ Build on our strengths and capabilities to attract and retain our people whilst being fair and inclusive
- ✓ Develop inspiring, confident and empowering leaders at all levels by building capability and nurturing their diverse talents
- ✓ Engage with our people on being a future-ready organisation, transforming and embracing smarter working
- ✓ Provide an appropriate mix of learning and development that offers opportunities for everyone
- ✓ Continue to build an inclusive culture empowering our people to look after their wellbeing wherever they work

Consolidating the approach to recruitment we introduced last year, we have been recruiting into roles using strengths and potential as well as competencies and experience.

Strengthening our leadership capability, we have invested in our leaders and their development hosting an annual leadership event and regular leader's bulletins. More broadly, throughout the year we have delivered a comprehensive learning and development offer with a range of programmes across grades and specialisms providing a wide spectrum of opportunities.

Continuing to embrace the opportunities of smarter working and the digital tools available to us we have created more opportunities outside London and taken action to support social mobility. Linked to this is wellbeing and inclusivity which we continue to support and promote via our champion networks, specific events and awareness activities.

In terms of our Average Working Days Lost (AWDL) performance target we have consistently set ourselves stretching targets in this area. We end the year with our performance at 6.0 against our target of 5.3. This should be considered against the background of a civil service benchmark of 7.3. Moving forward, our People Committee will continue to consider AWDL performance, strengthened by increased reporting to aid knowledge and inform any appropriate action or intervention.

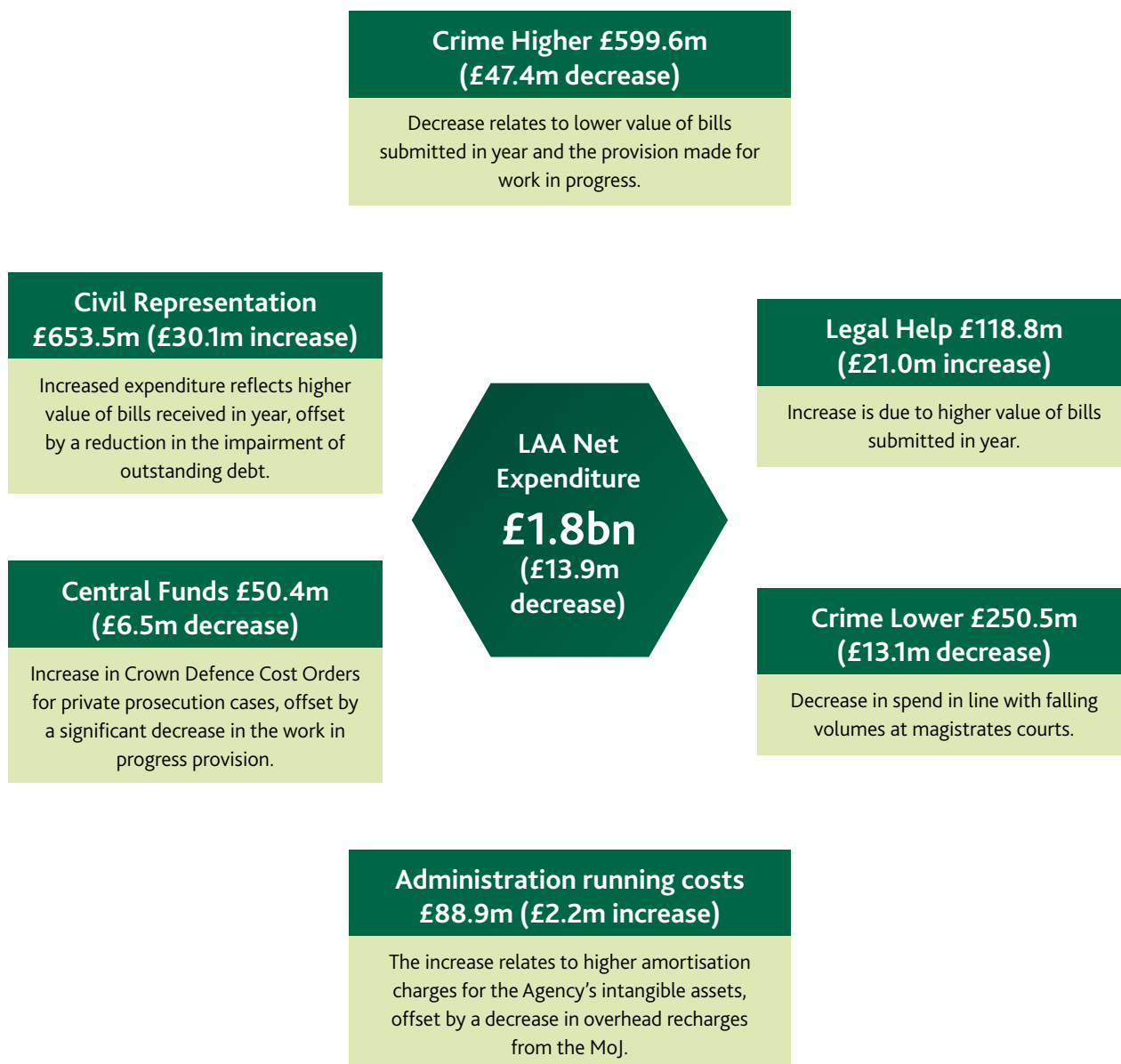
Emerging risks

Risks considered throughout 2019-20 and as we look to the future.



Financial Management Commentary

This section provides commentary on our performance during the past year, and supports the Financial Statements. The Financial Statements are set out from pages 72 to 109. Note 2 to the Financial Statements on page 89 details the net operating costs for each of the segments below and notes 2-6 set out expenditure and income in detail. Below are the largest movements, comparing 2019-20 to 2018-19, in legal aid spend by scheme:



Significant items in the LAA's Statement of Financial Position

Provision for liabilities and other charges

This is for work that has been completed by solicitors, barristers and advice agencies but has not yet been billed. The value of this work in progress is estimated by taking the number of cases that have been reported as started and estimating the activity that has taken place using historical profiles of case costs and durations for each individual scheme of legal aid. The majority of the remaining liabilities of the LAA are for bills received but not yet processed, which are treated as trade payables, and any unpaid work reported in payment on account claims, which are treated as accruals.

Trade and other receivables

This includes money due from legal aid providers and clients who have received legal aid, with the majority being due under a statutory charge. Statutory charges arise when legally aided clients successfully gain or retain an asset as a result of the legal assistance they receive. In these circumstances the client must repay the cost of their legal aid. If the client has insufficient disposable assets to repay the legal aid, the LAA gains security over the debt by registering a formal charge over the relevant asset. The Lord Chancellor is entitled to defer enforcement of this charge and to accrue interest against this debt at 8% simple interest until such time that the claimant is able to repay the debt. The debt will either be recovered when the asset is sold, or before if the client has the means to repay it sooner. Clients are encouraged to repay the debt as soon as they are able to minimise interest charges.

Sustainability Report

We are committed to creating a sustainable, effective and efficient estate which provides value for money for the taxpayer, reduces our environmental impact and enables transformation of the way civil servants work.

To reduce our environmental impact, we have worked towards the Greening Government Commitments and the Government's commitments for delivering sustainable operations and procurement.

Our strategy for sustainability focuses on:



- **Environmental awareness** – waste minimisation and recycling is well-practised within our day-to-day operations. We also promote responsible procurement and waste management practices. The Department for Environment, Food & Rural Affairs provides details of Government Buying Standards for a range of products. As part of all tendering activity where they apply, the requirements of the Government Buying Standards are mandated by us.



- **Climate change awareness** – the MoJ's Sustainability Team continues to manage and review high-risk buildings and sites. This highlights premises susceptible to the effects of climate change, such as temperature, flooding, and other adverse climatic conditions. This enables us to evaluate energy usage to better inform our operational strategy and to better operate sustainably.



- **Digitisation** – We are making improvements to the way we ask for evidence, how we use data from other government departments and how we handle large files to further reduce our reliance on paper. We have increased automation (for example in travel claims in Crown Court) to allow us to process cases more efficiently. We have continued to offer improved collaboration tools for internal staff to allow more efficient, flexible working. Paper usage has fallen again from 8 to 6.8 tonnes (reduction of £1k in spend), demonstrating the continued benefits from projects that were completed in the previous financial year.

In addition, efficiency has been sought through the use of shared functions, including Shared Services Connected Limited, the Central Legal Team, and the Human Resource Business Partners, which provide support to the LAA, MoJ, and other Government Departments. This reduces the required staff, resources, office spaces, and emissions.

LAA, as part of the wider MOJ, has an established Green Champion to help raise sustainability awareness and improve working practices in our offices. LAA staff participate in MoJ-wide activities such as recycling, the ban on consumer single-use plastics in Government offices and initiatives on biodiversity such as encouraging staff to participate in the Big Garden Bird Watch.

Environmental sustainability measure reporting

Our progress against the 2020 Greening Government Commitments is outlined below. For the first time this year, energy, water and waste data has been provided from our facilities management companies from individual sites rather than previous estimates of these utilities which were based on total costs through service charges. As a result, the figures from this year differ significantly and cannot be compared to previous years.

Non-financial environmental data is shown for a 12-month period from January 2019 to December 2019 and therefore does not align with data reported elsewhere in this report which refers to the 2019-20 financial year (1st April 2019 – 31st March 2020).

Greenhouse Gas emissions

Energy ¹		2019-20	2018-19	2017-18	2016-17	2015-16
Non-financial indicators (tonnes of CO ₂ equivalent tCO ₂ e)	Gas – Scope 1 non-renewable energy	89	85	95	103	176
	Electricity – Scope 2 non-renewable energy	215	107	323	417	528
	Electricity – Scope 2 renewable energy	5	77	102	124	158
	Official business travel emissions – Scope 3	167	174	194	162	260
	Total	476	443	714	806	1,122
Non-financial indicators (Megawatt hours MWh)	Gas – Scope 1 non-renewable energy	484	463	514	560	959
	Electricity – Scope 2 non-renewable energy	841	348	1,050	1,356	1,720
	Electricity – Scope 2 renewable energy	18	252	332	405	514
	Total	1,343	1,063	1,896	2,321	3,193
Financial indicators (£000)	Gross expenditure on energy	278	108	210	267	350
	Expenditure on official business travel (UK only)	638	642	662	502	896
	Total	916	750	872	769	1,246

Energy consumption and Greenhouse Gas emissions (GHG) emissions from purchased electricity and gas for heating have increased compared to last year due to data availability for a larger number of sites being reported this year.

¹ Energy data for 2019-20 reporting year includes information from the following sites only: Cardiff, Cheltenham, Darlington, Nottingham, London (102 Petty France), Jarrow, Swansea, Bristol and Brighton.

Travel

Travel		2019-20	2018-19	2017-18	2016-17	2015-16
Output information	Motor vehicle	435	415	415	366	513
	Rail	1,703	2,131	2,513	1,948	3,230
	Flight	10	33	55	64	153
	Total	2,148	2,579	2,983	2,378	3,896
Output information (tCO ₂ e)	Motor vehicle	77	75	75	66	93
	Rail	71	94	111	86	143
	Flight	1	5	8	10	24
	Total	149	174	194	162	260

There has been a small increase in the number of motor vehicle emissions as distance travelled increased slightly, while rail emissions have decreased by 24% since last year as rail travel has reduced. Flight emissions have further decreased by 80% compared to last year following a 70% decrease in distance flown. Overall emissions have decreased by 14%.

Finite resource consumption

Water ²		2019-20	2018-19	2017-18	2016-17	2015-16
Non-financial information (cubic metres)	Water consumption	1,627	3,496	14,897	14,792	13,102
Financial information	Motor vehicle	77	75	75	66	93

Our water usage during 2019-20 is significantly lower than previous years due to consumption data only being available for six of our sites. Previous years data was estimated based on service charge costs and this has been replaced with more accurate data from meter readings.

² Water data for 2019-20 reporting year includes information from the following sites only: Darlington, Nottingham, London (102 Petty France), Jarrow, Bristol and Brighton.

Paper

Paper
consumption for
2019-20

reduced by **18%** to **6.8 tonnes**

with a spend of **£7k**

Our consumption of paper between years has significantly reduced and spend has reduced accordingly. This is a positive outcome from our progress towards achieving a digital paperless operation. We are working towards only procuring 100% recycled paper in line with Government Buying Standards and are monitoring paper purchases monthly to ensure compliance across all sites.

Waste minimisation and management

Waste ³		2019-20	2018-19	2017-18	2016-17	2015-16
Non-financial information (tonnes)	Waste sent to landfill	1	162	148	298	345
	Waste incinerated for energy recovery	7	N/A	N/A	N/A	N/A
	Waste composted	1	N/A	N/A	N/A	N/A
	Waste recycled/reused	131	691	840	366	692
	Total	140	853	988	664	1,037
Financial information (£ 000)	Total	41	26	27	37	46

For the first time this year waste data has been provided from our facilities management companies from individual sites rather than previous estimates of our waste tonnage which were based on total waste disposal costs. This means we now have a more accurate measure of our total waste which is recycled, composted, incinerated or sent to landfill across 12 sites and we will be using this data to record progress against waste targets in future years.

We continue to provide easily accessible recycling bins in all our offices to encourage landfill minimisation and ensure best reuse of finite resources. Further progress in digital working and paper reduction should also reduce waste in the future.

³ Waste data for 2019-20 reporting year includes information from the following sites only: Birmingham, Cardiff, Cheltenham, Darlington, Liverpool, Nottingham, London (102 Petty France), Pontypridd, Jarrow, Swansea, Bristol and Brighton.

Going forward

We are continuously improving systems and controls to completely and accurately capture our environmental sustainability measures. This is reflected in the updated and more accurate data available in this year's report reflecting consumption from utility bills where possible to replace financial estimates made in previous years.

We launched a new digital strategy in April 2018, which is improving the efficiency of working practices.

Our sustainability strategy is to continue operating closely with the MoJ's Sustainability Team towards the Greening Government Commitments. Together, we will continue to work on reducing GHG emissions, improve our waste management, further reduce water consumption, and buy more sustainable and efficient products and services with the aim of achieving the best long term minimum environmental impact. Our Sustainability Team and Facilities Management continue to find ways for us to reduce our carbon footprint through facilities upgrades.

We continue to explore opportunities offered by improved ways of working – through digital working, and the better use of technology.

We will explore further estates rationalisation to reduce the amount of space we occupy through more flexible working arrangements. This will further reduce our accommodation energy needs.

We are committed to creating a sustainable, effective and efficient estate which provides value for money for the taxpayer, reduces our environmental impact and enables transformation to the way civil servants work.

Signed for and on behalf of the Legal Aid Agency



Jane Harbottle

Interim Chief Executive and Accounting Officer
Legal Aid Agency
14 July 2020

Accountability Report



Corporate governance report

Introduction

Our Framework Document sets out the arrangements for governance, accountability, financing, staffing and operations and can be viewed in full at <https://www.gov.uk/government/organisations/legal-aid-agency/about/our-governance>

As Chief Executive and Accounting Officer for the LAA, I am responsible for the LAA's use of resources in carrying out its functions as set out in the Framework Document. 'Managing Public Money' as issued by HM Treasury also sets out the responsibilities of an AO.

As Accounting Officer, I am personally responsible for safeguarding the public funds for which I have charge, for ensuring propriety and regularity in the handling of public funds, and for day-to-day operations and management of the LAA. In addition, I must ensure that the LAA as a whole is run in accordance with standards in terms of governance, decision making and financial management.

My report outlines the governance arrangements in place to manage risks to the achievement of the LAA's agreed objectives and targets, and to provide effective oversight and control over its resources and assets. It includes:

- Directors' report;
- Statement of the Accounting Officer's responsibilities;
- Governance statement.

Directors' report

The composition of the LAA Board, the Audit and Risk Assurance Committee (ARAC) and the Executive Leadership Team (ELT) are detailed on pages 39-41. Together they are responsible for setting the LAA's strategic direction and monitoring performance against agreed objectives.

Statement of Directors' interests

Non-Executive Board Members (NEBMs) are required to declare any directorships and conflicts of interest on appointment. All Board Members are also required to declare any previously undisclosed conflicts of interest. There have been no declarations made during 2019-20.

