

# Legal Aid Agency Annual Report and Accounts 2020–21

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

**Ordered by the House of Commons to be  
printed 16 December 2021.**

**HC 693**



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ISBN 978-1-5286-2987-4  
E02690631 11/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by HH Associates Ltd on behalf of the Controller of Her Majesty's Stationery Office

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# Performance Report



# Chief Executive's statement



I am delighted to present my second Annual Report and Accounts for the Legal Aid Agency (LAA) for the 2020–21 financial year.

The last reporting year has been a particularly challenging period which has seen the Agency grip the unique challenges presented by the Coronavirus pandemic. We have worked proactively with our internal and external partners to navigate and respond to the pandemic, inspiring confidence in the Agency as we have done so and leading to strengthened relationships with all our stakeholders. The swift adaptation of our operating model to deliver a high performing 'virtual' organisation that places staff and users at its core is a source of particular pride and I am grateful to all within the Agency and our stakeholders for their part in this.

## People First

Throughout the pandemic, and following the Summer's refocussing on racial inequality, there has been a clear expectation within the Agency of a culture and environment where people come first. As a result we have consistently delivered to an exceptionally high standard, colleagues at all levels have delivered

innovative solutions at pace and inclusivity has flourished. This is also reflected in last year's annual Civil Service People Survey which saw the Employee Engagement Index for the LAA increase by 1% to 72% with a participation rate of 88%. This puts the LAA in the top 10 across the Civil Service for employee engagement.

The tone of People First, operational excellence and empathy throughout the LAA is strongly reflected in our Strategy and supporting annual business and people plans. It is encouraging that following a focus on embedding a culture of inclusivity, 88% of staff have not experienced discrimination at work and 90% have not experienced bullying and harassment. However, there is more to do. We have clear plans in place to further improve on this with a commitment to achieve zero tolerance within two years. An example of our commitment to this agenda has been the introduction of the Agency's first Shadow Board, moreover, the last year has also seen the establishment of the LAA's first race network – BeUnique. We have since published our Race Action Plan and are working with colleagues across the Agency to deliver on its commitments and drive out any inequality where it exists.

## **Transformation and Change**

The last year has also seen the development of our new Apply service into BETA, making the LAA first within Government to utilise links with open banking.

Continuous developments to change our digital systems have already reduced operating costs over the last four years and will deliver a more sustainable operating model over the next few years. We have proactively engaged our stakeholders to build the reputation of the LAA and identify better ways of working, re-evaluated the LAA's risk appetite and delivered reduced turnaround times, very low annual working days lost and overseen an 18% reduction in complaints. We have successfully prioritised and ensured the integration of LAA systems with the Common Platform.

During the course of the last year we have delivered key elements of cross cutting justice reforms including HMCTS Reform and phase 1 of the Criminal Legal Aid Review. Simultaneously we have continued to drive business as usual innovations and changes responding to the emerging picture.

## Performance

We have maintained our performance, meeting all our key operational performance indicators except for our Legal Help net error rate. Following the implementation of temporary COVID-19 related contingencies related to Controlled Work Escape Fee cases, the Legal Help net error rate exceeded KPI levels. Additional contract management activity was taken to identify the primary cause and to manage the impact of this. The overall net error rate (KPI 1c) continues to be below 1%, providing assurance that we continue to actively manage and

control accuracy and regularity of our spending overall despite the challenges for our providers and for the LAA during the pandemic.

From the outset of the pandemic we were alert to the threat to operational performance and swiftly took steps to; reduce work in progress to a minimum, ensured all who could work from home had the necessary equipment to do so and worked to ensure we were as flexible as possible to enable all staff to contribute to business targets. We were able to make nearly all work types suitable for homeworking by the introduction of contingency processes in the areas where residual paper assessments remained. Together these measures have allowed us to maintain operational performance and resilience throughout the pandemic.

Our focus on customers has led to the introduction of further service improvements such as web-chat, online external training, provider visits, shadowing and proactive social media messaging. The PDS has continued to represent clients throughout the pandemic – embracing digital solutions in order to represent clients virtually, but also continuing to advise and represent in person where appropriate.

## Wider work

Teams from across the LAA continue to work closely with MoJ policy officials to ensure changes in policy are implemented in line with the governing legislation and



Ministerial intentions. As part of the COVID-19 response, we swiftly implemented an expanded scope for the payment of hardship fees for criminal practitioners working on Crown Court cases and will introduce a new fee for pre-charge engagement activity in June 2021. We also continue to use operational expertise from across the LAA to support the development and analysis of policy options across civil, family and criminal legal aid for example in relation to the Domestic Abuse legislation.

At the end of this reporting period I was invited to appear before the Justice Committee to give oral evidence in the Committee's Future of Legal Aid inquiry. I did so alongside Parliamentary Under Secretary of State, Lord Wolfson and Deputy Director of Legal Aid Policy at the Ministry of Justice. I welcomed the opportunity to speak to the work of the Agency and to support this inquiry by answering any LAA related questions the Committee had.

Despite the challenges we have held ourselves to the highest of standards and have continued to look outwards and forwards. In light of what we have learned over the last year we have conducted Agency wide engagement to review our digital journey, staff offer and Estates strategy.

## Looking ahead

We will introduce a new strategy for the LAA that supports the Ministry of Justices Outcome Delivery Plan for 2021–22 and that demonstrates how we contribute to the strategic outcome of delivering swift access to justice. We will continue our journey towards becoming a truly learning organisation; we will learn from our experiences and response to the pandemic and continue to support and listen with empathy to the needs of our staff and customers alike.

The year ahead promises to be demanding, not least because there are a number of major Policy reviews underway, including the Criminal Legal Aid Independent Review and the Means Test Review. We will continue to work closely with colleagues in the Ministry of Justice to ensure successful implementation of changes arising from this work.

There is much to do and I am looking forward to the year ahead!



### **Jane Harbottle**

Chief Executive and Accounting Officer  
Legal Aid Agency  
14 September 2021

# Headline impacts for 2020–21

## **EU Exit**

The latter part of 2020–21 also saw the end of the transition period as the United Kingdom withdrew from the European Union. The Agency made some minor adjustments as a result of this such as contract changes and guidance updates where necessary.

Any cost impacts will not be realised until 2021–22 so will be reflected further in our Annual Report and Accounts next year as appropriate.

## **COVID-19 pandemic**

During 2020–21 we have been living with the COVID-19 pandemic, an unprecedented year worldwide that has impacted on all aspects of our lives. In preparing this Annual Report and Accounts the impacts for the work of the Legal Aid Agency, our providers and users of our services has been at the forefront of our reporting.