Personal Data Incidents

Consideration was given to whether any incident involving personal data was so serious it should be reported to the Information Commissioner's Office (ICO). In 2019-20, there were three breaches reported to the ICO. Further details of these are on page 51.

The Governance Statement on pages 34-52 considers further information assurance and data security practices in the LAA.

Statement of Accounting Officer responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Legal Aid Agency (LAA) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the LAA and of its income and expenditure, Statement of Financial Provision and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis;

The Accounting Officer confirms that, as far as she is aware:

- There is no relevant audit information of which the LAA's auditors are unaware, and she has taken all the steps to make herself aware of relevant audit information and to establish that the LAA's auditors are aware of that information; and
- The Annual Report and Accounts as a whole is fair, balanced and understandable and she takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Principal Accounting Officer of the Ministry of Justice has designated the Chief Executive as Accounting Officer of the Legal Aid Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Legal Aid Agency's assets, are set out in 'Managing Public Money' published by the HM Treasury.

Governance Statement

Introduction

This statement is my first as Interim Chief Executive and Accounting Officer for the LAA. During the course of 2019-20 our Chief Executive in post changed. Prior to his departure from the Agency, Shaun McNally provided a comprehensive handover to me and, as an existing member of the LAA Board and Executive Leadership Team, I was already aware of, and to an extent involved with, Accounting Officer and corporate governance responsibilities for the Agency. On becoming Interim Chief Executive I was additionally briefed on Accounting Officer responsibilities by Finance and undertook the formal Accounting Officer training at the earliest possibility. I am responsible for maintaining a robust system of internal control that supports the achievement of the LAA's policies, aims and objectives, while safeguarding public funds and departmental assets. This is in accordance with the responsibilities assigned to me in HM Treasury's publication 'Managing Public Money'.

As the Accounting Officer, I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the National Audit Office are aware of that information. So far as I am aware, there is no relevant information of which the auditors are unaware.

Additionally, I hold the role of Director of Legal Aid Casework (DLAC), which is designated to me by the Lord Chancellor. I undertake the DLAC role in practice by delegating decision-making to LAA caseworkers and providers. As DLAC, I am supported by the LAA Board in ensuring that robust practices are in place to maintain an independent decision-making process for granting legal aid. My DLAC Annual Report provides a summary of decisions made, the work carried out on my behalf and the processes followed.

Relationship with Parliament

The LAA is subject to scrutiny from Parliament. This includes the Public Accounts Committee (PAC), the Justice Select Committee (JSC) and the Parliamentary and Health Service Ombudsman (PHSO). The MoJ, and the LAA as an integral part of the department, have continued to work across the justice system to share best practice and identify and implement efficiencies that improve the service we provide to our users.

Parliamentary and Health Service Ombudsman

The LAA has in place a two-tier complaints procedure providing a process for complaints to be reviewed objectively before the complainant decides whether or not to refer their matter to the PHSO through their local Member of Parliament. Where appropriate the LAA will engage directly with the PHSO liaison officer to:

- Discuss progress on individual cases;
- Provide updates on changes: for example, policy changes and potential impacts for the PHSO;
- Ensure two-way sharing of best practice and constructive feedback.

The LAA has regular meetings with a MoJ-wide complaints forum as the themes and working relationships are similar. This provides an opportunity to work collaboratively to continually improve our complaints handling service.

During 2019-20, the LAA was notified of 32 complaint referrals, an increase on our previous year, but worth noting that the LAA through its improvement work has increased correspondents' awareness of next steps available to them to raise their complaint to the PHSO via their MP should they wish to.

Of the referrals, one case was accepted for a formal investigation. The PHSO reached conclusions on 21 ongoing cases in this year (case conclusions can span multiple years and there is no direct correlation to complaints raised or concluded each financial year). Of the concluded cases, one case was upheld in full, 0 were upheld in part and 0 cases were discontinued. Of the recommendations made, all have either been complied with or are in the process of being implemented within agreed timescales.

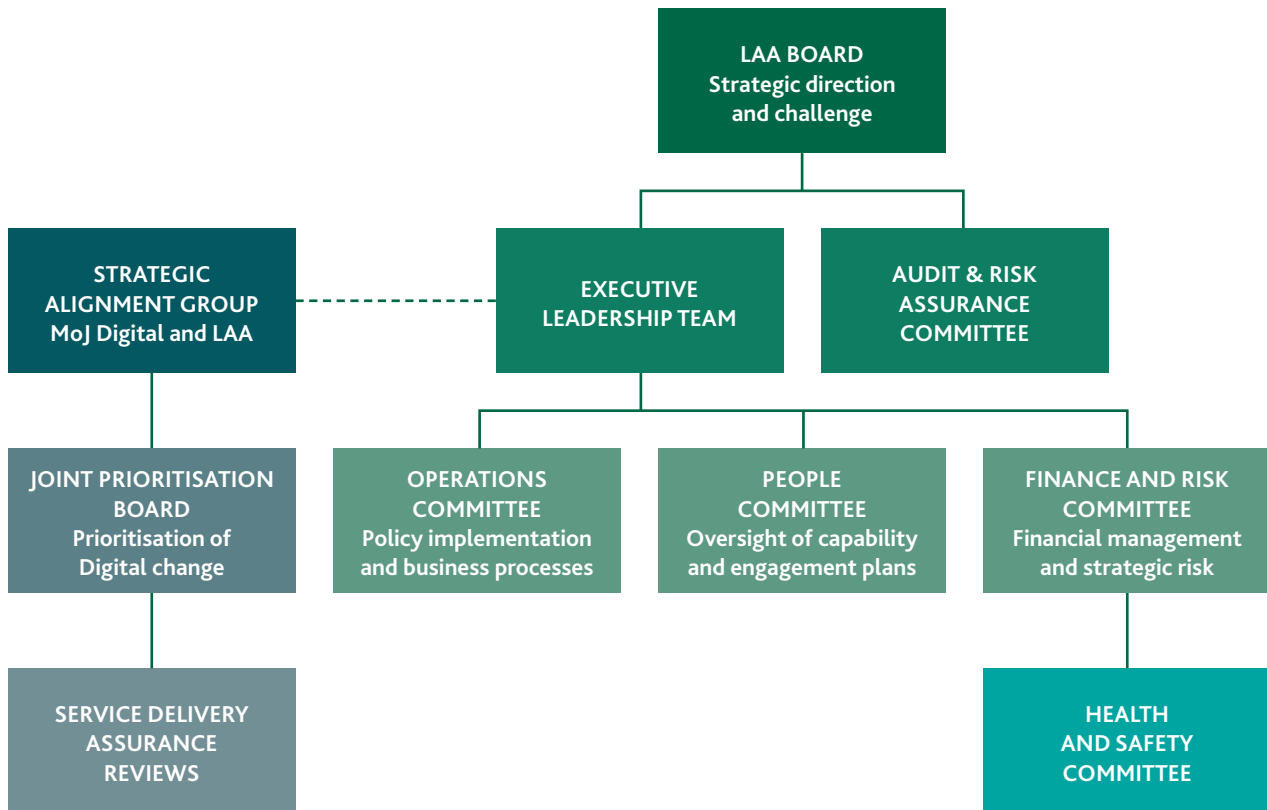
On conclusion of an investigation the LAA takes any necessary action to carry out the recommendations made by the PHSO. This can inform changes to processes and ways of working which will have a positive impact on the provision of public services in the future.

Governance framework

The governance structure is detailed on page 36. This was established last year with the commitment to streamline our governance while enabling adequate oversight and control of the LAA's delivery priorities. This was developed in line with the principles of the HM Treasury best practice guide 'Corporate Governance In Central Government Departments: Code of Good Practice' (the Code), to the extent it applies to an Executive Agency.

The governance structure has continued to work effectively and as intended, providing strong support to myself as Accounting Officer and the wider Executive Leadership Team (ELT) in discharging our responsibilities.

Governance Structure



Committee Membership and Attendance

Name and role	Gender	LAA Board	ELT	Committees			
				ARAC	Operations	Finance & Risk	People
EXECUTIVE BOARD							
Shaun McNally CBE – Chief Executive, LAA until 07.07.19 No. attended	M	Member until 07.07.19 2 of 11	Chair until 07.07.19 4 of 17	Invitee until 07.07.19 1 of 4			
Jane Harbottle – Interim Chief Executive, LAA from 08.07.19 No. attended Deputy Director, Head of Civil and Crime Case Management until 07.07.19 No. attended	F	Member 9 of 11 Member 1 of 11	Chair from 08.07.19 9 of 17 Member	Invitee from 08.07.19 3 of 4	Chair until 07.07.19 3 of 11		
Rhiannon Lloyd – Interim Principal Legal Advisor to LAA until 14.02.20 No. attended	F	Member until 14.02.20 6 of 11	Member until 14.02.20 11 of 17				
Michael Jennings – Principal Legal Advisor to LAA from 15.02.20 No. attended	M	Member from 15.02.20 2 of 11	Member from 15.02.20 2 of 17				
Lorna Maden – Director of Finance No. attended	F	Member 5 of 11	Member 2 of 17	Invitee 3 of 4			
Alistair Adan – Interim Deputy Director, Head of Civil and Crime Case Management from 08.07.19 No. attended	M	Member from 08.07.19 8 of 11	Member from 08.07.19 10 of 17	Invitee 1 of 4	Co-Chair from 08.07.19 8 of 11	Invitee 6 of 12	
David Thomas – Deputy Director, Head of Contract Management and Assurance No. attended	M	Member 8 of 11	Member 12 of 17	Invitee 3 of 4	Member 8 of 11	Chair 8 of 12	
Samantha Milton – Head of Public Defender Service No. attended	F	Member 3 of 11	Member 13 of 17		Co-Chair 10 of 11		Chair until 11.06.19 3 of 10

Name and role	Gender	LAA Board	ELT	Committees			
				ARAC	Operations	Finance & Risk	People
Lucy Jones – Deputy Director, Head of Corporate Centre from 11.06.19 to 26.07.19 No. attended	F	Member from 11.06.19 to 26.07.19 2 of 11	Member from 11.06.19 to 26.07.19 3 of 17				Chair from 11.06.19 to 26.07.19 1 of 10
Hamza Yusuf – Interim Deputy Director, Head of Corporate Centre from 30.09.2019 No. attended	M	Member from 30.09.19 5 of 11	Member from 30.09.19 6 of 17				Chair from 07.11.19 4 of 10
Paul Henson – Deputy Director of Finance No. attended	M	Member 7 of 11	Member 11 of 17	Invitee 4 of 4		Invitee 3 of 12	
Hannah Payne – Deputy Director, Head of Transformation No. attended	F	Member 6 of 11	Member 13 of 17				

NON-EXECUTIVE BOARD

Deep Sagar – Commercial No. attended	M	Member 10 of 11		Member 3 of 4			
Calum Mercer – Financial No. attended	M	Member 10 of 11		Chair 4 of 4			
Professor Suzanne Rab – Legal from 01.04.2019 No. attended	F	Member from 01.04.19 10 of 11		Member from 01.04.19 4 of 4			

OTHER

Deputy Director of Digital Until 04.10.2019	M	Invitee	Member	Invitee			
Deputy Director of Digital From 03.02.2020	F	Invitee	Member	Invitee			
Head of Chief Executive's Office	F	Invitee		Invitee			
MoJ HR Director for LAA	F	Invitee	Member				
MoJ Director, Legal Aid Policy	M	Invitee					
MoJ Director General of Finance	M	Invitee					

Committee roles and responsibilities

Legal Aid Agency Board

Name of committee	Legal Aid Agency Board
Chair	Chief Executive
Frequency	Monthly There were 11 meetings of the Board, and one Board strategy meeting during 2019-20.
Role	The LAA Board supports the Accounting Officer and other senior officials in directing the business of the LAA. The Board is ultimately responsible for providing advice on the governance and strategic direction of the LAA. Some responsibilities of the Board are delegated to its committees, who are set out in the tables below.
Skill set	<ul style="list-style-type: none"> • Chief Executive; • The Non-Executive Board Members (NEBMs); • The Principal Legal Adviser; • The Director of Finance; <p>The Chairs of the three Committees: People Committee: Deputy Director for Corporate Centre, Finance and Risk Committee: Deputy Director for Contract Management and Assurance, Operations Committee: Deputy Director for Case Management and Deputy Director for Public Defender Service</p> <ul style="list-style-type: none"> • Deputy Director for Agency Transformation • Deputy Director for Finance <p>There have been changes to the individual Board members.</p>
Key activities this year	During the year the Board has reviewed key aspects of LAA's performance focusing on operational performance, finances, achievements, risks, and improvement actions. The Board has taken assurance from the work of Internal Audit that effective financial controls are in operation underpinning the data included in these reports. The Board has also taken a great interest in staff engagement; monitoring progress against plans and scrutinising the People Plan. At the strategy meeting the Board, supported by wider ELT members, considered: the strategic objectives; vision; and the key factors that could influence the success of the Agency in achieving its goals. Over the year the Board has continued to increase the visibility of its members by visiting staff in different LAA offices.

Audit and Risk Assurance Committee

Name of committee	Audit and Risk Assurance Committee
Chair	Finance Non-Executive Board Member
Frequency	Quarterly There were 4 meetings of ARAC and an Extraordinary ARAC meeting to approve the Annual Report and Accounts
Role	The ARAC advises the Board collectively on issues of risk, control and governance, using its professional expertise in financial, legal and commercial matters to challenge and support the LAA.
Skill set	The committee is made up of three NEBMs, who are also members of the LAA Board. They do not have any executive responsibilities.

Name of committee	Audit and Risk Assurance Committee
Key activities this year	During 2019-20 the ARAC has continued to maintain strong oversight and challenge of the LAA's financial statements, error rate, data security and business continuity arrangements, receiving assurance reports from management and internal and external audit. An effectiveness review was completed and appropriate actions to ensure and improve effectiveness were undertaken. In exercising their duties and accountabilities both the Board and ARAC have provided significant support, challenge and guidance over the course of the financial year.

Executive Leadership Team

Name of committee	Executive Leadership Team
Chair	Chief Executive
Frequency	Monthly – between April-August meetings were twice monthly before moving to once a month in October. There were 17 meetings and one ELT Strategy meeting of ELT during 2019-20
Role	The ELT is the senior committee and has overall management responsibility for the LAA. ELT take decisions on the strategy for, and management of, the LAA, including the future capability and capacity of the LAA to meet departmental and Government reform plans, and the strategic management of corporate level risks.
Skill set	<p>The ELT maintains high-level oversight of the operational running of the LAA and is supported in its responsibilities by three committees and one shared committee with the Digital team (hosted in MoJ). These committees were created to facilitate deeper, focused discussions on specific issues as well as the completion of tasks delegated from the ELT.</p> <ul style="list-style-type: none"> • Operations Committee: To take decisions on implementing policy proposals and on the optimisation of business processes to deliver legal aid efficiently and effectively – including the interface with providers. It will review and challenge performance not limited to external KPIs and oversee the management of operational risks. An effectiveness review was completed and appropriate actions to ensure and improve effectiveness were undertaken. • Finance and Risk Committee: In 2019-2020, the Finance and Risk Committee have continued to support the Executive Leadership Team and Audit and Risk Assurance Committee, particularly through scrutinising risk management and corporate assurance matters. This scrutiny has primarily been through a rolling programme by our Risk Working Group of reviews of departmental risk management; review of corporate assurance activity and progress on audit recommendations; and deep dives on topics such as provider risk management, the organisational budgeting cycle, cyber risk assessment of LAA systems, and of the approach to ensuring proactive error risk assessment within the organisation's transformation programme. An effectiveness review was completed and appropriate actions to ensure and improve effectiveness were undertaken.

	<ul style="list-style-type: none"> • People Committee: People Committee provides constructive business-focused input, decision making and assurance that the LAA is delivering against our People Strategy and annual People Plan. The committee regularly considers themes around diversity, inclusion and wellbeing and plays a key role in ensuring that we listen to and act on feedback from our active staff champions and networks who are regularly invited to attend and update. Over the last year the make-up of the committee has changed so we are now a more diverse mix of grades and teams and have better representation from under-represented groups. The committee moved from monthly to six-weekly meetings and will now invite our staff networks and champion group leads to an extended meeting bi-annually. The format of the meetings has seen increased use of our digital communications and collaboration tools to ensure everyone can input regardless of where they are working. The committee now considers a people dashboard so they are better able to track performance against our people plan but also the impact initiatives are having as well as monitoring risks and issues. We have had three chairs over the last year and completed two effectiveness reviews which were both positive. We now have a clear set of recommendations for improvements we will bring into the operation of the committee in 2020-21 to ensure that we become smarter about how we operate and are effective in responding to the needs of our organisation. • Strategic Alignment Group: The Strategic Alignment Group meets annually to agree joint priorities with MoJ Digital. It is supported by a quarterly Joint Prioritisation Board, and Assurance Boards for each of the three service areas within MoJ Digital. We have made good progress in improving how the quarterly prioritisation board works, and we have a mature relationship with Digital; we broadly agree on what the priorities are. The Assurance Boards have been less effective and have not consistently met each month. We are reviewing how best to make the boards more useful and effective, including the information board members need to track progress and help manage risk and issues.
<p>Key activities this year</p>	<p>Finance and Risk Committee: A change in approach this year has seen an increased emphasis on risk workshops through a working group, to increase the ease and speed of escalation of emerging risks for FRC consideration. Following this, the ELT has had increased visibility of emerging risks and the organisation is able to be more responsive to changing patterns of opportunity and risk.</p> <p>People Committee: In 2019 the LAA sustained or increased our scores against twelve of the thirteen measures we use to assess the impact of our corporate People Plan. Over the last year key themes considered include how we can best attract diverse talents into the LAA, how we listen to and engage our staff on change and build our leadership and management capability. The committee has also played a critical role in shaping our new three-year People Strategy and 2020-21 People Plan.</p>

Internal control framework

The system of internal control is designed to manage risk to an acceptable level, rather than to eliminate all risk in relation to achieving its policies, aims and objectives. Based on the LAA's assurance framework I am reasonably assured of the effectiveness of the system of internal control.

As explained in our operating model above, I am assisted in the stewardship of the LAA's resources and management of its risks by the Board, the ELT and Committee Chairs. I receive written assurance from my Deputy Directors on the effectiveness of risk management and control in the form of annual assurance declarations. In addition, the MoJ provides us with a common platform of digital, financial, and HR systems, policies and expertise that are applied where relevant. I also receive an internal audit service from the Government Internal Audit Agency, which provides me with independent assurance over the effectiveness of my organisation's governance, risk management and control environment.

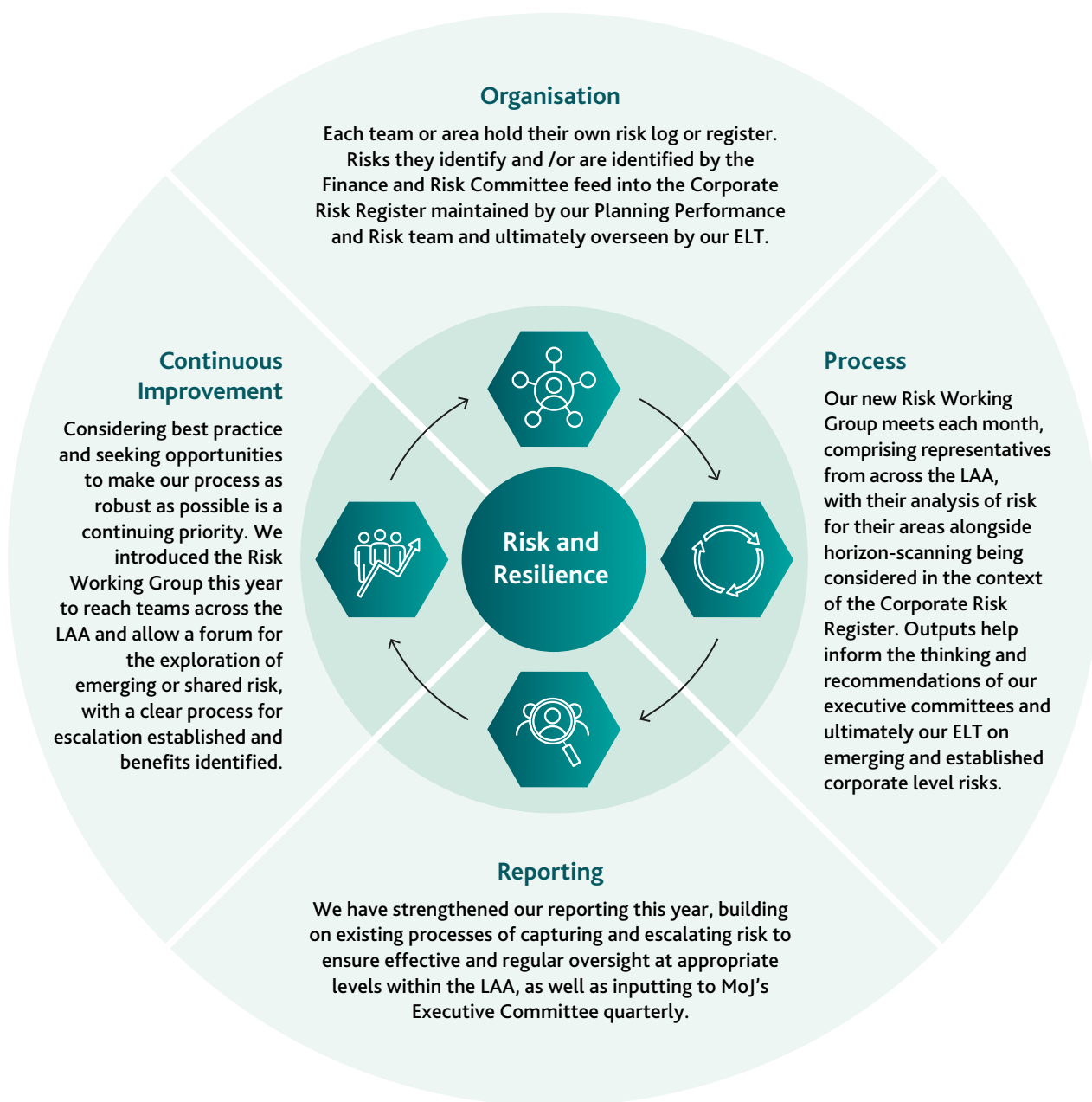
Head of Internal Audit Opinion

During the course of the audit programme in 2019-20 all audits were rated as 'Moderate' or 'Substantial'. Of the actions recorded there were no high priority and 19 medium priority. Overall this is an improvement compared to the previous year.

In her annual report to the LAA, the Head of Internal Audit commented "management have been proactive to accept and implement key recommendations to improve controls arising from the work of Internal Audit". Management action continues to be monitored by LAA Corporate Assurance and reported on to the ARAC.

Based on the work completed throughout the course of the year; her knowledge of the LAA and attendance at the ARAC, the Head of Internal Audit has provided a 'moderate' opinion on the Agency's framework of governance, risk management and control.

Risk management process



Significant risks and issues in 2019-20

As an organisation we have continued to manage ongoing and inherent risks to the delivery of our strategic objectives, building on our existing risk management framework to strengthen processes and allow for the identification of emerging risks as well as the effective and thorough assessment and interrogation of existing risks and issues. The ARAC, the ELT and the Board have continued to review and challenge the progress made to manage and mitigate the risks documented in the LAA's Corporate Risk Register, which focuses on the key internal, external and strategic risks to the delivery of our objectives. Over the course of the last year, this has included risks relating to, but not limited to: the LAA's finances, systems, market stability, digital change management, legislative change and operations, as well as latterly the handling of the combined MoJ response to COVID-19.

The table below sets out further detail on live issues and risks that have been managed at a corporate level over the last year, with accompanying narrative on key mitigating actions and clear links to our strategic objectives.

Our strategic objectives:

SO1	Provide simple, timely and reliable access to legal aid	SO3	Secure value for money for the taxpayer in all that we do
SO2	Build strong relationships across Government and the justice system	SO4	Achieve our full potential through being fair, proud and supportive

Topic	Description	Key mitigating actions, activities and headlines
COVID-19 – SO1, SO2, SO3, SO4	Four distinct themes were added to the Corporate Risk Register during the final weeks of 2019-20, covering the LAA's management of risks relating to: our directly-provided services and associated performance levels, supporting our people, supporting our providers to deliver services, and the overall ability of the LAA to manage all the required COVID-19 work	<p>A number of key actions took place during the final weeks of the 2019-20 reporting period to mitigate the anticipated impacts of risks related to COVID-19. These include, but are not limited to: maximising working from home for LAA staff to ensure continuity of services to providers and clients, digitising existing processes/ways of working, engaging with representative bodies and justice system colleagues to develop ways to support our provider base (through reduced administration and addressing cashflow concerns), focusing on the health and wellbeing of our staff via a number of initiatives, and strengthening our internal reporting techniques to ensure effective senior oversight of performance and associated risks on a weekly basis.</p> <p>Due to the nature of the COVID-19 work, these risks and their associated actions/mitigations are continually evolving as we move into 2020-21. We expect to see COVID-19 begin to affect existing risks and issues to varying degrees in the coming months.</p>

Topic	Description	Key mitigating actions, activities and headlines
LAA Fund budget – SO1, SO3	Managed as a live issue during 2019-20, the legal aid Fund is volatile due to its demand-led nature	We use a robust model for forecasting based on trend data alongside simulations of current risks and opportunities. Our focus continues to be on working alongside our providers of legal aid to maintain stability in the market by managing our reliance on the MoJ’s IT infrastructure and LAA legacy systems, and reducing the likelihood of fraud and error arising in the Legal Aid Fund. We continue to actively engage with MoJ and Treasury in respect of policy development and potential efficiencies.
Market sustainability – SO1	Gaps in the provision of legal aid due to insufficient provider volumes	Owing to the in-year development of this risk, it was escalated to live issue status, allowing for in-depth and regular oversight at appropriate levels. In order to maintain ongoing access to services across all procurement areas, the LAA has undertaken procurement activity in seven Housing and Debt procurement areas and for four Housing Possession Court Duty Schemes throughout 2019-20; however not all such activity has resulted in maintaining services in all areas. This remains a key challenge for the year ahead, with the potential for COVID-19 to impact further, both in terms of provider availability and client need. We continue to engage with MoJ Policy colleagues and Ministers to develop strategies around service provision in the longer term.
Disruptive action – SO1	Industrial action related to policy proposals/developments results in gaps in the provision of legal aid	<p>The LAA and MoJ Policy officials have continued to engage with representative bodies and key stakeholders to understand the profession’s concerns over new policy proposals put forward following relevant consultation periods.</p> <p>A significant amount of work has taken place during 2019-20 on the Criminal Legal Aid Review. In recognition of some of the issues identified in the review, the government announced and accelerated package of measures which were due to be published in November 2019. Pre-election restrictions on government activity delayed the consultation on those measures until early 2020. The consultation was due to close at the end of March 2020, however was extended owing to COVID-19. Engagement with the profession continues on the wider review.</p>
Exit from the European Union – SO1	Failure to meet key operational delivery targets resulting from the UK’s exit from the European Union	<p>Significant planning activity has taken place across the LAA in order to identify the potential operational impacts of the UK’s exit from the EU and to effectively mitigate these. Changes to anticipated outcomes stemming from negotiations, as well as the General Election, resulted in this risk fluctuating in terms of its projected impact and likelihood rating.</p> <p>The LAA developed comprehensive risk and business continuity action plans, which have been fully challenged and interrogated in order to assess effectiveness.</p> <p>This risk will remain under review as we move into the new financial year, with no likely change to its overall rating until later in 2020.</p>

Topic	Description	Key mitigating actions, activities and headlines
IT services and digital delivery – SO1, SO2, SO3	Stability and resilience of our IT Services and the delivery of digital priorities	<p>Whilst significant progress has been made throughout the year both to strengthen the stability of our systems and to deliver our agreed key digital priorities, there have been a number of challenges that have impacted upon timescales and resource. Specific actions have included the reprioritisation of digital deliverables and a review of the governance underpinning our ways of working, with a view to maximising outputs during 2020-21. The non-delivery of digital priorities was escalated to live issue status during the year to allow greater levels of senior visibility and focus. Progress has been made across several initiatives, including the development of a new service to handle legal aid applications, Apply, which entered private beta in December 2019 and is receiving positive feedback from legal aid providers. Furthermore we are making the necessary changes to LAA systems to accommodate the new common platform, which will deliver a unified way of digital working across the courts, CPS and criminal justice system. Progress will continue on the implementation of General Data Protection Regulations, with increased levels of engagement between LAA Digital and LAA business colleagues, as well as with stakeholders in other areas of the civil service where appropriate.</p>
Cyber security – SO1, SO3	Disruption to service and/or the loss of financial and/or personal data resulting from cyber-attack	<p>The LAA has continued to place a strong emphasis on cyber security and data security throughout the year. Our teams are now more security conscious and have been interacting with the cyber team regularly.</p> <p>The LAA adopts the wider MoJ Digital approach to managing cyber security risks, protecting critical services by improving underlying technology in accordance with National Cyber Security Centre policies and guidance. To ensure ongoing management of risk in this area, our Senior Information Risk Owner periodically reviews risks and remediation plans with LAA Digital and operational teams through our internal Information Risk and Security Board, and a Technical Information Assurance Practitioner is embedded within the LAA Digital teams to advise on security best practice. We have increased resource and focus on this area and we are now working more closely with MoJ Digital & Technology. The LAA has had a designated Cyber Security Risk Adviser and a Cyber Security Consultant appointed over the last year, and they will continue to work with teams across the LAA.</p>

Topic	Description	Key mitigating actions, activities and headlines
		<p>Over the coming months a set of comprehensive cyber security risk assessments will be carried out across the LAA. Once this work is completed, using the analytics from the platform we will be able to have a more holistic view of the risk profile. In turn this will enable us to shift focus to the more high-risk areas of the estate.</p> <p>During the year we have implemented stronger controls on our provider base to reduce the risk of data loss when using removable media, both through process and culture, and piloted a secure file exchange to increasingly reduce the need for removable media in the future.</p>
<p>Facilities management – SO4</p>	<p>Ineffective facilities management provision, compromising compliance standards in buildings we occupy, a risk to health and safety of business users</p>	<p>Facilities management provision has been a cause for concern over the past two years. Actions taken throughout the year have included regular engagement with MoJ facilities management team colleagues to highlight risks/issues and influence action in respect of outstanding jobs, regular risk visibility at senior levels within the LAA, and external recruitment campaigns to increase central FM headcount. Owing to the required changes to ways of working during the final weeks of the year, this risk remains in a static state as we begin the new reporting year; however, we will be continuing to closely monitor this risk at corporate level and challenging where progress is not being made.</p>
<p>Defence Solicitor Call Centre (DSCC) and Civil Legal Advice (CLA) – SO1, SO3</p>	<p>The provision of quality services via DSCC and CLA</p>	<p>The LAA has worked hard to address service delivery issues arising from the transition between DSCC/CLA service providers. During the year there have been a number of service challenges associated with the transition period, such as website access during initial migration, as well as with performance levels, including call handling quality. This led to difficulties for people trying to access these services promptly. Actions were taken to mitigate impacts and improve operational performance, service reliability and service quality. These actions have included, but are not limited to:</p> <ul style="list-style-type: none"> • Dual-running of services during the transition between providers; • Regular internal and stakeholder communications to monitor performance and service quality; • Review of resource impacts associated with the necessary time investment in rectifying/addressing issues; • Monitoring of COVID-19 impacts on service provider resource and the exploration/development of further digitisation opportunities.