**There have been key areas of impact we have responded to and taken steps to address. These include:**



### **Providers of our services**

- Streamlining of payment processes
- Timing of payments on cases
- Expansion of payment provisions to adapt to COVID-19 impacts
- Contractual changes
- Digital solutions for paper-based systems
- Paused debt collection



### **Users of our services – clients**

- Digital signatures
- Amended evidence requirements
- Adaptation of means assessment process



## Our people – staff

- Ensuring our offices are COVID-19 compliant and our staff can work safely
- Provision of office equipment as required to enable home working
- Supporting staff with caring responsibilities including school closures



## Wider justice system and government

- Supporting HMCTS and court backlogs faced by transferring work
- Deployment of staff to support COVID-19 response and testing work



## Our response to the COVID-19 pandemic

**During March 2020, within the first week of the introduction of national restrictions we responded to**

- allow digital signatures
- extend the time limits for applications, amendment and appeals
- agree to pay 100% on account for CIS bills
- reduce audit activity for Duty Solicitors and Mental Health Designated Accredited Representatives

**Within 2 weeks, on 6<sup>th</sup> April we introduced the Secure File Exchange System for crime billing**

**Other key changes we introduced to maintain service included**

- transferring Court Assessed Bills work from HMCTS, reducing processing times
- increasing opportunities for civil legal aid barristers to claim payment on account
- allowing repayment flexibility for providers on Variable Monthly Payments.
- suspension of debt collection and recoupment processes for providers
- allowing flexibilities in accepted evidence for domestic violence and child abuse cases
- tailoring means assessments in line with Government economic support measures such as the furlough scheme and self-employed support scheme

- civil applications fell by around **15%**
- crime applications fell by around **34%**
- bills submitted saw an initial **20% rise** as providers sought to stabilise their financial position.
- customer service calls fell by **45%**

**What impacts did we see in the initial months?**

**The LAA is proud of how it supported its own staff as well. In the annual People Survey held in October 2020**

- **92%** of staff felt the people in their team could be relied upon when things became difficult in their job
- **83%** of staff felt they have the tools they need to do their job effectively
- **77%** of staff felt that the COVID-19 pandemic had either none, or a positive impact on their productivity
- During 2020–21 the LAA had **the lowest average working days lost figure in over two years.**



In response to the COVID-19 pandemic:

The LAA received over  
**550 queries**  
from providers

covering approximately  
140 separate issues.

Over 40 measures were  
introduced in response.

Throughout 2020–21 the LAA has maintained performance against targets in core service areas with no backlog of demand-led activity. Volumes of intakes for civil applications, crime applications and bills are now up to the same level year on year, pre-pandemic





We processed almost **400,000** applications for legal aid. (over 400,000 in 2019–20)

**94%** of civil legal aid applications were processed within 20 working days except in the most complex cases. (91% in 2019–20)

**100%** of criminal legal aid applications processed within 2 working days (100% in 2019–20)

**Processing /  
Delivery**



We processed over **1.1 million** bills (over 1 million in 2019–20)

**99%** of complete, accurate bills were paid within 20 working days, exceeding the **90%** target (99% in 2019–20)

**Processing /  
Delivery**



Our Average Working Days Lost has reduced to **4.2** for the 12 months to March 2021 compared with 6.0 for the same rolling period in March 2020

Over **65%** of our people had no sickness absence during the 12 months to March 2021

**Our people**





Our staff engagement score increased by **1%** to **72%** in the annual People Survey. With an **88%** response rate (84% in 2019-20) we are confident this represents the experience of the vast majority of our people

Of the Civil Service organisations that participated, the LAA was ranked **10th** highest for engagement

**Our people**



We answered **120,000** phone calls to our call centres (over 170,000 in 2019-20), 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

## Strategic Objective 1

Provide simple, timely and reliable access to legal aid

## Strategic Objective 2

Build strong relationships across Government and the justice system

### Strategic Objective 3

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

### Strategic Objective 4

Achieve our full potential through being fair, proud and supportive

Further detail on our Strategic Objectives can be found on pages 28–52 of the Performance Analysis section.

These Strategic Objectives support the wider work of the MoJ, linking to the strategic outcome of providing access to justice and provide 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

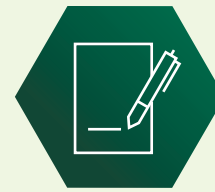
### Case Management

Process applications for civil and criminal legal aid and pay bills for those services promptly and accurately



### Service Development and Central Commissioning

Design, develop and tender new contracts to ensure the provision of legal aid services and the successful implementation of legal aid policies



The LAA administers legal aid throughout England and Wales



### Contract Management and Assurance

Work closely with our provider base to ensure the smooth running of our contracts, and deliver assurance of legal aid provision



### Public Defender Service

Provide independent defence representation for crime cases through the Public Defender Service

## 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 and ensure financial requirements are met.

A Transformation team that works in collaboration with LAA teams and LAA Digital to improve our services for users and staff.

A corporate function that delivers effective communications, builds a diverse, inclusive and engaged workforce, supports our Board and Executive Leadership Team, ensuring effective corporate planning and reporting.

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 2020–21 we supported them as we adapted to working through the pandemic and developed new ways of working. Despite these challenges we maintained a focus on the wellbeing of our people and were proud this has been reflected in our high levels of engagement in our 2020 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.

Throughout 2020 we continued to embrace our smarter working approach supported by IT allowing our people to work flexibly and safely throughout the pandemic. We trust our people to deliver and give them ownership and autonomy. Outside of the pandemic when restrictions are not in place, 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. Given the challenges of the COVID-19 pandemic there has been particular emphasis throughout 2020–21 on communication with and support for our providers.

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 LAA bulletin which goes to over 9,000 subscribers, LinkedIn and our two Twitter channels.

## **Engagement in Wales and the Welsh Language in justice**

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.

The LAA also works with other justice stakeholders to support the provision of justice services in Welsh.

## **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 provide defence, advice and representation for legally-aided defendants, in all types of criminal cases from the police station to the higher courts. The PDS has four Solicitors offices across England and Wales. PDS advocates conduct cases throughout the country and can be instructed by any solicitor firm or legally-aided defendant. The PDS continues to have a client-centred approach to criminal defence and has developed specialisms in working with vulnerable clients and providing prison-law advice. PDS lawyers share their experience of the criminal justice system to inform related policy and change initiatives. Whilst COVID-19 has impacted the volumes of work going through the police stations and courts, the PDS has continued to represent clients throughout the pandemic. The PDS has embraced digital solutions in order to represent clients virtually, but also continued to advise and represent in person where appropriate.

## Transformation & Change

In May 2020, we closed the Agency Transformation Programme (ATP) that started in 2017, which included a range of activities to simplify and modernise how we work. Since closing the ATP programme, we have embedded our transformation plans into the LAA. We have continued to make progress towards making our services user-focused and modern, in collaboration with the LAA Digital team within MoJ Digital and Technology.

We are continuing to make changes which 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.

We have continued to develop an online service for making legal aid applications starting with domestic violence applications, using feedback from providers to inform how we make it better, and testing the ability to

give caseworkers access to applicants' online banking – with their consent – to make it easier to assess their means.

A data share agreement has been agreed with HM Revenue and Customs who have built a digital interface to share information with us so that legal aid applicants don't have to provide information that is already held by the Government.

We have worked with HM Courts & Tribunals Service to test and start to roll out the Common Platform, the new digital platform for the criminal courts that is being developed as part of the HMCTS Reform Programme. We ensured that our digital systems could link up to the new platform effectively. As at 31st March 2021, the Common Platform is live in four early adopter regions – see table below for details. The evolving system will also be rolled out to further courts and will be gradually expanded to all criminal courts in England and Wales.

Early Adopter Court	Region
Derby Crown Court	Midlands
Derby Magistrates' Court	Midlands
Chesterfield Magistrates' Court	Midlands
Bristol Crown Court	South West
Bristol Magistrates' Court	South West
Guildford Crown Court	South East
Guildford Magistrates' Court	South East
Staines Magistrates' Court	South East
Chester Crown Court	North West
Warrington Magistrates' Court	North West

Having launched Secure File Exchange – a way of sharing files electronically between providers and the LAA – in response to COVID-19 at the end of the last business year, we rolled this out across the Agency by November 2020.

Next year, we will see further development of the Apply service in accordance with Government Digital Standards; support the national roll out of the Common Platform and identify opportunities to maximise the benefits of the new platform; and continue to use digital technology 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.



# Performance Analysis

## Our year in focus

In our eighth 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 2020–21

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. Due to the COVID-19 pandemic we did not publish a new Business Plan for 2020–21 and the existing milestones and KPIs were rolled over for 2020–21. 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

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### 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



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 2019–20



**92%** of civil applications were processed within **20 working days** increasing our performance from 91% in 2019–20



**99%** of bills were paid within **20 working days** maintaining our performance in 2019–20





## 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**

### The service we provide via the Civil Certificated Helpline:

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

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

**This year we improved our performance in 7 of the 9 measures, maintaining our existing performance in the remaining 2 measures.**

**100%** of 1st tier complaints were dealt with within **20 days**, maintaining our performance in 2019–20



**100%** of 2nd tier complaints were dealt with within **20 days**, increasing our performance from 99% in 2019–20



**100%** of Correspondence from Members of Parliament were dealt with within **20 days**, maintaining our performance in 2019–20



**100%** of FOI requests were answered in **20 days**, increasing our performance from 99% in 2019–20



**100%** of DPA requests were answered in **30 days**, increasing our performance from 98% in 2019–20



**02.01 mins** The average time it took for Civil calls to be answered in our central Contact Centre, increasing our performance from 02.17mins in 2019–20



**02.03 mins** The average time it took for Crime calls to be answered in our Central Contact Centre, increasing our performance from 02.11mins in 2019–20



**86%** of Civil calls were answered within 5 minutes, increasing our performance from 83% in 2019–20



**85%** of Crime calls were answered within 5 minutes, increasing our performance from 84% in 2019–20





## 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

## Challenges

### Processes

Adapting and amending our processes where needed to ensure access to justice was protected, providers were supported, and service delivery maintained.

### Supporting our staff in their work

In ensuring our service delivery was not interrupted we took any steps required so that our staff could work from home effectively, and where this was not possible, that they were adequately protected and supported during the COVID-19 pandemic.

## Achievements

### Performance

We have maintained strong performance this year for crime and civil applications and bills, exceeding our performance targets for all. In civil applications we improved our performance with 92% of applications processed within 20 working days.

We saw a reduction in customer service enquiries, including calls and complaints throughout the pandemic. We achieved 100% in 5 of the 9 customer service measures and improved our performance from 2019–20 in 7 of the 9 measures.

### Transition to home working

In March 2020 we successfully managed the transition from office to home working without impacting service delivery. We supplied IT and office equipment where needed to ensure our staff were properly equipped to carry out their work from home.

### Public Defender Service

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. We supported our staff in the PDS to operate in a COVID-19 secure way.

## Strategic objective 2



### Build strong relationships across Government and the justice system

#### KPI: Contract Management and Assurance

Legal Help net error rate – achieve maximum net error rate of **0.75%** as an end of year result

Civil bill (CLAIM 1) rejects – achieve provider errors resulting in rejects to a maximum of **15%** per month.

This year we did not achieve our performance target for legal help net error rate due to the implementation of temporary COVID-19 related contingencies related to Controlled Work Escape Fee cases. Once this increase was identified, activity was taken to identify the primary cause and to manage the impact of this. The overall net error rate continues to be below 1%, providing assurance that we continue to actively manage and control accuracy and regularity of our spending overall despite the challenges for our providers and for the LAA during the pandemic.

## The reject rate for Civil bills (CLAIM 1) related to provider errors improved.

**2.81%** the annual net error rate for legal help

**0.00%**  
in 2019-20

**4.8%** average provider error reject rate for Civil bill CLAIM 1s per month across the year

**5.2%**  
in 2019-20

## 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

## Challenges

### Delivery

The COVID-19 pandemic has presented a challenging environment for delivery, causing reprioritisation of both policy initiatives and resource in multiple teams as a result. The impact of the pandemic and consequent national lockdown on legal aid remains to be fully understood, but it could continue to affect policy reform in future and will require close engagement with Ministry of Justice policy teams and the provider base.

## Achievements

### Transformation and Change

Following closure of the Agency Transformation Programme in 2020, we have:

- Continued to develop an online service for making legal aid applications.
- Agreed a data share agreement with HM Revenue and Customs.
- Worked with HM Courts & Tribunals Service to test and start to roll out the Common Platform.
- Rolled out Secure File Exchange.
- Put user feedback and ideas from our people at the heart of change.

## Policy related work

Throughout the year, we have continued to work with Legal Aid Policy colleagues on recommendations from the Legal Support Action Plan, whilst taking into account the COVID-19 pandemic. These have included:

- Implementing a series of changes to the Civil Legal Aid (Procedure) Regulations 2012, including the formal removal of the Civil Legal Aid mandatory telephone gateway.
- In September-October 2020, four accelerated measures were delivered as part of the Criminal Legal Aid Review. The LAA will continue to provide subject matter advice in support of the Independent Review of Criminal Legal Aid, announced in the response to the accelerated measures consultation.
- Expanding the scope and relaxing the evidence requirements for hardship payments in crown court cases, to support criminal legal aid providers during the COVID-19 pandemic.
- Providing feedback and recommendations on aspects of the means test from an operational perspective as part of the Legal Aid Means Test Review (MTR) reform programme, and working to deliver two accelerated measures of the MTR in January 2021, which introduced new discretionary and mandatory disregards and removed the £100k mortgage cap for civil legal aid means assessment.