Topic	Description	Key mitigating actions, activities and headlines
Error rate – SO3	The complexity of legal aid means there is an inherent risk of error because of incorrect eligibility assessments or inaccurate payments	<p>This is continually scrutinised and managed as part of our stewardship arrangements. Our application and payment processes are subject to ongoing policy and administrative changes. In response we continue to focus on reducing error in a stable and sustainable way by working closely with our providers, and collaborating across our contract management, case management, finance and digital teams to identify and address root causes and strengthen both internal controls and provider compliance. In addition, where we identify a particular payment was irregular, we review and recover such payments.</p> <p>The annual stewardship programme 2019-20 was affected by the outbreak of COVID-19, and on the 17th March the decision was taken not to request files or make enquiries of providers so that they could focus on delivering services to clients.</p> <p>Following the outbreak, our planned testing for the final month of the year was disrupted leading to limited reviews of payments made in the final month of the final year. These reviews focussed on data that could be accessed digitally where physical access to Legal Aid offices was not required. Overall across 2019-20 we completed 3859 cases out of our planned sample of 4002. Full samples were completed for Crime Higher and Central Funds claims, and eligibility for Civil Higher applications and passported Magistrates Court work. All other areas of work had a minimum 89% of the original sample completed. The error rate was calculated on the basis of the results from this smaller sample extrapolated across the whole population of legal aid transactions. We have reviewed the results of cases across the year to inform our judgement and assumptions regarding outstanding cases. Where cases with similar characteristics have been tested in year we have applied the outcome of those cases to our outstanding caseload as the best information available.</p>

Error rate

Specific issues to highlight this year:

Our Legal Help net error value was £0 and the net error rate was 0.00% in 2019-20 (the same as in 2018-19), with a significant reduction in the gross error rate for immigration claims following an enhanced programme of auditing and working with immigration providers.

There is continued risk of error on Crime Higher assessments. Revised guidance, work with providers and additional training for caseworkers have helped to reduce the impact of the issues found. The net error value was £2.4m with a net error rate of 0.40% (compared with £1.6m and 0.25% in 2018-19)

The error rate found on Crime Lower work has increased in 2019 -20. To mitigate this we are identifying opportunities for provider education and improvements in training and guidance for caseworkers. The net error value was £0.8m with a net error rate of 0.33% (compared with £0 and 0.0% in 2018-19)

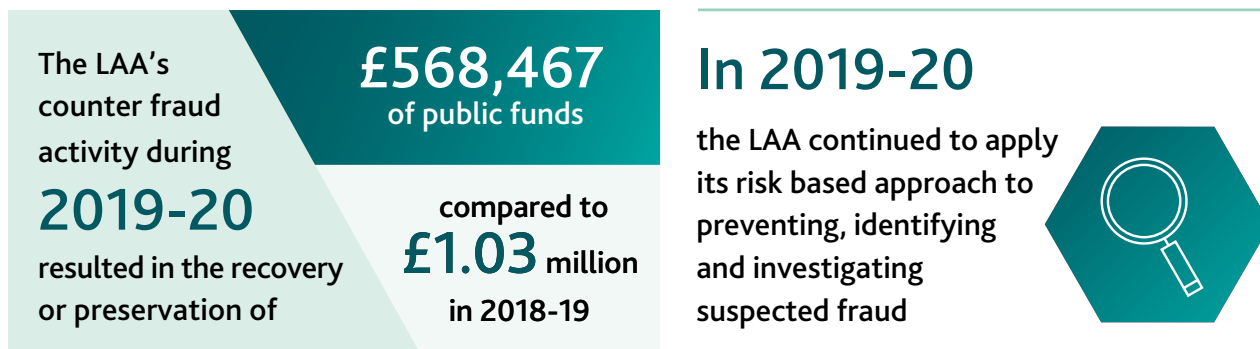
The error rate has increased for Civil Representation billing, but we are seeking to mitigate this through work with providers, improved guidance, and continued emphasis on quality improvements and enhancements to the case management system. The net error value was £5.8m with a net error rate of 0.87% (compared with £5.0m and 0.79% in 2018-19)

Our estimated gross error was £20.6m (compared to £17.9m in 2018-19). The recovery of overpayments has helped reduce the most likely level of error to a net position of £14.5m or 0.83% of expenditure (2018-19: £11.0m or 0.65% of expenditure). Based on the statistical sampling techniques used, we have 95% confidence that the actual level of error is between 1.15% and 0.51% of legal aid spend.

In addition to identifying instances where providers have been paid more than is reasonably justified, our testing reviews also identify instances where there have been underpayments. In 2019-20 our estimated underpayment was 0.03% of the total legal aid expenditure (compared to 0.1% in 2018-19).

Fraud, Bribery and Corruption

Counter Fraud updates are a regular item at the ARAC meetings and the most significant matters are subject to bespoke briefing, receiving active attention from Board members. Our fraud policy and counter fraud strategy are reviewed annually, with the fraud action plan and counter fraud activity reported monthly. We raise awareness of fraud, bribery and corruption through presentations, workshops, intranet articles and advice. We have a programme of counter fraud presentations across the operational delivery business areas and we promote mandatory annual refresher e-learning in fraud, bribery and corruption.



Note: Annual figures for financial recoveries or preservations as a result of fraud investigations will vary from year to year. There are many variable factors with any fraud investigation – examples being the fund take of a Provider, the available evidence and the identification of monies that can be attributed to fraud. The timeline for recoveries, in particular, will also be influenced by the Providers ability to repay, or the outcome of civil and / or criminal proceedings.

We foster close working relationships with the Department of Work and Pensions, Solicitors Regulation Authority and wider stakeholders to gather intelligence, share data and better inform our prevention and prosecution actions. We collaborate with law enforcement agencies and the CPS to ensure national file standards and practice are followed and participate in the National Fraud Initiative, working closely with Cabinet Office on a range of fraud detection and prevention measures. We continue to explore opportunities to make better use of available data to highlight potential fraud risks, support rationale for closer investigation and where appropriate, secure evidence to support enforcement action. We are part of the Cabinet Office Fraud Champions network and the LAA meets the Government Functional Standard for Counter Fraud, Bribery and Corruption.

The LAA has continued to host the MoJ Counter Fraud & Investigations Function, working with executive agencies and arm's length bodies to develop the Centre of Excellence and deliver MOJ wide Fraud Risk Assessment workshops. However, within the next few months the MOJ aims to realign HQ assets in a more strategic and advisory capacity, and the Counter Fraud team will be operationally refocused to protect the LAA.

Whistleblowing

I can confirm that the MOJ policy and procedure for whistleblowing applies to all LAA staff. That covers fraud, bribery and corruption and extends to any area of potential wrongdoing or breach of the values of the Civil Service Code where that is in the public interest.

In the 2019-20 financial year, we have been investigating one report that is being treated as an instance of whistleblowing. That is continuing and being managed in accordance with the MOJ policy.

Information assurance and data security

The LAA transacts on high volumes of personal data belonging to its clients every day. We therefore take information security very seriously and direct our people to complete mandatory training on their responsibilities for handling information.

All incidents are investigated to ensure that root causes are identified and corrected where possible. In addition, the ARAC challenges our performance on incident management providing direction and oversight.

In 2019-20, there were 132 personal data-related incidents reported. Although this represents an increase of 13 (10.9%) on the previous year, this continues to be a low number of incidents considering the large volume of transactions processed by the LAA. This increase represents an improved data reporting culture.

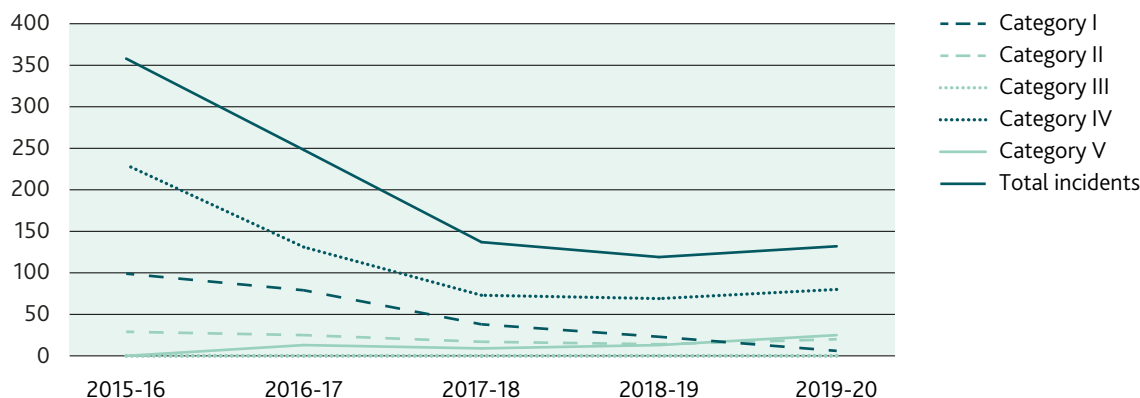
There have been three incidents that have required reporting to the Information Commissioner's Office:

- One incident occurred when an unencrypted USB was lost. The ICO was notified as we considered this met threshold for reporting. We continued representing the client after informing them of the breach and apologising. The ICO responded with No Further Action Required and confirmed matter closed.
- Two incidents occurred where Representation Orders were incorrectly delivered to a neighbouring address of the intended recipient. An IT solution was identified and has been deployed, largely reducing the sensitivity of outgoing documentation. The ICO was notified of both incidents, and again responded with No Further Action Required and confirmed matter closed.

Table 1. Data Incident Numbers by Category between years 19-20 & 18-19

CATEGORY	NATURE OF INCIDENT	2019-20	2018-19
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	6	23
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	20	14
III	Insecure disposal of inadequately protected electronic equipment, devices or paper	0	0
IV	Unauthorised disclosure	80	69
V	Other (policy non-compliance)	25	13
Total		131	119

Figure 1. Personal Data Incidents by Category: Five-year period



Conclusion

I am confident this statement provides a comprehensive account of the governance, risk management and control arrangements we have embedded within the LAA. I am particularly pleased that our Head of Internal Audit has provided a moderate opinion and recognised this as an improvement compared to last year. We have taken steps to strengthen our risk management process including the establishment of the Risk Working Group and have completed comprehensive effectiveness reviews of ARAC and each of the ELT committees. The success of these arrangements is due to the people and processes in place, which have ensured the LAA has met its business objectives and continues to be a supportive and innovative place to work as reflected in our Civil Service People Survey results.

Signed for and on behalf of the Legal Aid Agency

Jane Harbottle
 Interim Chief Executive and Accounting Officer
 Legal Aid Agency, 14 July 2020

Remuneration and staff report

This chapter summarises the LAA's policy on remuneration of Executive Board Members and NEBMs and staff. It also provides detail of actual costs and contractual arrangements.

The Remuneration and staff report has been prepared in accordance with the requirements of the Financial Reporting Manual as issued by HM Treasury.

The Prime Minister sets the Remuneration Policy of Senior Civil Servants (SCS) following independent advice from the Senior Salaries Review Body. The salaries of LAA Executive Board members were set following discussions between the Permanent Secretary of the MoJ and Director Generals in accordance with the rules of the Civil Service Management Code.

The LAA does not have a Remuneration Committee. The key functions of this committee are dealt with through the MoJ Workforce Committee. The MoJ Workforce Committee is chaired by the Permanent Secretary and attended by all Director Generals and Chief Executives of the HM Prison and Probation Service, HMCTS and the LAA. The committee meets on a monthly basis to manage talent, capability and people resources. In addition, the committee is responsible for ensuring the LAA has a workforce that is the right size, has the right skills, is well managed, properly motivated and correctly deployed.

The tables in this report have been subject to audit by the external auditor, the Comptroller & Auditor General, appointed under the Government Resources and Accounts Act 2000.

Remuneration Policy

Executive Board Members

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil servant appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances where appointments may be made otherwise.

The Executive Board Members covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at <https://civilservicecommission.independent.gov.uk/>

Performance process

SCS follow the Cabinet Office guidelines that incorporate the SCS Performance Management Framework. There were two 'formal' Performance Management Review (PMR) discussions in the year and then regular one-to-one meetings to monitor progress and ensure that all objectives were still relevant. The performance measures for each member of the Executive Board have been met.

Total amount of salary and fees

Salary and allowances cover both pensionable and non-pensionable amounts and include a gross salaries; overtime; reserved rights to London weighting or London allowances, recruitment and retention allowances; private office allowances or other allowances to the extent that they are subject to UK taxation and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

All taxable benefits

Taxable benefits include all benefits in kind and taxable cash benefits. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. Benefits recognised relate to travel and subsistence. The benefits in kind stated for Executive Board Members and NEBMs are estimates; the final values are to be agreed between the LAA and HMRC, and paid using a PAYE Settlement Agreement.

Bonus payments

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2019-20 relate to the performance in 2018-19 and the bonuses reported in 2018-19 relate to the performance in 2017-18.

All pension related benefits

Section 229 of the Finance Act 2004 determines the maximum annual level of pension savings that can be accrued under a defined benefit arrangement before any taxation is charged. The amount of savings shown in Table A is the increase in the value of the individual's promised benefits over the pension input period (which is the financial year for the LAA). Any increase is the difference between the value of the individual's benefits at the start of the pension input period (1 April 2019) and the value of the individual's benefits at the end of the pension input period (31 March 2020); this also incorporates any increase to pensionable pay.

Regulations specify a modification to the HMRC rules for this purpose; in order to value the benefits HM Treasury has advised pension schemes to use a multiplier of 20.

Non-Executive Board Members

The final Non-Executive Board Member (NEBM) appointed in 2012 term ended during 2019-20. As a result, one new NEBM was recruited through an open competition in accordance with the Constitutional Reform and Governance Act 2010. The NEBM was appointed on merit and in recognition of their respective abilities and experience by a panel including a MoJ Non-Executive Director and delegated subject specialist as relevant. The Chief Executive appointed the NEBM for a fixed period of three years and started their term in 2019-20, starting on 1 April 2019.

NEBMs are not members of the Principal Civil Service Pension Scheme (PCSPS), and were not entitled to any other benefits or remuneration.

If a NEBM appointment was terminated for reasons other than the expiry of their term, the Secretary of State for Justice could determine that compensation is payable based on the nature of the termination and the length of the term remaining.

Details in relation to NEBMs' service terms, benefits or remuneration are included in Tables E and F on page 62.

Table A: Senior employees in post at 31 March 2020 – Employment costs (subject to audit)

Executive Board Members	2019-20					2018-19				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Jane Harbottle ¹ Interim Chief Executive and Chair of LAA Board (from 9 July 2019)	85-90	17.8 ⁶	5-10	52	165-170	75-80	10.7 ^{3,6}	5-10	33	130-135
Shaun McNally ⁴ CBE Chief Executive and Chair of LAA Board (until 8 July 2019)	25-30 (105-110 FYE)	4.2 ⁷	–	35	65-70	95-100	46.9	10-15	30	180-185
Lorna Maden ³ Director of Finance	110-115	–	–	56	165-170	35-40 (105-110 FYE)	–	5-10	29	75-80
Hannah Payne Deputy Director, Head of Transformation	50-55 (75-80 FYE)	–	–	21	70-75	20-25 (70-75 FYE)	–	–	12	30-35
David Thomas Deputy Director, Head of Contract Management and Assurance	70-75	–	–	31	105-110	65-70	–	–	23	90-95
Samantha Milton Head of the Public Defender Service	75-80	–	5-10	32	115-120	15-20 (70-75 FYE)	–	–	15	30-35
Alistair Adan ⁵ Interim Deputy Director, Head of Civil and Crime Case Management (from 9 July 2019)	50-55 (70-75 FYE)	13 ⁸	–	28	90-95	–	–	–	–	–
Hamza Yusuf Interim Deputy Director, Head of Corporate Centre (from 21 October 2019)	35-40 (75-80 FYE)	–	–	14	50-55	–	–	–	–	–
Michael Jennings Principal Legal Advisor to the LAA (from 15 February 2020) ⁹	10-15 (80-85 FYE)	–	–	6	15-20	–	–	–	–	–

Executive Board Members	2019-20					2018-19				
	Total amount of salary and fees	All taxable benefits (to nearest £100)		Pension related benefits (to nearest £1000)		Total amount of salary and fees	All taxable benefits (to nearest £100)		Pension related benefits (to nearest £1000)	
		Bonus Payments	Total (to nearest £1000)	Total (to nearest £1000)	Bonus Payments		Total (to nearest £1000)			
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Rhiannon Lloyd ² Principal Legal Advisor to the LAA (from 27 May 2019 – 14 February 2020)	50-55 (65-70 FYE)	–	–	21	70-75	–	–	–	–	–
Lucy Jones Deputy Director, Head of Corporate Centre (from 10 July 2019 and went on maternity leave on 26 July 2019)	40-45 (70-75 FYE)	–	–	18	60-65	–	–	–	–	–
Paul Henson Interim Deputy Director of Finance, LAA, OPG, CICA, CFO Group (until 1 December 2018)	–	–	–	–	–	45-50 (70-75 FYE)	–	–	19	65-70
Ruth Wayte Principal Legal Advisor to the LAA (until 15 March 2019)	–	–	–	–	–	85-90	–	–	35	120-125
Adrian Hannell Interim Director of Finance Operations Group (until 16 November 2018)	–	–	–	–	–	60-65 (95-100 FYE)	–	5-10	24	95-100

¹ Jane Harbottle has a dual workplace agreement; the costs illustrate the benefit in kind for all travel to and from dual workplace locations.