- Working to deliver operational changes to business processes in line with HM Treasury's Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) Regulations 2020.
- We have also continued to work closely with the Home Office, legal aid policy and family policy colleagues to support the development of the Domestic Abuse Bill and Sovereign Borders proposals.

**Strategic objective 3**



**Secure value for money for the taxpayer in all that we do<sup>1</sup>**

**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

**£1.57bn** Our fund spend **decreased** compared to 2019–20



**£1.3m increase** The amount our staff costs increased by, compared to 2019–20



**0.89%** The net estimated error rate for 2020–21



<sup>1</sup> 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

## Challenges

### Service demand

In the initial months of the pandemic the Legal Aid Agency saw a drop in service demand in some areas and a rise in billing activity as providers sought to stabilise their financial position through mechanisms we put in place to support them with earlier, or increased opportunity to claim payment in ongoing cases:

- Civil applications fell by around 15%.
- Crime applications fell by around 34%.
- Bill submissions saw an initial 20% rise as providers sought to stabilise their financial position.

### Debt Recovery

The impact of COVID-19 has had a significant impact upon LAA work in the debt space in 2020–21 and recoveries are less than anticipated as a result. In crime, the slowdown in cases moving through the justice system alongside a temporary pause in chasing arrears and enforcement has had a direct impact on the level of recoveries that could be achieved. In Civil, proactive decisions not to pursue provider debt and to temporarily suspend chasing arrears/enforcing client debt, to assist during the pandemic, has also reduced the amount of recoveries possible. Civil secured debt recovery has been directly affected by the initial slow-down in the housing market but recoveries have since increased in line with some of the measures introduced by the UK Government

to stimulate the market (e.g. Stamp Duty holiday in England). Provisional targets have been set for 2021–22 taking into account the likely impact of the pandemic and a staged return in line with the UK Government roadmap.

Debt balances, provisions for bad and doubtful debt and financial risks around debt recovery are disclosed in Note 10 of the financial statements.

### **Specialist telephone advice**

Over the past year, the LAA has at times struggled to put in place specialist telephone advice contracts, such as in the Civil Legal Advice Education category of law (where insufficient compliant bids were received in two tender exercises). The LAA therefore implemented a referral mechanism to face-to-face Education providers to ensure clients can access advice and continues to work closely with the MoJ on the future of telephone advice in the civil legal aid market.

### **Supporting Legal Aid Providers through the COVID-19 pandemic**

Through the period of the pandemic, we have monitored and recognised the impact on providers and made changes to our processes and approach to support them, in line with the Agency's legal powers; emerging financial support directed by HM Treasury; guidance from Public Health England; and contract flexibilities.

We have financially supported providers through enabling improved cash flow through measures including speeding up payments; overhauling Payments on Account; reducing the threshold for hardship payments; allowing repayment flexibility; and suspension of debt recovery.

The LAA rapidly sought to ensure fairness for provider payments relating to new costs incurred due to COVID-19 and the restrictions placed on in-person activity, through paying costs for establishing video links; paying the police station attendance fee when advice was given remotely; and introducing a new process for possession work including the potential for remote hearings.

Contract requirements were reviewed, and flexibilities introduced where COVID-19 impacted the ability to meet those requirements, including the suspension of audits and peer reviews activity; and not taking action where the minimum hour requirements for duty solicitors or accredited representatives could not be met.

The LAA implemented many flexibilities in line with its authority to help both clients and legal aid providers, including accepting digital signatures; allowing crime case claims to be made digitally; allowing providers to assess means without accompanying evidence where it was not practicable to secure it; and suspending routine random means assessments for prisoners.

## Achievements

### Office space

As part of our aim to move away from private landlord leases and share space with other government departments; to reduce costs and to provide state of the art fully accessible facilities for staff we moved our Cardiff office into the new Cardiff government hub.

### Housing and Debt tender

The LAA tendered for Housing and Debt contracts in 14 procurement areas where there were no legal aid providers and previous attempts to place services in these areas had failed to award any face to face contracts. The LAA invited potential providers to set out how they could deliver services to clients using digital technology as an alternative means of delivery, whilst ensuring the needs of clients were met. As a result of this exercise, advice is now available to clients in 12 of the 14 areas. We have also undertaken significant additional tender activity to maintain Housing Possession Court Duty Schemes.

### Crime Contract Extension

Implemented an 18-month contract extension including a 6 month further extension that required acceptance by 1090 contract holders. The extension delivers a period of certainty for providers as the recovery from the pandemic continues by moving the next tender to later in the year. The exercise was successfully concluded

in a short window of opportunity and resulted in new contract schedules being issued in a timely manner. Criminal legal aid services are now secured through to 30 September 2022.

**Strategic objective 4**



**Achieve our full potential through being fair, proud and supportive**

**KPI: People**

Monitor the number of days lost through sickness – **5.3 AWDL (Average working days lost)**

Average working days lost due to sickness of across LAA.

**4.2 working days**

This is below the Civil Service benchmark of 7.3 days



In terms of our Average Working Days Lost performance target we have consistently set ourselves stretching targets in this area. We end the year with our performance at 4.2 which includes COVID-19 related sickness. This should be considered against the background of a civil service benchmark of 7.3.

**72% our staff engagement score.** Our staff engagement score increased by 1%



**5th highest** PERMA score of participating organisations. The PERMA model of wellbeing reflects 5 drivers of wellbeing that can be used to measure wellbeing at work



**10th highest** amongst participating Civil Service organisations



**3rd lowest** Stress Index score of participating organisations



**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



## Challenges

### COVID-19 pandemic

Facilitating our people to work from home, supporting them through personal impacts of the COVID-19 pandemic, ensuring they could still develop their skills.

### Race

It has not just been about supporting our people through the pandemic. 2020 saw a year in which racial inequality has rightly been properly prioritised across Government, the MoJ and LAA as it has elsewhere in our country and beyond. We are wholly committed to ensuring that inequality, racial or otherwise, has no place within the LAA. The LAA is for all of our people. Throughout the year work has been undertaken via all our networks to raise and address issues with more work still underway. We are determined to see meaningful change where it is needed.

## Achievements

### Supporting our staff through the pandemic

During the COVID-19 pandemic the wellbeing of our staff has been paramount. The pandemic has impacted on us all but despite this we performed well in the annual Civil Service People Survey. Of staff who responded:

- Only 4% of staff said that the COVID-19 pandemic had a significant negative impact on their work and on their productivity.
- 77% of staff said that the pandemic's impact on their productivity ranged from a significantly positive effect to no impact.
- 83% of our staff felt they have the tools they need to do their job effectively. This supports the work we have undertaken to ensure our staff are equipped to work from home.