² Rhiannon Lloyd is remunerated through the Government Legal Department and is employed and joined the Board on 27 May 2019 and left on 14 February 2020.

³ Lorna Maden was remunerated for the first part of the year by HMPPS and then by the MoJ Core Department and are not employed directly by the LAA.

⁴ Shaun McNally had a dual workplace agreement and the costs above illustrate the benefit in kind for all travel to and from dual workplace locations.

⁵ Alistair Adan has a dual workplace agreement; the costs illustrate the benefit in kind for all travel to and from dual workplace locations.

⁶ £1.5k of 'All taxable benefits' were reimbursed in cash through I-expenses.

⁷ £0.3k of 'All taxable benefits' were reimbursed in cash through I-expenses.

⁸ £0.2k of 'All taxable benefits' were reimbursed in cash through I-expenses.

⁹ Michael Jennings is remunerated through the Government Legal Department and is employed and joined the Board on 15 February 2020.

Table B: Banded remuneration of the highest paid Executive Board Member (subject to audit)

	2019-20	2018-19
Band of highest paid Executive Board Member's total remuneration excluding pension benefits (£000)	110-115	160-165
Median total remuneration (£)	22,567	22,124
Ratio	5.0:1	7.3:1

Fair Pay Disclosure

Reporting bodies are required to disclose the relationship between the salary of the highest paid Executive Board Members in their organisation and the median earnings of the organisation's workforce.

The banded remuneration for the highest paid Executive Board Member in the LAA in the financial year 2019-20 was £110k-115k (2018-19: £160k-165k). This was 5.0 times (2018-19: 7.3) the median remuneration of the workforce, which was £22,567 (2018-19: £22,124). The reduction is due to the lower remuneration of the highest paid Board Member compared to the prior year.

In 2019-20 no staff or contractor (2018-19: 0) received banded remuneration in excess of the highest paid Executive Board Member.

Staff remuneration ranged from £15-20k to £140-145k (2018-19: £15-20k to £140k-145k).

These figures exclude any severance pay in respect of compulsory redundancies and voluntary early departures disclosed in the Staff Report on page 61.

Total remuneration included salary, non-consolidated performance related pay, and benefits in kind as well as severance payments. It did not include employer pension contributions and the cash equivalent transfer value of pensions.

Table C: Executive Board Members – Employment contracts

Executive Board Members	Contract start date	Term served (years)	Notice period (months)
Jane Harbottle	1 April 2016	4	3
Lorna Maden	12 November 2018	1	3
Hannah Payne	1 July 2018	1	3
David Thomas	16 January 2017	3	3
Samantha Milton	20 March 2017	3	3
Hamza Yusuf	30 September 2019	0	3
Alistair Adan	23 July 2019	0	3
Lucy Jones	10 June 2019	0	3

Civil service pension benefits

Introduction of Alpha

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or Alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

From that date all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated within the four sections of the PCSPS, 3 providing benefits on a final salary basis (Classic, Premium or Classic Plus) with a normal pension age of 60; and one providing benefits on a whole career basis (Nuvos) with a normal pension age of 65.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in their relevant sections within the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will be enrolled into Alpha sometime between 1 June 2015 and 1 February 2022.

All members who enrolled into Alpha will have their retained PCSPS benefits 'banked'. Members with earlier benefits in one of the final salary sections of the PCSPS will have those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

PCSPS Funding

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus, Nuvos and Alpha are increased annually in line with Pensions Increase legislation.

Employee Contribution Rates

Employee contributions are salary-related and range between 4.60% and 8.05% of pensionable earnings for members of Classic, Premium, Classic Plus, Nuvos and all members of Alpha.

Pension Scheme Benefits

Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

In Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum.

Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.

In Nuvos a member accrues a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%.

In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Partnership Pension Account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of Nuvos, and the higher of 65 or State Pension Age for members of Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha, as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at:
www.civilservicepensionscheme.org.uk

Table D: Executive Board Members – Pension costs for the year ended 31 March 2020 (subject to audit)

	Total accrued pension and related lump sum at pension age as at 31 March 2020	Real movement in pension and related lump sum at pension age	CETV ¹ at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	£000	£000	£000	£000	£000
Jane Harbottle	25-30	2.5-5	428	375	31
Shaun McNally CBE	Pension 45-50 Lump sum 105-110	Pension 0-2.5 Lump sum 2.5-5	868	814	27
Lorna Maden	Pension 30-35 Lump sum 100-105	Pension 2.5-5 Lump sum 7.5-10	832	735	59
Hannah Payne	5-10	0-2.5	80	67	6
David Thomas	15-20	0-2.5	223	198	11
Samantha Milton	25-30	0-2.5	412	325	17
Hamza Yusuf	5-10	0-2.5	158	125	29
Alistair Adan	5-10	0-2.5	46	39	4
Rhiannon Lloyd	5-10	0-2.5	134	113	13
Lucy Jones	Pension 15-20 Lump sum 30-35	Pension 0-2.5 Lump sum 0-2.5	236	224	7
Michael Jennings	Pension 30-35 Lump sum 70-75	Pension 0-2.5 Lump sum 0-2.5	575	569	4

¹ CETV amounts relate to when the Executive Board Member joined the Board.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of pension scheme benefits accrued by a member at a point in time. The valued benefit also includes any contingent spouse's pension payable by the scheme. When a member leaves their scheme and chooses to transfer their accrued benefits, a CETV payment is made by the scheme to another registered pension scheme.

The pension figures shown relate to accrued benefits for total membership of the scheme and include the value of any pension benefits transferred into the PCSPS from other pension arrangements. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV funded by the employer excluding the effect of fluctuations in the transfer value, such as investment market movements. It does not include the increase in accrued pension in line with inflation or a contribution paid by the employee, but does include the value of any benefits transferred from another pension scheme. Common market valuation factors are used for the start and end of the period.

Non-Executive Board Member

NEBMs were part time and their role involved a commitment of 20 days per year during 2019-20. They will hold office until the end of the period for which they were appointed.

Employment costs – NEBMs

Table E: NEBMs in post at 31 March 2020 – Employment costs (subject to audit)

Non-Executive Board Member	2019-20		2018-19	
	Total amount of fees	All taxable benefits	Total amount of fees	All taxable benefits
	£000	£000	£000	£000
John Grosvenor ARAC Chair (Until 30 April 2019)	0.8	–	10.4	0.6
Calum Mercer¹ ARAC Chair	10.4	–	2.6 (10.4 FYE)	–
Deep Sagar	8.1	–	2.6 (8.0 FYE)	–
Suzanne Rab (from 1 April 2019)	8.0	–	–	–

¹ The remuneration includes £2,400 (2018-19: £2,400) as Chair of the LAA Audit, Risk and Assurance (ARAC) Committee.

Employment contracts – NEBMs

Table F: NEBMs – Employment contracts

Non-Executive Board Member	Contract start date	Term served (years)
Calum Mercer	1 January 2019	1
Deep Sagar	1 December 2018	1
Suzanne Rab	1 April 2019	1

Suzanne Rab was appointed, for a period of three years, during 2019-20 to replace one NEBM who had reached the end of their term.

Staff report

Staff Costs

Table G: Staff Costs for the year ended 31 March 2020 (subject to audit)

	2019-20			2018-19		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages ²	33,384	923	34,307	34,660	485	35,145
Social security costs ²	3,279	–	3,279	3,502	–	3,502
Other pension costs ²	8,329	–	8,329	6,676	–	6,676
	44,992	923	45,915	44,838	485	45,323
Less recoveries in respect of outward secondments	2	–	2	23	–	23
Redundancy ¹	152	–	152	–	–	–
	45,146	923	46,069	44,861	485	45,346
Non Executives' costs:						
Fees to Non-Executive Board Members	28	–	28	30	–	30
	28	–	28	30	–	30
Total	45,174	923	46,097	44,891	485	45,376

¹ Redundancy disclosed in the table above relate to 5 (2018-19: one) full time equivalent staff. The costs of the redundancy in 2018-19 was paid by the MOJ and therefore no costs were incurred by the LAA directly.

² Staff costs have reduced over the prior year due to Functional Leadership and staff being remunerated through MoJ Core Department.

The PCSPS is an unfunded multi-employer defined benefit scheme in which the LAA is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2018. Details can be found in the resource accounts of the Cabinet Office:

Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2019-20, employers' contributions of £8,194k were payable to the PCSPS (2018-19: £6,716k) at one of four rates in the range 26.6% to 30.3% (2018-19: 20.0%-24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following the full scheme valuation. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £135k (2018-19: £145k) were paid to one or more of a panel of appointed stakeholder pension providers.

One person (2018-19: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2018-19: £nil).

Staff numbers

Table H: Average number of persons employed (subject to audit)

	2019-20			2018-19		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	1,127	–	1,127	1,198	–	1,198
Other	–	35	35	–	17	17
Total	1,127	35	1,162	1,198	17	1,215

The 2018-19 staff numbers have been restated to exclude unpaid off-strength staff who are on career or other long term breaks, this allows for a direct comparison with 2019-20.

Table I: Staff Composition

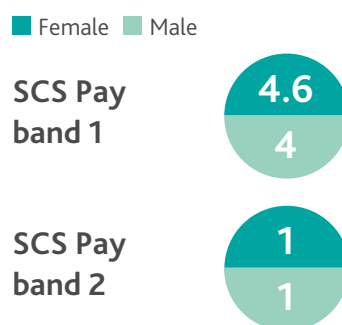
	Male	Female
Staff composition	495	696

Staff composition*



👤 = 10 people

Senior civil staff by band*



* These numbers include the membership of the Executive Leadership Team and excludes functional leadership staff

Diversity and Inclusion

We aim to attract and retain a diverse workforce at all grades, that is reflective of society, with the strengths and capability we need to work with our legal aid providers and the legal aid clients we serve, whilst continuing to ensure that we provide fair treatment, fair outcomes and equal access for our service users.

The LAA has duties under the Equality Act 2010 to eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations. We ensure this applies to all the functions across the LAA.

In the 2019-20 Civil Service People Survey, 88% of those who took part (84% of total staff numbers) gave a positive response on the theme of Inclusion and Fair Treatment. Of the 104 Civil Service organisations that took part this was the 4th highest score achieved.

We continue our efforts to build an inclusive culture with the support of our active network of LAA diversity champions, Mental Health Allies, LAA Staff Networks that include gender, age, carers and part-time workers as well as members of wider MoJ networks. We highlight national campaigns throughout the year to actively promote inclusion, awareness of national campaigns including International Women's Day, Mental Health Awareness week and support local champions to promote issues of local interest such as support for carers. Our Senior Diversity Champions continue to raise the visibility of issues and promote equality for race, gender, disability, age, carers, LGBT, faith and part-time working.

Some of our key activity during 2019-20 included:

- Embedded content on tackling bias and Disability Confidence within manager training, trialled race confidence mentoring event and supported colleagues from under-represented groups to access LAA, MoJ and Civil Service Development schemes.
- Launched a workshop package for managers and teams to promote inclusive culture and build confidence to challenge inappropriate behaviour.
- Launching two new staff networks – BeProud Race Network and DisABILITY.

Our Engagement and Inclusion team have identified further actions that have been included in the LAA's People Plan to continue our diversity and inclusion work. This includes preparing for Disability Confidence Leadership re-accreditation.

Employment of disabled persons

During 2019-20, the LAA worked with colleagues across the MoJ to submit a successful application for Disability Confident Leaders accreditation. The LAA has adopted MoJ policies in respect of the employment, training, career development and promotion of people with a disability. These include the MoJ's Disability Policy and Ability Manual. Our people have access to the Civil Service Positive Action Coaching and career development programmes targeted to support people with a disability. LAA staff can also seek advice from the Civil Service Workplace Adjustment Team.

Sickness absence data (not subject to audit)

The Agency has seen a rise in AWDL during 2019-20 and while its performance in this area remains strong, the People Committee continue to take steps to monitor and respond to this including, raising awareness of the sick-absence process among managers to ensure it is always followed correctly; learning from, and sharing, good practice across the Agency; and continuing to promote activities to support staff wellbeing.

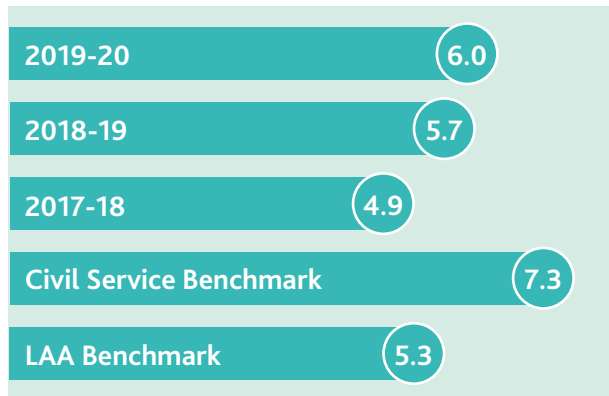


Table J: Reporting of Civil Service and other compensation schemes – exit packages (subject to audit)

	2019-20			2018-19		
	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of compulsory redundancies	Number of other departures	Total number of exit packages
EXIT PACKAGE COST BAND						
< £10,000	-	-	-	-	-	-
£10,000 - £25,000	-	2	2	-	-	-
£25,000 - £50,000	-	3	3	-	-	-
£50,000 - £100,000	-	-	-	-	-	-
Total number of exit packages by type	-	5	5	-	1	1
Total resource cost (£000)	-	152	152	-	-	-

Redundancy disclosed in the table above relates to 5 (2018-19: one) full time equivalent staff. The costs of the redundancy in 2018-19 was paid by the MOJ and therefore no costs were incurred by the LAA directly.

Redundancy and other departure costs have been agreed in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the LAA has agreed early retirements, the additional costs are met by the LAA and not by the Civil Service Pension Scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Consultancy costs

Expenditure on consultancy in 2019-20 was £0k (2018-19: £22k).

Off-payroll engagements

During the financial year 2019-20, the LAA has reviewed off-payroll engagements where we are required to consider intermediaries, (IR35), legislation using HMRC’s guidance and on line status indicator. We have advised our contracting body of the outcome of the status determinations so that, where appropriate, tax deductions are made at source from payments made in respect of the engagement with the LAA. Further details of off-payroll engagements in the LAA can be found in the MoJ departmental resource accounts.

Parliamentary accountability disclosures

This section has been subject to audit.

Losses and special payments

	2019-20		2018-19	
	Volume	£000	Volume	£000
Write-offs	3,070	6,078	1,513	1,649
Special payments	-	-	-	-
Total value of losses	3,070	6,078	1,513	1,649

In accordance with Managing Public Money, individual losses over £300k are separately disclosed.

There was one supplier balance written off over £300k (2018-19: no supplier balance written off). The loss totals £793,159, relating to an overpayment made to a provider in May 2018, this was identified in January 2020. Steps are being taken to recover this overpayment.

Potential loss

The LAA's Counter Fraud Investigations (CFI) team lead on investigations into cases of suspected fraud by Provider firms and individual Clients. Cases of suspected criminal fraud will be reported to the Police via Action Fraud. Client cases that relate to other benefits will be referred to the Department for Work and Pensions.

Some cases may lead to a subsequent criminal prosecution in the Courts, supported by CFI, but in many cases the CFI team will work with other internal stakeholders to take appropriate and proportionate enforcement action to recover monies assessed as being claimed fraudulently. Any monies that cannot be recovered will be classed as a loss in future Accounts.

Special payments

There have been no special payments in 2019-20 to report (2018-19: no special payments).

Signed for and on behalf of the Legal Aid Agency



Jane Harbottle

Interim Chief Executive and Accounting Officer
Legal Aid Agency
14 July 2020

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Legal Aid Agency for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Legal Aid Agency's affairs as at 31 March 2020 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Legal Aid Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Legal Aid Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Legal Aid Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Legal Aid Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Legal Aid Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Legal Aid Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Legal Aid Agency ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit
- evidence obtained up to the date of my report. However, future events or conditions may cause the Legal Aid Agency to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

15 July 2020

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements



Financial Statements of the Legal Aid Agency for the year ended 31 March 2020

Legal Aid Agency Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

		2019-20	2018-19
	Note	£000	£000
Rental income		–	(297)
Statutory charge interest		(5,875)	(7,715)
Income under the legal aid schemes	6	(51,871)	(48,931)
Total operating income		(57,746)	(56,943)
Staff costs	3	46,097	45,376
Expenditure under the legal aid schemes	4	1,724,477	1,740,034
Depreciation and impairment costs	5	16,278	10,527
Other operating expenditure	5	32,537	36,341
Total operating cost		1,819,389	1,832,278
Net operating costs for the year		1,761,643	1,775,335
OTHER COMPREHENSIVE EXPENDITURE			
<i>Items which will not be reclassified to net operating costs</i>			
Net loss/(gain) on revaluation of intangibles	7	(234)	(354)
Net loss/(gain) on revaluation of property, plant and equipment	8	(1)	(5)
Total comprehensive net expenditure		1,761,408	1,774,976

All income and expenditure are derived from continuing operations.

The notes on pages 80 to 110 form part of these financial statements.

Legal Aid Agency Statement of Financial Position Balance at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
NON-CURRENT ASSETS			
Intangible assets	7	38,322	52,043
Property, plant and equipment	8	656	1,319
Total non-current assets		38,978	53,362
CURRENT ASSETS			
Trade and other receivables	10	197,499	164,467
Cash and cash equivalents	11	35,057	45,201
Total current assets		232,556	209,668
Total assets		271,534	263,030
CURRENT LIABILITIES			
Trade and other payables	12	(251,112)	(188,650)
Provisions for liabilities and charges	14	(587,379)	(602,777)
Total current liabilities		(838,491)	(791,427)
Total assets less current liabilities		(566,957)	(528,397)
NON-CURRENT LIABILITIES			
Trade and other payables	12	(429)	(521)
Provisions for liabilities and charges	14	(1,100)	(598)
Total non-current liabilities		(1,529)	(1,119)
Assets less liabilities		(568,486)	(529,516)

**Legal Aid Agency
Statement of Financial Position
Balance at 31 March 2020 (continued)**

	31 March 2020	31 March 2019
Note	£000	£000
TAXPAYERS' EQUITY		
Revaluation Reserve	2,833	3,061
General Reserve	(571,319)	(532,577)
Total equity	(568,486)	(529,516)

The notes on pages 80 to 110 form part of these financial statements.

Signed for and on behalf of the Legal Aid Agency



Jane Harbottle
Interim Chief Executive and Accounting Officer
Legal Aid Agency
14 July 2020

Legal Aid Agency Statement of Cash Flows for the year ended 31 March 2020

		2019-20	2018-19
	Note	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating cost		(1,761,643)	(1,775,335)
Adjustments for notional and non cash transactions		39,656	25,317
Intra-departmental balances settled via General Reserves		460	(3,486)
Loss/(gain) on impairment, revaluation and loss on disposal	5	–	–
Increase in trade and other receivables		(33,032)	(14,957)
Decrease in trade and other payables		62,370	(132)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		89	125
Movement in provisions		(14,896)	28,369
Net cash outflow from operating activities		(1,706,996)	(1,740,099)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	7	(3,326)	(4,464)
Purchase of property, plant and equipment	8	(68)	(379)
Net cash outflow from investing activities		(3,394)	(4,843)
CASH FLOWS FROM FINANCING ACTIVITIES			
Supply funding from the Ministry of Justice: revenue		1,696,852	1,758,519
Supply funding from the Ministry of Justice: capital		3,394	4,843
Net cash inflow from financing activities		1,700,246	1,763,362
Net decrease in cash and cash equivalents in the year		(10,144)	18,420
Cash and cash equivalents at the beginning of the year		45,201	26,781
Cash and cash equivalents at the end of the year	11	35,057	45,201

The notes on pages 80 to 110 form part of these financial statements.

Legal Aid Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

This statement shows the movement in the year on the different reserves held by the Agency. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of the Agency, to the extent that the total is not represented by other reserves.

	Note	Revaluation Reserve £000	General Reserve £000	Total £000
Balance at 1 April 2018		3,245	(532,534)	(529,289)
CHANGES IN TAXPAYERS' EQUITY FOR 2018-19				
Supply funding from the Ministry of Justice: revenue		–	1,758,519	1,758,519
Supply funding from the Ministry of Justice: capital		–	4,843	4,843
Net operating cost for the year		–	(1,775,335)	(1,775,335)
OTHER COMPREHENSIVE EXPENDITURE				
Net loss on revaluation	7&8	359	–	359
NON CASH ADJUSTMENT				
Intra-departmental adjustment		–	(3,528)	(3,528)
Notional recharge from the Ministry of Justice	5	–	14,720	14,720
Notional external audit fee	5	–	195	195
MOVEMENT IN RESERVES				
Transfers from revaluation reserve		(543)	543	–
Balance at 31 March 2019		3,061	(532,577)	(529,516)
CHANGES IN TAXPAYERS' EQUITY FOR 2019-20				
Supply funding from the Ministry of Justice: revenue		–	1,696,852	1,696,852
Supply funding from the Ministry of Justice: capital		–	3,394	3,394
Net operating cost for the year		–	(1,761,643)	(1,761,643)

Legal Aid Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020 (continued)

	Note	Revaluation Reserve £000	General Reserve £000	Total £000
OTHER COMPREHENSIVE EXPENDITURE				
Net (loss)/gain on revaluation	7&8	235	–	235
NON CASH ADJUSTMENT				
Intra-departmental adjustment		–	(1,113)	(1,113)
Notional recharge from the Ministry of Justice	5	–	23,115	23,115
Notional external audit fee	5	–	190	190
MOVEMENT IN RESERVES				
Transfers from revaluation reserve		(463)	463	–
Balance at 31 March 2020		2,833	(571,319)	(568,486)

The notes on pages 80 to 110 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2020

Note 1 – Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2019 to 2020, under the direction issued by HM Treasury under the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Legal Aid Agency (LAA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LAA are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

a) Basis of preparation

The financial statements are presented in Sterling rounded to the nearest thousand (£000) unless otherwise stated. The financial statements have been prepared under the historical cost convention, modified to account for the revaluation of certain financial assets and liabilities.

Significant judgements and sources of estimation

The preparation of financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period.

The estimates and associated assumptions included within the financial statements are based on data held by the LAA, historical experience and various other factors. These are believed to provide a reasonable basis on which the carrying values of assets and liabilities that are not readily apparent from other sources can be estimated.

The key areas in which management make estimations are intangible assets (note 7), trade and other receivables (note 10) and provisions for liabilities and charges (note 14).

The COVID-19 Global Pandemic has had far reaching economic impacts in the period from the reporting date. The LAA's assessment of the impact is that this could have an impact on the recoverability of debts due to the agency as disclosed in note 10, which could further impair the balances due to the agency. At the date of issue we have considered the impact of Covid-19 on the recoverability of debt based on the evidence available to us. We do not expect this to have a material impact however we acknowledge that there is significant estimation uncertainty associated with the impact of Covid-19. There is therefore a risk that material adjustment to the carrying value of receivables may be required in the future.

Going concern

The LAA is an executive agency of the Ministry of Justice (MoJ) established under the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012 to commission, procure and pay for legal aid services from providers (solicitors, barristers, mediators and the not for profit sector). The future financing of the LAA's activities is expected to be met by the MoJ from funds which are voted annually under the relevant Appropriation Act. The LAA takes the view that the going concern concept applies as long as the provisions of the LASPO Act 2012 remain extant.

b) Change in accounting policy and disclosures***Change in accounting policies***

There have been no changes in accounting policies for the period ending 31 March 2020.

New and amended standards adopted

There have been no new or amended standards adopted in the financial year beginning 1 April 2019.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2019 and not early adopted**IFRS 16 Leases**

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The assets, to be described as "right of use" assets, will be presented under Property, Plant and Equipment. Implementation of the standard in the public sector has been delayed: it will now be effective from the financial year beginning 1 April 2021. The Agency does not consider this standard to have a material impact due to the value of leases being immaterial.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. It will be implemented for accounting periods commencing on, or after, 1 January 2023. To assess the impact of the standard, the Agency is reviewing contracts which meet the definition of insurance contracts.

The Agency does not consider that any other new or revised standard or interpretation will have a material impact.

c) Income

The LAA's income includes contributions from funded clients, costs recoverable from funded clients or others, including statutory charges, recoveries of damages and administration income. Income is recognised at the point when it is probable that the economic benefits associated with funding a case would flow to the LAA, this is ordinarily on conclusion of a case.

Recoveries from damages and statutory charge

Where costs incurred in funding a case are recoverable from funded clients or others, amounts are accounted for as income when they have been assessed as owing to the LAA. The amounts may be recovered from both awarded costs and damages, where applicable.

Crown Court Means Testing

For the Crown Court Means Testing (CCMT) scheme income is recognised at a point in time; this is on conclusion of the case when the verdict is known, where legal aid has been provided to the client and the final bill has been assessed as this is when the LAA has satisfied its performance obligation and the amount the client is required to reimburse the LAA for legal aid costs is known and recoverable from the client.

d) Expenditure

Expenditure comprises sums payable, including the estimated value of work completed by legal aid service providers not yet billed (note 9), expenditure under legal aid schemes which includes services provided to funded clients, refunds of contributions to funded clients, costs awarded to other parties and other costs associated with the provision of legal advice and assistance (note 4), and other operating expenditure (note 5) which includes the cost of staff (including an allocation of pension costs) and the administrative costs of running the LAA.

e) Cash and cash equivalents

Cash and cash equivalents comprise bank balances held with commercial banks including those administered through the Government Banking Service (GBS), with original maturities of three months or less.

f) Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when the LAA has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation. Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect is material, the estimated cashflows are discounted. The effect of discounting is charged directly to the Statement of Comprehensive Net Expenditure.

Amounts outstanding on funded cases

The LAA recognises its liability to pay for work completed at the reporting date but not yet billed. Estimates for each legal aid scheme, including Civil Representation, Civil Legal Help, Crime Higher and Crime Lower are produced using available data and statistical modelling techniques. The assumptions used by management in producing these estimates are described in Financial risk identification and management (note 9) to these financial statements.

Provision for amounts outstanding in relation to privately funded cases (Central Funds)

Under the terms of the Prosecution of Offences Act 1985, acquitted defendants who have applied for legal aid and been found ineligible may, in limited circumstances, obtain an order from the Crown Court to recover their costs. The LAA estimates the value of unbilled costs to arrive at the amount disclosed in the financial statements as a provision. The amount is an estimate of the expenditure required to settle any obligation at the reporting period end date.

Dilapidations of leasehold property

Provision is made for estimated dilapidation costs on leasehold buildings. The provision has been estimated with reference to the condition and location of the buildings and the requirements of the relevant lease.

Legal costs

Provisions are made for costs when it is probable that an outflow of resources will be required to settle a current obligation.

g) Operating leases

Rental payments are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease as they fall due. The LAA accounts for lease incentives (rent-free periods) over the term of the lease.

h) Financial instruments***Financial assets***

The LAA's financial assets comprise, cash and cash equivalents, trade and other receivables. LAA's receivables are classified under IFRS 9.

Assets measured at fair value

Receivables relating to the statutory charge are measured at fair value in line with the requirements of IFRS 13 Fair Value Measurement (IFRS 13) which applies the consideration of the three hierarchies set under the standard for determining fair value. This is explained in note 9. The practical application of IFRS 13 is explained with reference to LAA's assets is explained in note 11, with detail regarding key assumptions which support the most significant fair value estimates is set out in note 9.

Assets measured at amortised cost

LAA recognises a provision for expected credit losses on financial assets measured at amortised cost. This includes receivables from legal aid providers and clients who are not subject to the statutory charge. Subsequent to initial recognition these assets are carried at amortised cost using the effective interest rate method, less any impairment. Any interest receivable or loss arising on impairment is recognised in the Statement of Comprehensive Net Expenditure. LAA have previously classified all receivables at amortised cost. In 2019-20, LAA reviewed their classifications and established that the receivables relating to the statutory charge should have been classified at fair value through profit or loss, in line with the actual measurement basis for these receivables. There is therefore no impact on the carrying values in the prior year financial statements. As a result the prior year comparatives have not been restated.

Derecognition

LAA derecognises a financial asset only when the contractual rights to the cash flows for the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Initial recognition and measurement

The LAA's financial liabilities comprise trade and other payables. These are not revalued subsequent to initial recognition since they are simple instruments with short term maturities. The LAA is not empowered to borrow money.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Fair value of financial instruments

An analysis of fair values of financial instruments and further details of how they are measured is provided in Fair values (note 13) to these financial statements.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

i) Impairment of financial assets

For assets held at amortised cost, IFRS 9 requires LAA to recognise expected credit losses based on historic experience and adjusted for reasonable and supportable forward-looking information such as management's assessment of likely recoveries. This assessment may be of individual assets (individual impairment) or of a portfolio of assets (collective impairment). An assessment of collective impairment is made of financial assets with similar risk characteristics. For these assets, the LAA's previous experience of losses in each portfolio is used to estimate the degree of impairment on that asset class.

Where such an estimate is made, impairment provisions are made to reduce the carrying value of financial assets accordingly. LAA apply the simplified model and recognise lifetime expected credit losses.

The measurement of expected credit loss involves increased complexity and judgement. This is discussed in note 9.

Further detail on the valuation model used to generate this estimate and the actual impairments against the LAA's receivables is included in Financial risk identification and management (note 9) to these financial statements.

Default is determined by reference to one or more missed contractual payments but also include arrangements in place to pay less than contractual payments, fraud and bankruptcy or other indicators.

j) Accounting for Value Added Tax

Irrecoverable Value Added Tax (VAT) is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Income and expenditure is otherwise shown net of VAT.

k) Third party assets

Deposit accounts for funded clients

Awards for damages to funded clients are initially payable to the LAA. The LAA places these funds on deposit until the final costs of a case have been calculated, when any excess of contributions and damages is paid to the funded client. These funds are accounted for as assets held on behalf of third parties and are therefore not recognised in the Statement of Financial Position.

Awards for damages paid to the LAA attract interest after a qualifying period.

Crown Court Means Testing

Contributions may be payable to the LAA towards the cost of Crown Court proceedings in those cases that have been subject to means testing. The LAA places these funds on deposit and accounts for them as funds held on behalf of third parties, therefore they are not recognised in the Statement of Financial Position. Once the final judgement and costs have been determined, if the applicant is found guilty, the value of the funds up to the cost limit are due to the LAA. If the applicant is found not guilty, contributions paid to the LAA are refunded including interest calculated at 2% per annum from the date of payment.

The movement in third party funds is reported in Third party assets (note 19) to these financial statements.

l) Employee benefits

The LAA accrues for the expected cost of the annual leave entitlement of its employees in accordance with International Accounting Standard (IAS) 19 'Employee Benefits'. The LAA estimates this accrual by calculating the average value of outstanding leave across each pay band which is then used to provide an extrapolated total.

m) General reserve

Supply funding

Supply funding received from the MoJ is credited to the General Reserve within the Statement of Changes in Taxpayers' Equity upon receipt of funds. The LAA receives supply funding from the MoJ periodically throughout the year and it is accounted for on a cash basis.

Intra-departmental adjustment

Intra-departmental adjustments relate to the settlement between the LAA and the MoJ of
i) transfers of property, plant and equipment and ii) intercompany purchase and sale transactions via the general reserve.

n) Contingent liabilities and assets

A contingent liability is disclosed when the likelihood of a payment is less than probable, but more than remote. In addition to contingent liabilities disclosed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the LAA discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities, where the likelihood of transfer of economic benefit is remote, as required by 'Managing Public Money'.

A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LAA. A contingent asset is disclosed where an inflow of economic benefits is probable.

o) Events after the reporting period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the date of the certificate and report of the Comptroller and Auditor General.

p) Assets under construction

Assets under construction are valued at historical cost within property, plant and equipment and intangible assets, and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external contractor costs and relevant employee costs.

q) Intangible assets

Intangible assets comprise internally developed computer software (including assets under construction) and purchased software licences.