## Learning and Development

We moved our L&D offer online, setting up the digital learning library and introducing new learning resources such as podcasts. The delivery of a cross agency L&D strategy and introduction of L&D directories ensured clarity of our offer and how to access it.

## Race

The LAA Race Action plan has been developed in partnership with the LAA race network, BeUnique, and is designed to help us deliver results with BeUnique having recommended top actions to be taken following extensive consultation and engagement with our people.

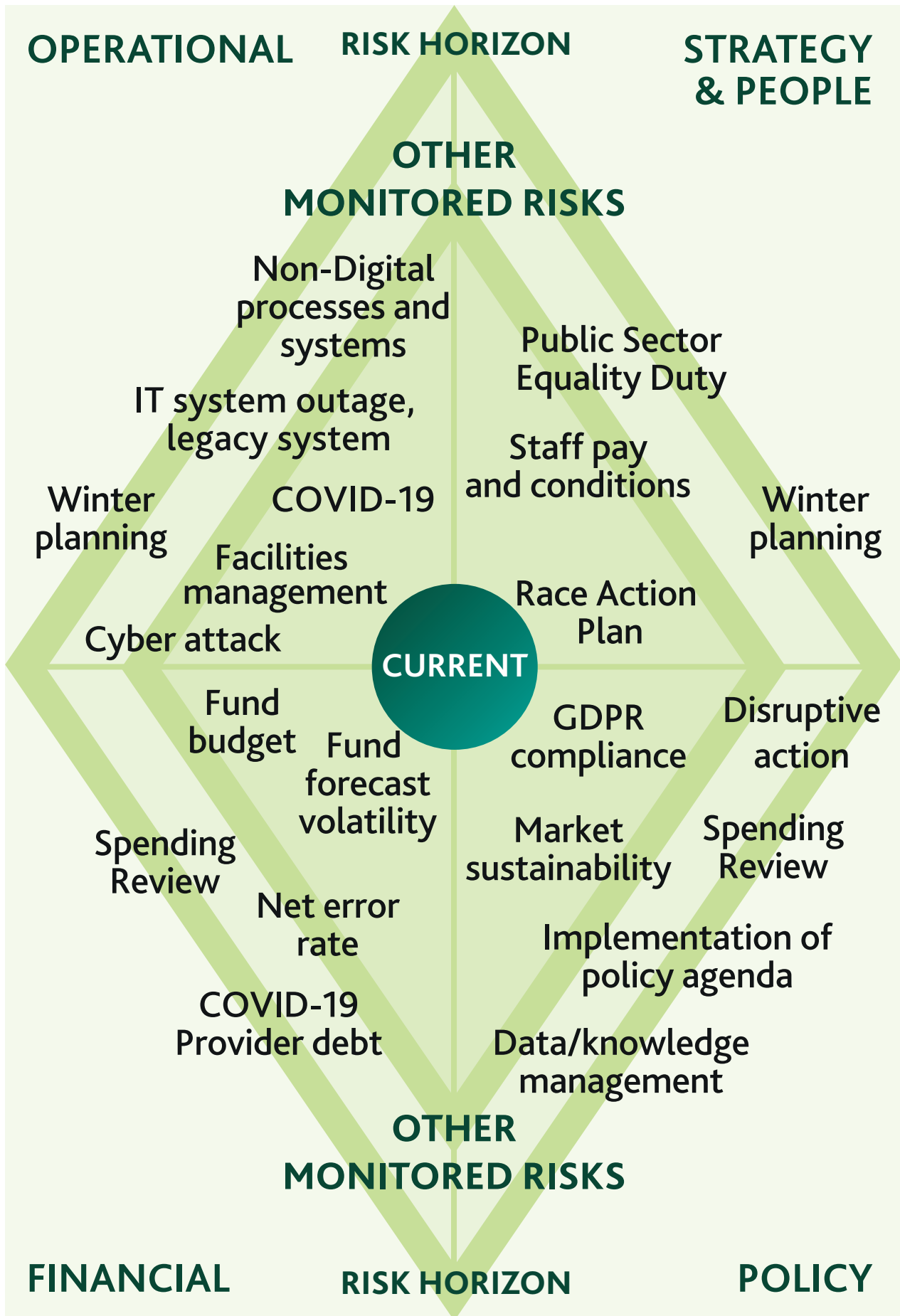
## Disability

We secured disability confident leader re-accreditation at the end of March 2021, evidence of the work we do every day to make the LAA an inclusive place to work. This accreditation ensures the LAA is seen as a

champion for the employment and development of disabled people. There are 8 million people of working age in the UK with a disability. Being disability confident ensures the LAA continues to embed practices and methods based around equality at the very heart of the organisation.

## Emerging risks

Risks considered throughout 2020–21 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 189–297. Note 2 to the Financial Statements on page 229 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 2020–21 to 2019–20, in legal aid spend by scheme:

# Legal Aid Agency net expenditure – £1.6 billion – decrease of £96.8m compared to previous year

**Civil Representation £747.2m** (£653.5m 2019–20) Increased by 14% with increased payment on account, civil taxed bills and interim bills claimed due to COVID-19 impacts and contingency measures

**Crime Higher £453.9m** (£599.6m 2019–20) Decreased by 24% through reduced numbers of Crown Court trials due to COVID-19 restrictions and impacts on Courts

**Crime Lower 229.7m** (£250.5m 2019–20) Decreased by 8% primarily due to COVID-19 impact of a reduction in the capacity of the Magistrates' Court to hear cases



**Legal Help £90.3m** (£118.8m 2019–20) Decreased by 24% due to reduced work in Housing and Immigration caused by COVID-19 impacts

**Administrative: LAA Admin £58.7m** (£66m 2019–20) Decreased by 11% primarily driven by reduced Amortisation costs following one off exercise in 2019–20 to account for historic amortisation\*

**Administrative: Functions £25.4m** (£22.9m 2019–20) Increased by 11% driven by increased recharges from Finance, where the methodology for the recharge calculation changed in 2020–21, and from Technology Transition

**Central Funds £33.5m** (£50.4m 2019–20) Decreased by 34% due to a reduction in court activity that generates spend on Defence Costs Orders (DCOs), language and interpretation services, and intermediaries

\*Organisational design work during 2019–20 has also resulted in savings being realised during 2020–21.

†Refers to administrative costs accrued through MoJ staff deployed to LAA work during 2020–21.

## 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.

The MoJ is committed to delivering the UN sustainable development goals (SDGs). The work of the Department primarily supports delivery of Goal 16 (promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels).

The MoJ work on improving the experience of victims and witnesses in the justice system, ensuring better outcomes for children, families and vulnerable adults and its departmental diversity and inclusion strategy support delivery of Goal 5 (achieve gender equality and empower all women and girls). In addition, the MoJ sustainability agenda supports Goal 13 (take urgent action to combat climate change and its impacts).