Development costs that are directly attributable to the design and testing of identifiable and unique software products, such as external contractor costs and relevant employee costs, are recognised as intangible assets when they meet the criteria of the FReM, which has been adapted from IAS 38 Intangible Assets. Other expenditure that does not meet this criteria is recognised as an expense as incurred.

The useful lives of internally developed software range from 1 to 10 years. In accordance with IAS 38 Intangible Assets, the LAA reviews the economic useful lives of its intangible assets each financial year.

Purchased software licenses are recognised when it is probable that future service potential will flow to the LAA and the cost of the license can be measured reliably. Such licences are initially measured at cost. Purchased software licenses are amortised over the license period.

The LAA applies a capitalisation threshold for intangible assets of £10,000.

Subsequent to initial recognition, intangible assets, excluding assets under construction, are restated to fair value. As no active market exists for the LAA's intangible assets, fair value is assessed as replacement cost less any accumulated amortisation and impairment losses. Intangible assets are revalued each year at each reporting date using the year end using Producer Price Indices (PPI) for Current Cost Accounting, published by the Office for National Statistics.

r) Property, plant and equipment

Property, plant and equipment assets costing more than the capitalisation threshold of £10,000 are treated as capital assets. Where an item costs less than the capitalisation threshold but forms part of an asset or grouped asset, whose total value is greater than the capitalisation level, the item is treated as a capital asset.

Property, plant and equipment is restated at fair value each year by indexation up to the year end using PPI for Current Cost Accounting, published by the Office for National Statistics.

s) Depreciation and amortisation

Except for assets under construction, depreciation or amortisation is provided on all non-current assets on a straight line basis to write off the cost of assets over their estimated useful lives as follows:

Fixtures and fittings 5 years

Furniture and equipment 3 to 5 years

Information technology 3 to 5 years

Computer software 3 to 15 years

t) Impairment of non-financial assets

At each reporting date, the LAA reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the fair value of the asset is estimated in order to determine the extent of the impairment loss.

Impairments that reflect a permanent diminution in the value of an asset, as a result of a clear consumption of economic benefit or service potential, are charged directly to the Statement of Comprehensive Net Expenditure, with any remaining revaluation reserve balance released to the general reserve.

When an asset's carrying amount decreases (other than as a result of a permanent diminution), the decrease is recognised in the revaluation reserve to the extent that a balance exists in respect of the asset. Decreases in excess of the revaluation surplus are charged to the Statement of Comprehensive Net Expenditure.

Any reversal of an impairment charge is recognised in the Statement of Comprehensive Net Expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised here. The remaining amount is recognised in the revaluation reserve.

u) Revaluation

When an asset's carrying amount increases as a result of a revaluation, the increase is recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised here. Any remaining increase is credited directly to the Revaluation Reserve in the Statement of Changes in Taxpayers' Equity. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is restated to the revalued amount of the asset.

The revalued element, representing the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost, is transferred from the revaluation reserve to the general reserve each year.

v) Notional recharges***Notional recharges from the Ministry of Justice***

The notional recharge from the MoJ represents the LAA's usage of corporate services.

Notional audit fee

The costs of the external audit performed by the National Audit Office on behalf of the Comptroller and Audit General are recognised as a non-cash charge.

w) Statutory charge interest receivable

Under the Legal Aid Act 1974, the Legal Aid Act 1988, the Access to Justice Act 1999, and the LASPO Act 2012, where funded clients have recovered or preserved property rather than obtaining damages, recoverable costs may be secured by a charge against the property. Under the Community Legal Service (Financial) Regulations 2000 as amended by the Community Legal Service (Financial) (Amendment) Regulations 2005 and the Civil Legal Aid (Statutory Charge) Regulations 2013, some of these debts are interest bearing debts which have interest due on the outstanding principal balance at 8.0% per annum.

x) Pensions***Principal Civil Service Pension Scheme***

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded defined benefit scheme of which the LAA is unable to recognise its share of underlying assets and liabilities. In accordance with the FReM, the LAA accounts for these as a defined contribution scheme. The LAA recognises contributions payable to defined contribution schemes as an expense in the year in which it is incurred, and the legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

y) Segmental reporting

Operating segments are determined in accordance with IFRS 8 'Operating Segments' based on what information is presented for decision making purposes to the LAA Board.

Note 2 – Segmental analysis

The LAA divides the net operating costs into three segments: Legal Aid Fund, Administration and Central Funds, for the purpose of making operational decisions and reporting to the LAA Board. The Administration segment reflects the costs of running the LAA.

The Legal Aid Fund is further subdivided into Legal Help, Civil Representation, Crime Lower, and Crime Higher.

- Legal Help represents legal aid in relation to advice and support provided for a legal issue.
- Civil Representation relates to legal aid that covers representation by barristers and solicitors in civil cases that could go to court.
- Crime Lower covers legal representation to those accused of criminal offences at police stations and in Magistrates Courts.
- Crime Higher covers this representation in Crown Courts, Court of Appeal and Supreme Court.

Central Funds reflects the spend on orders made to acquitted defendants who have privately funded their legal representation.

The following table presents the net operating cost by segment for the year ended 31 March 2020:

	2019-20	2018-19
	£000	£000
FUND		
Legal Help	118,818	97,882
Civil Representation	653,513	623,374
Crime Lower	250,488	263,538
Crime Higher	599,570	646,985
Central Funds	50,378	56,854
Administration	88,876	86,702
Net operating costs for the year	1,761,643	1,775,335

Note 3 – Staff Costs

	2019-20	2019-20	2019-20	2018-19	2018-19	2018-19
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	33,384	923	34,307	34,660	485	35,145
Social security costs	3,279	–	3,279	3,502	–	3,502
Other pension costs	8,329	–	8,329	6,676	–	6,676
	44,992	923	45,915	44,838	485	45,323
Secondment costs	2	–	2	23	–	23
Redundancy	152	–	152	–*	–	–
	45,146	923	46,069	44,861	485	45,346
Non-Executive Board Members (fees and benefits)	28	–	28	30	–	30
	28	–	28	30	–	30
Total	45,174	923	46,097	44,891	485	45,376

Redundancy costs disclosed in the table above relate to 5 (2018-19: 1) full time equivalent staff.

* this was paid by the MOJ and therefore no costs were incurred by the LAA directly.

Note 4 – Expenditure under the legal aid schemes

	2019-20	2018-19
	£000	£000
CIVIL REPRESENTATION		
Solicitors' charges, counsel fees and disbursements (provided in year – note 14)		
Bills submitted in year	694,583	650,981
Provision for work in progress movement	(2,535)	(7,027)
Refund of contributions	348	599
Costs of successful unassisted parties	388	670
Debt impairment and write offs	(17,105)	2,485
Discount of debt	2,144	(1,977)
	677,823	645,731
CIVIL LEGAL HELP		
Solicitors' charges, counsel fees and disbursements (provided in year – note 14)		
Bills submitted in year	101,551	93,589
Provision for work in progress movement	11,007	(694)
Direct services	5,967	4,991
Debt impairment and write offs	(97)	(266)
Discount of debt	(23)	(124)
	118,405	97,496
CRIME LOWER		
Solicitors' charges, counsel fees and disbursements (provided in year – note 14)		
Bills submitted in year	249,631	234,556
Provision for work in progress movement	(6,671)	23,539
Direct services and Public Defender Service	5,575	3,897
Debt impairment and write offs	107	(229)
Discount of debt	1	(55)
	248,643	261,708

Note 4 – Expenditure under the legal aid schemes (continued)

	2019-20	2018-19
	£000	£000
CRIME HIGHER		
Solicitors' charges, counsel fees and disbursements (provided in year – note 14)		
Bills submitted in year	621,845	654,606
Provision for work in progress movement	(12,332)	3,630
Direct services and Public Defender Service	390	379
Debt impairment and write offs	14,031	14,761
Discount of debt	5,295	4,869
	629,229	678,245
CENTRAL FUNDS		
Central fund expenditure (provided in year – note 14)		
Defence cost orders awarded in Crown and magistrates' courts	41,972	34,966
Provision for work in progress movement	(4,528)	9,335
Interpreters and other	12,933	12,553
	50,377	56,854
Total	1,724,477	1,740,034

Note 5 – Other operating expenditure

	2019-20	2018-19
	£000	£000
Accommodation and related costs	1,827	2,557
Office, IT and service running costs	2,477	2,469
Staff and committee member related costs	959	920
Operating leases	2,357	2,186
Legal and professional costs	665	907
Service level agreements with HMCTS	189	199
Other administration costs	976	443
	9,450	9,681
NON-CASH COSTS		
Loss on disposal of assets	–	–
Movement in provision for legal costs and dilapidation	301	64
Notional recharge from the Ministry of Justice	22,685	26,526
Notional external audit fee	190	195
Operating lease amortisation	(89)	(125)
	23,087	26,660
Total	32,537	36,341

Note 6 – Income under the legal aid schemes

	2019-20	2018-19
	£000	£000
CIVIL REPRESENTATION		
Contributions by funded clients	9,005	3,842
Costs recoverable	–	–
Recoveries from damages and statutory charge	9,628	11,021
	18,633	14,863
CRIMINAL CASES		
Crown Court recoveries	32,977	33,873
Recovery of defence costs	86	195
Public Defender Service	175	–
	33,238	34,068
Total	51,871	48,931

Note 7 – Intangible assets

	Assets under construction	Computer software	Total
	£000	£000	£000
Cost at 1 April 2019	4,923	117,606	122,529
Reclassifications	(1,410)	1,452	42
Additions	996	2,330	3,326
Disposals	–	(42,476)	(42,476)
Transfers to the MoJ	(629)	(944)	(1,573)
Revaluations	–	506	506
Cost at 31 March 2020	3,880	78,474	82,354
Amortisation at 1 April 2019	–	70,486	70,486
Reclassifications	–	–	–
Charged in year	–	15,853	15,853
Disposals	–	(42,579)	(42,579)
Revaluations	–	272	272
Amortisation at 31 March 2020	–	44,032	44,032
Net book value at 31 March 2020	3,880	34,442	38,322

The total additions include £356k (2019: £356k) capital accruals at 31 March 2020.

The revaluation reserve balance of £2,833k in Statement of Taxpayer's Equity includes £2,141k (2018-19: £2,370k) relating to intangible assets at 31 March 2020.

All intangible assets are owned by the LAA.

Note 7 – Intangible assets (continued)

	Assets under construction	Computer software	Total
	£000	£000	£000
Cost at 1 April 2018	5,647	111,264	116,911
Reclassifications	(5,146)	5,502	356
Additions	4,464	–	4,464
Disposals	–	–	–
Transfers from the MoJ	(42)	–	(42)
Revaluations	–	840	840
Cost at 31 March 2019	4,923	117,606	122,529
Amortisation at 1 April 2018	–	60,980	60,980
Reclassifications	–	–	–
Charged in year	–	9,020	9,020
Transfers from the MoJ	–	–	–
Revaluations	–	486	486
Amortisation at 31 March 2019	–	70,486	70,486
Net book value at 31 March 2019	4,923	47,120	52,043

Note 8 – Property, plant and equipment

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
Cost at 1 April 2019	301	618	19,637	20,556
Reclassifications	(98)	(209)	–	(307)
Additions	–	68	–	68
Disposals	–	(242)	(12,035)	(12,277)
Revaluations	–	–	49	49
Cost at 31 March 2020	203	235	7,651	8,089
Depreciation at 1 April 2019	–	239	18,998	19,237
Reclassifications	–	–	–	–
Charged in year	–	–	425	425
Disposals	–	(242)	(12,035)	(12,277)
Revaluations	–	–	48	48
Depreciation at 31 March 2020	–	(3)	7,436	7,433
Net book value at 31 March 2020	203	238	215	656

The revaluation reserve balance of £2,833k in Statement of Taxpayer's Equity includes £692k (2018-19: £692k) relating to property, plant and equipment at 31 March 2020.

All property, plant and equipment are owned by the LAA.

Note 8 – Property, plant and equipment (continued)

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
Cost at 1 April 2018	308	239	19,840	20,387
Reclassifications	(7)	–	(349)	(356)
Additions	–	379	–	379
Revaluations	–	–	146	146
Cost at 31 March 2019	301	618	19,637	20,556
Depreciation at 1 April 2018	–	239	17,350	17,589
Reclassifications	–	–	–	–
Charged in year	–	–	1,507	1,507
Revaluations	–	–	141	141
Depreciation at 31 March 2019	–	239	18,998	19,237
Net book value at 31 March 2019	301	379	639	1,319

Note 9 – Financial risk identification and management

The LAA's financial risk management process seeks to enable the early identification, evaluation and effective management of key financial risks facing the LAA. Systems have been established to review and reflect changes in the legal aid market and the LAA's activities.

Interest rate risk

The LAA is not exposed to significant interest rate risk. At 31 March 2020, £95.3m (2018-19: £75.4m) of statutory charge debt was due, the principal of which carried a fixed rate of interest.

Money received by the LAA on behalf of funded clients is held on deposit until the case is concluded. Interest is paid to funded clients by reference to the London Inter Bank Offered Rate, at the rate of 0.5% per annum less the rate payable on damages on deposit in the general account.

Money received by the LAA in relation to CCMT contributions is held until the final judgement and costs of the case have been determined. Refunds of contributions are paid to applicants that have been found not guilty including interest calculated at 2% per annum from the date of contribution receipt by the LAA. The balance of contribution monies is held as cash.

Credit risk

Credit risks arise from the LAA's financial assets, which comprise cash and cash equivalents, trade and other receivables and other financial assets.

The LAA's exposure to credit risk arises from potential default of a counterparty on their contractual obligations resulting in financial loss to the LAA. The LAA is exposed to credit risk when dealing with funded clients, suppliers and from certain financing activities.

The maximum loss the LAA is exposed to is the carrying value of its financial assets within the SoFP, as set out in the table below.

	2019-20	2018-19
	£000	£000
Cash and cash equivalents	35,057	45,201
Trade and other receivables	197,499	164,467
Third party assets	12,487	13,093
	245,043	222,761

Cash and cash equivalents comprise bank balances held with commercial banks, including those administered through the GBS, with original maturities of three months or less. As at 31 March 2020 there were no financial guarantees or third-party obligations, other than amounts held as damages on deposit and CCMT, that increased the credit risk of the financial assets set out above.

Trade receivables and other current assets

The LAA has an inherent risk within trade receivables and other current assets, as it is not predisposed to straightforward cash collections.

The LAA recognises this risk and mitigates it in the case of statutory charge debts, where enforcement of the debt may be deferred, by securing land charges and using active credit management policies to recover unsecured debts. In some cases, the debt collection activities are outsourced to commercial debt collectors.

The size of the risk is reflected in the receivables impairment and valuation models which total £217.9m (2018-19: £227.5m). This includes receivables valued at fair value and those measured at amortised cost.

The majority of the LAA's trade and other receivables are the result of a statutory charge, £95.3m (2018-19: £75.4m) out of a total receivables balance after impairment of £197.5m (2018-19: £164.5m).

A high proportion of these are secured on property and settlement is deferred until the property is sold. As these assets are measured at fair value, this is taken account in the projected cash flows.

The LAA provides for impairment of receivables based on historical cash collection experience and management assessment of likely recoveries, for each category of debt. This analysis is also used to inform the expected cash flows for trade and other receivables which are measured at fair value. This assumes that future performance will be reflective of past performance and there will be no significant change in the payment profile or recovery rates within each identified group of receivables. To address this risk, LAA undertake a rollback review to compare previous estimated repayment profiles with the actual experience in subsequent years, to assess the accuracy of the profile and resulting impairment, adjusting assumptions where required. There have been no material adjustments to the assumptions as a result of this review in 2019-20.

There is no additional adjustment in the impairment of the LAA's secured debt at 31 March 2020 to reflect the potential future impact of the macroeconomic effect of Covid-19. Based on the experience from previous recessions we do not consider this will have a material impact on the fair value of secured debt recognised in these accounts.

The impact of a recession has historically resulted in a delay in the cash receipts on secured debt, due to the impact on the property market and delays to property sales which result in the repayment of the debt.

Disclosed below is the impact of a 10% reduction in cash receipts across both secured and unsecured debt, which is more significant reduction than previously experienced.

The LAA's valuation model uses historical recovery profiles by debt category to estimate the value of the debt balance. The valuation model is underpinned by specific assumptions including: the life of debt, the expected remittance profiles and the discount rate is 3.70% nominal and 0.70% real (2018-19: 3.70% nominal and 0.70% real).

The impact of the following reasonable possible alternatives to these assumptions has been considered:

- cash received evenly throughout the year rather than at the end of the year
- expected cash inflows based on historic repayment profiles +/-10%
- discount rate +/-1% (this rate is set by HM Treasury)

Assumptions tested	Increase/(decrease) in net financial asset		
	Assumption	2019-20 £m	2018-19 £m
Income received	Evenly through the year	1.1	1.0
Expected cash inflows based on historic repayment profiles	+10%	14.4	12.4
Expected cash inflows based on historic repayment profiles	-10%	(14.5)	(12.3)
Discount rate	+1%	(7.8)	(5.4)
Discount rate	-1%	8.7	5.9

Using these reasonably possible alternative assumptions, the fair value of the financial assets at 31 March 2020 could be higher by £24.2m (2018-19: £19.2m) or lower by £22.3m (2018-19: £17.7m).

Assumption will be reviewed annually and changed if management believe alternative assumptions are a better reflection of the underlying trends.

Provisions for liabilities and charges

The LAA uses complex valuation models to estimate the value of unbilled amounts on live cases. Each assumption within the provision models has been identified, a reasonable change identified and the impact on the final WIP balance calculated. Assumptions have been changed to either represent those which would have been utilised by the model based on historical data trends or flexed by a percentage that is considered appropriate by management to show the impact on the provision. For each assumption which is being analysed for sensitivity, only that assumption is changed. If two or more assumptions are changed at one time, the actual sensitivity of a change in assumption is obscured because of the potential interrelation of the assumptions. Where no override to the model has been made, sensitivity of that assumption has been manually applied where appropriate.

Based on the analysis completed, the following sensitivities are to be disclosed:

All schemes excluding Civil Representation and Crime Higher

Assumptions tested	Increase in net financial liability		(Decrease) in net financial liability	
	Assumption	£m	Assumption	£m
Forecast spend	4.8%	2.2	-3.0%	(1.3)
Case duration	2.6%	2.7	-3.9%	(4.1)
Price profiles	12.8%	7.4	-8.6%	(4.9)

The impact of the above reasonable alternatives to the inputs have been quantified as follows: forecast spend +4.8% to -3.0%, case duration +2.6% to -3.9% and price profiles +12.8% to -8.6%. Using these reasonable alternative assumptions, WIP as at 31st March 2020 could be higher by up to +1.6% (£12.3m) or lower by up to -1.4% (-£10.3m).

The above assumptions exclude the model variables used in the calculation of the civil representation or crime higher Graduated Fee Scheme (GFS) work in progress provisions.

Civil Representation

The civil representation work in progress provision is calculated on a case by case basis using past patterns of activity, with multiple potential duration and cost outcomes. The calculations are segmented between the different expenditure streams and between different milestones in a case's lifecycle. The model estimates activity to the next financial event in each expenditure stream, reflecting the business realities of billing timing.

The reasonable alternative assumptions below have been arrived at by observing the maximum historical high and low points within the actual source data of the respective models, adjusted for projected future trends. The impact of the following reasonable alternatives to these inputs has been quantified:

Assumptions tested	Increase		(Decrease)	
	Assumption	£m	Assumption	£m
Transition cost and duration profile*	March 2019 profiles	3.7	March 2018 profiles	(3.7)
Billing duration**	110 days	3.7	80 days	(3.7)
Dormancy assumption***	910 days	8.4	N/A	N/A

* In order to estimate the provision, profiles outlining the timing and magnitude of costs on civil representation cases are calculated. There is a degree of uncertainty in the calculation of these profiles, particularly due to the inherent time lag. We therefore make the assumption that the level of variance could be equal to the variance between this year's profile and last year's.

** It can take some time for Legal Aid providers to compile and submit their bills to us once work has completed on a case. The estimate of the provision assumes that the average delay will be equivalent to that seen in the preceding quarter; however this does vary to a small degree over time. We therefore make the assumption that this delay could vary by up to 15 days in either direction.

*** In estimating the provision, an assumption is made that cases that have had no financial activity for two years or more are 'dormant', and will not go on to have further activity, and we therefore generate no provision in respect of them. There is a risk that this underestimates the provision, since a small proportion of these cases may indeed go on to have further financial activity. We therefore assume that the dormancy period could be longer by 6 months, taking it to two and a half years.

The above inputs are case data driven, with an overlay of management judgement, for example choosing the number of years' historical case data to use in creating historical profiles. It should be noted the inherent sensitivity of the Civil Representation WIP provision is such that relatively small percentage movements in the above inputs could lead to the estimate crystallising at a materially different amount. All assumptions are reviewed periodically and amended where sufficient evidence exists that such action is appropriate.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2020 could be higher by up to +5.0% (£15.7m) or lower by up to -2.3% (-£7.4m).

Crime Higher

The Crime Higher GFS WIP estimates are calculated by considering cohorts of case starts and modelling their progress through the legal aid system, considering when the case completes, when the work is done on the case and the different types of bills that may be incurred in order to reflect the way the scheme operates as closely as possible. A separate calculation is then done to estimate the amount that has already been paid on these cases through interim payments.

Below are the reasonable alternative scenarios modelled. These relate to the flexing of certain assumptions, such as the amount of cases expected to close or the amount of time a case takes to go through the system.

Assumptions tested	Increase		(Decrease)	
	Assumption	£m	Assumption	£m
Price Profiles	10.0%	28.3	-10.00%	(28.3)
Completion Rates	2.5%	28.9	-2.50%	(25.7)
Case Durations	10.0%	35.7	-10.00%	(30.2)

Relatively small changes in these inputs could lead to a material difference in the work in progress realised. Assumptions are reviewed annually to ensure they remain appropriate.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2020 could be higher by up to +29.9% (£93m) or lower by up to -27.1% (-£84.2m).

Cash

Cash balances are maintained with strong investment grade banks. Banks are selected for their credit status and their ability to meet the LAA's day to day banking requirements. The credit ratings are monitored on a continuing basis. The LAA has not recorded impairments against cash or cash equivalents, nor have any recoverability issues been identified with such balances, including third party assets. Such items are typically recoverable on demand or in line with normal banking arrangements.

Note 10 – Trade and other receivables

	2019-20	2018-19
	£000	£000
Amounts falling due within one year:		
Gross debt	415,350	391,960
Provision for impairment and cumulative fair value losses	(217,851)	(227,493)
	197,499	164,467
By component:		
Contributions due from funded clients	6,758	6,762
Costs to be recovered	1,011	829
Damages	–	–
Amounts due from service providers	48,722	39,115
Recovery of defence costs	38,193	38,059
Prepayments and accrued income	76	326
Intra-departmental debtors	5,715	2,632
Other receivables	1,695	1,325
Statutory charge and interest	95,329	75,419
	197,499	164,467

Under the Legal Aid Act 1974, the Legal Aid Act 1988, the Access to Justice Act 1999, and the LASPO Act 2012, where funded clients have recovered or preserved property rather than obtaining damages, recoverable costs may be secured by a charge against the property. Under the Community Legal Service (Financial) Regulations 2000 as amended by the Community Legal Service (Financial) (Amendment) Regulations 2005 and the Civil Legal Aid (Statutory Charge) Regulations 2013, some of these debts are interest bearing debts which have interest due on the outstanding balance at 8% per annum.

The valuation of trade and other receivables includes an element of estimation which is discussed further in Financial risk identification and management (note 9) of these financial statements.

The net amount of statutory charge debt is:

	2019-20	2018-19
	£000	£000
Statutory charge	59,671	47,103
Interest accrued to date	35,658	28,316
	95,329	75,419

All receivables are disclosed as due within one year, although the repayment of deferred debts can take longer than one year to recover. The LAA expect approximately £103.9m (2018-19: £87.7m) of the £197.5m (2018-19: £164.5m) outstanding at 31 March to be repaid within 12 months.

Note 11 – Cash and cash equivalents

	2019-20	2018-19
	£000	£000
Balance at 1 April	45,201	26,781
Net change in cash and cash equivalent balances	(10,144)	18,420
Balance at 31 March	35,057	45,201

The balances at were held at:

	2019-20	2018-19
	£000	£000
Government Banking Service	30,267	37,809
Commercial banks	4,790	7,392
Total cash and cash equivalents	35,057	45,201

Note 12 – Trade payables and other liabilities

	2019-20	2018-19
	£000	£000
Amounts falling due within one year:		
Amounts due to solicitors, counsel and advice agencies	120,792	67,414
Contribution refunds due to funded clients	960	1,369
Accruals and deferred income	112,996	107,087
Other taxation and social security costs	1,584	1,481
Intra-departmental creditors	5,145	3,891
Other payables	9,635	7,408
	251,112	188,650

	2019-20	2018-19
	£000	£000
Amounts falling due after one year:		
Accruals and deferred income	429	521

Note 13 – Fair values

Set out below are the carrying amounts and fair values of the LAA's financial assets and liabilities that are carried in the financial statements.

	2019-20	2018-19
Amounts falling due after one year:	£000	£000
Trade and other receivables	197,499	164,467
Cash and cash equivalents	35,057	45,201
Trade payables and other liabilities	(251,541)	(189,171)

The LAA considers that the carrying amounts for cash and cash equivalents, trade payables and other liabilities approximate to their fair value due to the short-term maturities of these instruments.

Trade and other receivables have been discounted over the period from the reporting date to the expected date of collection. This has a material impact on their present value.

To take account of this time value of money effect an estimation technique has been used, discounting all receivable balances over periods commensurate with historical cash flow patterns for each class of receivable at a rate of 3.70% real and 0.70% nominal (2018-19: 3.70% real, 0.70% nominal). The discount rate used is the HM Treasury discount rate. The estimation technique used assumes that the timing of future cash flows will follow historical trends.

Fair value hierarchy

The LAA uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All of the financial assets and liabilities measured at fair value fall within level 3.

The movement in financial assets in the financial year was as follows;

	Receivables held at Amortised cost	Receivables held at Fair value through profit and loss	Total Receivables
	£000	£000	£000
Opening balance of trade receivables at 1 April 2019	90,037	74,431	164,467
Movement in prepayments, accruals, intra-departmental receivables and other receivables	3,203	–	3,203
Repayment of gross fund debt	(124,903)	(14,042)	(138,944)
New gross fund debt	157,813	8,735	166,548
Fair value adjustment of fund debt to SOCNE	–	25,050	25,050
Increase in impairment of fund debt to SOCNE	(22,825)	–	(22,825)
Closing Balance of trade receivables At 31 March 2020	103,325	94,174	197,499

Receivables held at fair value through profit and loss include both interest and non-interest bearing secured statutory charge debt, all other receivables are held at amortised cost.

Note 14 – Provisions for liabilities and charges

	Provision for amounts outstanding on funded cases	Provision for amounts outstanding on privately funded cases (Central Funds)	Provision for legal costs	Provision for dilapidations	Provision for early departure	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	579,729	21,831	271	1,544	–	603,375
Provided in year	1,657,078	37,444	161	162	–	1,694,845
Provisions utilised in year	(1,667,610)	(41,972)	(137)	–	–	(1,709,719)
Provisions not required written back	–	–	(22)	–	–	(22)
At 31 March 2020	569,197	17,303	273	1,706	–	588,479

	£000	£000	£000	£000	£000	£000
At 1 April 2018	560,307	12,496	190	2,013	–	575,006
Provided in year	1,653,154	44,301	503	25	–	1,697,983
Provisions utilised in year	(1,633,732)	(34,966)	(136)	(342)	–	(1,669,176)
Provisions not required written back	–	–	(286)	(152)	–	(438)
At 31 March 2019	579,729	21,831	271	1,544	–	603,375

Note 14 – Provisions for liabilities and charges (continued)

	Provision for amounts outstanding on funded cases	Provision for amounts outstanding on privately funded cases (Central Funds)	Provision for legal costs	Provision for dilapidations	Provision for early departure	Total
Analysis of expected timing of discounted flows	£000	£000	£000	£000	£000	£000
Not later than one year	569,197	17,303	273	606	–	587,379
Later than one year and not later than five years	–	–	–	378	–	378
Later than five years	–	–	–	722	–	722
At 31 March 2020	569,197	17,303	273	1,706	–	588,479
	£000	£000	£000	£000	£000	£000
Not later than one year	579,729	21,831	271	946	–	602,777
Later than one year and not later than five years	–	–	–	387	–	387
Later than five years	–	–	–	211	–	211
At 31 March 2019	579,729	21,831	271	1,544	–	603,375

The LAA estimates the value of unbilled live cases and unbilled defence cost orders each year to arrive at the amounts disclosed within the financial statements as a provision. The amount is an estimate of the expenditure required to settle any obligation at the end of the reporting period. In estimating the provision, the LAA has adopted measurement techniques based on the latest data available which are discussed further in Financial risk identification and management (note 9) of these financial statements.

Based on average historical case lengths and average delay data from defence cost order award date to bill payment date, substantially all of the costs for the amounts outstanding on unbilled cases and unbilled defence cost orders are expected to be incurred within the next 12 months and accordingly, no discounting has been used.

Provision is made for legal costs associated with ongoing litigation. Provision is made for estimated dilapidation costs on leasehold buildings. The provision has been estimated with reference to the condition and location of the buildings and the requirements of the relevant lease.

The costs of the dilapidations provisions are expected to be incurred between 2020 and 2026 as each lease expires.

Note 15 – Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	Land and buildings 2019-20	Land and buildings 2018-19
	£000	£000
Obligations under operating leases comprise:		
Not later than one year	1,839	1,370
Later than one year and not later than five years	4,770	3,906
Later than five years	2,196	3,021
Total	8,805	8,297

Under the terms of the lease agreements, no contingent rents are payable and there are no rights to purchase. The commitments are calculated based on the full unexpired lives of the leases.

Note 16 – Financial commitments

The total payments to which the LAA are committed is as follows:

	31 March 2020	31 March 2019
	£000	£000
Not later than one year	2,147	3,928
Later than one year and not later than five years	1,114	2,819
Present value of obligations	3,261	6,747

Note 17 – Contingent assets and liabilities

At 31 March 2020, the LAA have no contingent liabilities (2018-19: none).

The LAA have two contingent assets in relation to costs orders from legal proceedings with a total value of £22.4m (2018-19: two with a total value of £22.43m).

One of the contingent assets relates to an award of £22.14m as result of a legal action to recover historic overpayments. This judgement is currently subject to further legal proceedings and this is recognised as a contingent asset until the outcome of the proceedings. Once these are concluded the agency will seek to recover the amount awarded, however it is unlikely that the full amount will be recovered, and therefore the actual amount recognised will be significantly lower than the amount awarded.

Note 18 – Related party transactions

The LAA is an executive agency of the MoJ, which is regarded as a related party. During the year the LAA had various material transactions with the MoJ. The LAA has also had various material transactions with Her Majesty's Courts & Tribunals Service (HMCTS), an Agency of the MoJ, relating to work provided by HMCTS on behalf of the LAA.

In addition, the LAA has had a number of transactions with other government departments and central government bodies. The most significant of these transactions have been with HM Revenue and Customs and PCSPS.

During 2019-20 no Board Members or other related parties have undertaken any transactions with the LAA (2018-19: no transactions).

Note 19 – Third party assets

The LAA holds awards for damages and CCMT contributions on behalf of funded clients (see note 1k).

The total third party assets held by the LAA are summarised below;

	31 March 2019	Gross Inflows	Gross Outflows	31 March 2020
	£000	£000	£000	£000
Damages*	3,857	2,080	(2,616)	3,321
Crown Court Means Test**	9,236	19,104	(19,175)	9,165
Total third party assets held as cash	13,093	21,184	(21,791)	12,486

* The LAA receives awarded damages awaiting the final settlement of a case and contribution monies from clients towards legal costs.

** The LAA receives contributions towards costs awaiting the final judgement and calculation of the total costs of a case. The outcome of the case will determine whether the third party asset transfers to the LAA or is returned to the third party.

Note 20 – Events after the reporting period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

As disclosed in note 1a the COVID-19 Global Pandemic has had far reaching economic impacts in the period from the reporting date, however there have been no adjustments made to the accounts as a result of events after the reporting date.