## 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 the tools for our staff to support efficient, flexible working. Paper usage has fallen again from 8 to 1.3 tonnes (reduction to £1k in spend).

In addition, efficiency has been sought through the use of shared functions, including Shared Services Connected Limited, the Central Legal Team (as part of the Government Legal Department), 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, works to 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 such as encouraging staff to make big or small changes to their everyday lives.

## Environmental sustainability measure reporting

Our progress against the 2020 Greening Government Commitments is outlined below. Please note, last year (2019–20) for the first time, energy, water and waste data was 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 last year onwards differ significantly and cannot be compared to previous years.

Non-financial environmental data is shown for a 12-month period from January 2020 to December 2021 and therefore does not align with data reported elsewhere in this report which refers to the 2020–21 financial year (1st April 2020 – 31st March 2021).

## Greenhouse Gas emissions

Energy <sup>1</sup>	2020-21	2019-20	2018-19	2017-18	2016-17
Non-financial indicators (tonnes of CO <sub>2</sub> equivalent tCO <sub>2</sub> e)					
Gas – Scope 1 non-renewable energy	79	135	85	95	103
Electricity – Scope 2 non-renewable energy	204	259	107	323	417
Electricity – Scope 2 renewable energy	0	5	77	102	124
Official business – travel emissions – Scope 3	74	147	174	194	162
<b>Total</b>	<b>357</b>	<b>546</b>	<b>443</b>	<b>714</b>	<b>806</b>

<sup>1</sup> Energy data for 2020-21 reporting year includes information from the following sites only: Cardiff, Cheltenham, Darlington, Nottingham, London (102 Petty France), Jarrow, Swansea, Bristol, Brighton and Pontypridd.

Energy <sup>1</sup>	2020-21	2019-20	2018-19	2017-18	2016-17
Non-financial indicators (Megawatt hours MWh)					
Gas – Scope 1 non-renewable energy	430	428	463	514	560
Electricity – Scope 2 non-renewable energy	785	931	348	1,050	1,356
Electricity – Scope 2 renewable energy	0	18	252	332	405
<b>Total</b>	<b>1215</b>	<b>1,377</b>	<b>1,063</b>	<b>1,896</b>	<b>2,321</b>
Financial indicators (£000)					
Gross expenditure on energy	162	278	108	210	267
Expenditure on official business travel (UK only)	45	638	642	662	502
<b>Total</b>	<b>207</b>	<b>916</b>	<b>750</b>	<b>872</b>	<b>769</b>

Energy consumption and Greenhouse Gas (GHG) emissions from purchased electricity and gas for heating have decreased compared to last year. Whilst COVID-19 restrictions have meant the majority of our staff have been working from home, office spaces which are often shared have still been maintained and inspected to ensure that they are COVID-19 secure.

<b>Travel</b>		<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
Output information (km 000)	Motor vehicle	324	437	415	415	366
	Rail	411	1,623	2,131	2,513	1,948
	Flight	11	18	33	55	64
	<b>Total</b>	<b>746</b>	<b>2,078</b>	<b>2,579</b>	<b>2,983</b>	<b>2,378</b>
Output information (tCO2e)	Motor vehicle	56	77	75	75	66
	Rail	17	67	94	111	86
	Flight	0	2	5	8	10
	<b>Total</b>	<b>73</b>	<b>146</b>	<b>174</b>	<b>194</b>	<b>162</b>



There has been a decrease of 25% in the emissions for motor vehicle emissions, and 75% in rail emissions with staff working from home during the COVID-19 pandemic. Where staff needed to attend an office the advice was not to use public transport so it was more likely motor vehicles were used as the means of transport. Flights have been recorded in this reporting period but are calculated as -1 in terms of carbon emissions so are reported as 0 in the table. Overall emissions have decreased by 50%.

## Finite resource consumption

Water <sup>2</sup>	2020–21	2019–20	2018–19	2017–18	2016–17
Non-financial information (cubic metres)	1,762	1,891	3,496	14,897	14,792
Financial information (£ 000)	24	22	5	21	21

\*This line was omitted from the 2019–20 Annual Report and Accounts. Figures prior to 2019–20 were published in previous Annual Reports, therefore only the 2019–20 figure of '22' has been previously omitted.

Our water usage during 2020–21 is lower than 2019–20, whilst the majority of our staff have been working from home offices have needed to be maintained including water systems. Cost of water supply has increased by 9% from 2019–20.

<sup>2</sup> Water data for 2020–21 reporting year includes information from the following sites only: Darlington, Nottingham, London (102 Petty France), Jarrow, Bristol, Brighton and Pontypridd.

## Paper

Paper  
consumption  
for  
**2020–21**

reduced by **81%** to **1.3 tonnes**

with a spend of **£1k**

Our consumption of paper between years has significantly reduced and spend has reduced accordingly, our paper consumption has reduced from 6.8 tonnes in 2019–20 to 1.3 tonnes in 2020–21. Our spend has reduced from 7k in 2019–20 to 1k in 2020–21. 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 <sup>3</sup>	2020-21	2019-20	2018-19	2017-18	2016-17
Non-financial information (tonnes)					
Waste sent to landfill	0	1	162	148	298
Waste incinerated for energy recovery	6	7	N/A	N/A	N/A
Waste composted	1	2	N/A	N/A	N/A
Waste recycled/reused	70	121	691	840	366
<b>Total</b>	<b>77</b>	<b>136</b>	<b>853</b>	<b>988</b>	<b>664</b>
Financial information (£ 000)					
<b>Total</b>	<b>66</b>	<b>41</b>	<b>26</b>	<b>27</b>	<b>37</b>

<sup>3</sup> Waste data for 2020-21 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.

The amount of waste we have disposed of during 2020–21 has decreased by 43% from 2019–20 although the costs of disposal have increased.

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.

## Going forward

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. An example of this is the roll out across the Agency by November 2020 of the Secure File Exchange – a way of sharing files electronically between providers and the LAA.

We will continue to explore further estates rationalisation to reduce the amount of space we occupy through our 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**

Chief Executive and Accounting Officer

Legal Aid Agency

6 December 2021

# 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 96–107. 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 2020–21.

## 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 2020–21, there were no breaches reported to the ICO.

The Governance Statement on pages 82–134 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 Position 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 second as Accounting Officer for the LAA, and first as Chief Executive having been Interim Chief Executive last year. I remain responsible for maintaining a robust system of internal control that supports the successful delivery 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 Accounting Officer, I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that the National Audit Office are aware of that information. To the best of my knowledge there is no relevant audit information of which the auditors are unaware.

Additionally, I continue to perform 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's 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. On 24th March I appeared before the JSC, in my role as Chief Executive Accounting Officer, to give evidence in the inquiry into The Future of Legal Aid. I appeared alongside Legal Aid Minister, Lord Wolfson and the Head of MoJ Legal Aid Policy.

## 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;
- Deliver training to PHSO staff on various LAA topics and issues.

The LAA has attended a Government-wide complaints forum, this has provided an opportunity to work collaboratively to improve our complaints handling service.

During 2020-21, the LAA was notified of 16 referrals to the PHSO, a decrease compared against the previous year (2019–20, 32), which is reflective of the general decrease to complaint volumes received in the LAA in the same period.

Of the referrals, one case was accepted for a formal investigation. The PHSO reached conclusions on four 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, no complaints were upheld in full, or in part. All four complaints accepted for formal investigation were discontinued. The PHSO discontinued a further 10 complaints at the pre-investigation stage.

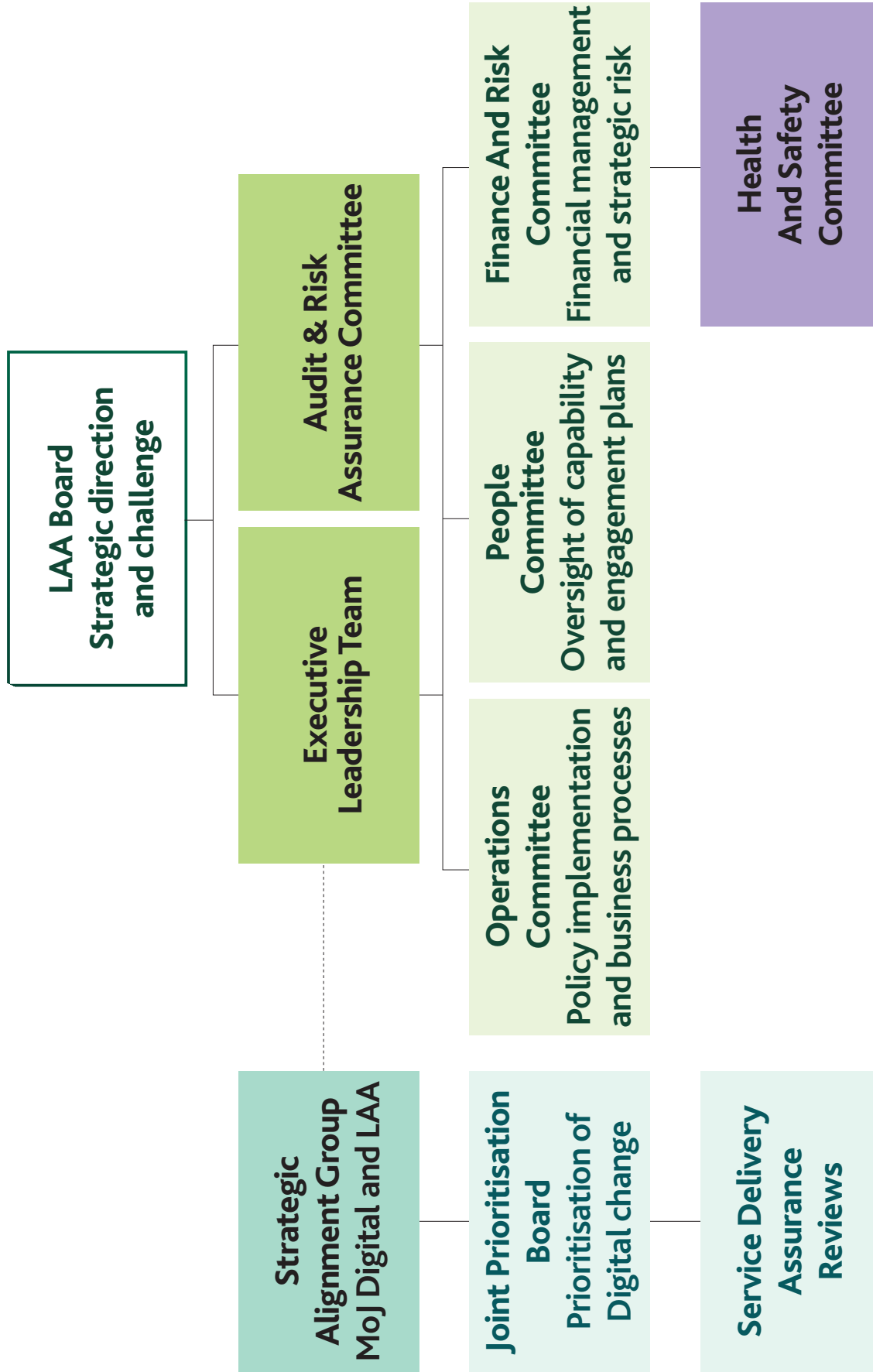
On conclusion of an investigation the LAA takes any necessary action to carry out the recommendations made by the PHSO. This can inform changes to processes and ways of working which will have a positive impact on the provision of public services in the future.

## **Governance framework**

The governance structure is detailed on page 86. This was established in response to our 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



## **COVID-19 impacts on Governance structure**

The LAA response to the Coronavirus pandemic meant that that response became a discussion and decision point for all of our formal governance forums. Where possible we utilised existing risk management, assurance and governance mechanisms to manage the LAA response.

LAA ELT did establish a working group to consider arrangements we might put in place to support legal aid clients and providers.

In addition, we did stand up the LAA National Crisis Management Team (NCMT), comprising of all LAA Executive Leadership Team members, plus the Heads of Internal and External Communications supported by the LAA's Business Continuity Manager and the LAA Head of Governance on 2 occasions during 2020–21. The NCMT is activated when the LAA could be subject to a crisis impacting its ability to deliver its core operations and / or has the potential to damage the reputation of the LAA.

## Committee Membership and Attendance

The table below details Board members and standing invitees who have responsibility for the LAA throughout 2020–21, their role and their attendance at Executive Leadership Team and Audit Risk and Assurance Committee meetings

Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
<b>Board members</b>				
<b>Chief Executive, LAA</b>				
Jane Harbottle – interim to 28.02.21, appointed 01.03.21	F	Chair	Chair	Invitee
Number eligible to attend		11	12	5
<b>Number attended</b>		<b>11</b>	<b>12</b>	<b>5</b>
<b>Principal Legal Advisor to LAA</b>				
Michael Jennings	M	Member	Member	
Number eligible to attend		11	12	
<b>Number attended</b>		<b>9</b>	<b>8</b>	

Name and role	Gender	LAA Board	ELT	ARAC
<b>Director of Finance</b>				
Lorna Maden	F	Member	Member	Invitee
Number eligible to attend		11	12	5
<b>Number attended</b>		<b>3</b>	<b>2</b>	<b>2</b>
<b>LAA Operations Committee<sup>1</sup></b>				
<b>Co-Chair</b>	M	Member	Member	
Alistair Adan – Interim Deputy Director, Head of Civil and Crime Case Management			12	
Number eligible to attend		11	<b>11</b>	
<b>Number attended</b>		<b>8</b>		

<sup>1</sup> Alistair Adan acted as Chair from 18.12.20.

Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
<b>LAA Operations Committee Co-Chair</b> Samantha Milton – Head of Public Defender Service – to 04.01.21 Number eligible to attend <b>Number attended</b>	F	Member 8 <b>8</b>	Member 9 <b>8</b>	
<b>LAA Finance and Risk Committee Chair</b> David Thomas – Deputy Director, Head of Contract Management and Assurance – Paternity leave 01.06.20 – 13.11.20 Number eligible to attend <b>Number attended</b>	M	Member 5 <b>5</b>	Member 6 <b>5</b>	Invitee 2 <b>2</b>

Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
Paul Henson – 01.06.20 – 02.10.20 <sup>2</sup> Number eligible to attend <b>Number attended</b>	M	Member 3 <b>3</b>		
<b>Deputy Director, Head of Transformation</b> Hannah Payne – until 29.05.20 Number eligible to attend <b>Number attended</b>	F	Member 2 <b>2</b>	Member 2 <b>2</b>	
Joanna Fiddian – from 02.07.20 Number eligible to attend <b>Number attended</b>	F	Member 9 <b>7</b>	Member 10 <b>7</b>	

<sup>2</sup> Paul Henson as Deputy Director of Finance was also an invitee see Invitees section in table.

Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
<b>LAA People Committee Chair</b>				
Hamza Yusuf – Interim Deputy Director, Head of Corporate Centre – to 30.04.20	M	Member	Member	
Number eligible to attend		1	0	
<b>Number attended</b>		<b>1</b>	<b>0</b>	
Lucy Jones – Deputy Director, Head of Corporate Centre	F	Member	Member	
Number eligible to attend		11	12	
<b>Number attended</b>		<b>9</b>	<b>11</b>	



Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
<b>Non-Executive Board Members</b>				
<b>Non-Executive Board Member – Commercial</b>				
Deep Sagar	M	Member		Member
Number eligible to attend		11		5
<b>Number attended</b>		<b>11</b>		<b>5</b>
<b>Non-Executive Board Member – Financial</b>				
Calum Mercer	M	Member		Chair
Number eligible to attend		11		5
<b>Number attended</b>		<b>11</b>		<b>5</b>
<b>Non-Executive Board Member – Legal</b>				
Professor Suzanne Rab	F	Member		Member
Number eligible to attend		11		5
<b>Number attended</b>		<b>11</b>		<b>5</b>

Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
<b>Invitees to Board</b>				
<b>Deputy Director of Finance</b> To 02.10.20 Number eligible to attend <b>Number attended</b>	M	See Board information for LAA Finance and Risk Committee chair above	Member 6 <b>2</b>	Invitee 3 <b>3</b>
from 05.10.20 Number eligible to attend <b>Number attended</b>	F	Invitee 5 <b>5</b>	Member 6 <b>4</b>	
<b>Deputy Director of Digital</b> Number eligible to attend <b>Number attended</b>	F	Invitee 11 <b>7</b>	Member 12 <b>8</b>	

Name and role	Gender	LAA Board	ELT	ARAC
		11	12	5
<b>Moj HR Director for LAA</b> (Attended by Moj Senior HR Business Partner for LAA)	F	Invitee	Member	
Number eligible to attend		10	11	
<b>Number attended</b>		<b>9</b>	<b>8</b>	

## Committee roles and responsibilities

### Legal Aid Agency Board

Name of committee	Legal Aid Agency Board
Chair	Chief Executive
Frequency	<p>Monthly</p> <p>There were 10 meetings of the Board and an Extraordinary Board meeting to approve the Annual Report and Accounts during 2020–21.</p>
Role	<p>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.</p>

Name of committee	Legal Aid Agency Board
Skill set	<ul style="list-style-type: none"> <li>• Chief Executive;</li> <li>• The Non-Executive Board Members (NEBMs);</li> <li>• The Principal Legal Adviser;</li> <li>• The Director of Finance;</li> <li>• LAA Operations Committee Chair;</li> <li>• LAA People Committee Chair;</li> <li>• LAA Finance and Risk Committee Chair;</li> <li>• Deputy Director for Agency Transformation;</li> <li>• Deputy Director for Finance.</li> </ul> <p>There have been changes to the individual Board members.</p>

Name of committee	Legal Aid Agency Board
Key activities this year	<p>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. A Board effectiveness review is underway looking at the processes in place with a view to recommend improvements and actions to improve effectiveness.</p> <p>This year has seen the introduction of a Shadow Board which supports the Agency’s values of being transparent and inclusive. It is a forum for colleagues to learn about decision making at Board level and to understand the rationale and work behind decisions and provides an additional layer of challenge and support to the Board.</p>

## 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. In performing its role, the ARAC is informed by the work of internal and external audit.
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	<p>During 2020–21 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.</p> <p>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.</p>



## Executive Leadership Team

Name of committee	Executive Leadership Team
Chair	Chief Executive
Frequency	Monthly. There were 12 meetings of ELT during 2020-21
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.

Name of committee	Executive Leadership Team
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"> <li>• <b>Operations Committee:</b> 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.</li> </ul>

Name of committee	Executive Leadership Team
	<ul style="list-style-type: none"> <li>• <b>Finance and Risk Committee:</b> In 2020-21, the Finance and Risk Committee has 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 review of corporate assurance activity and progress on audit recommendations; review of risk management in functional and operational areas; and deep dives on topics such as information management and fraud risk. The work of the Committee has been further supported by the activities of the Risk Working Group, which has focused on the identification of new and emerging risks and horizon-scanning exercises to inform recommendations and escalation to the Committee and onwards to the Executive Leadership Team. The Committee continue to work to improve the effectiveness of the meeting through annual effectiveness reviews.</li> </ul>

<p>Name of committee</p>	<p>Executive Leadership Team</p>
	<ul style="list-style-type: none"> <li> <p><b>People Committee:</b> The People Committee provides constructive business focused input, decision making, and assurance to the Board and the Executive Leadership Team (ELT) that LAA is delivering on its people strategy and capability plans. The committee monitors the implementation and effectiveness of LAA’s People Strategy and annual People Plan. It considers how effectively we implement MoJ people policies, ensuring the agency is making transparent, consistent and fair decisions regarding its people. The People Committee uses a People Dashboard and People Risk Register to routinely assess progress. During 2020–21 the committee has implemented recommendations from the LAA wide committee effectiveness review. This included reviewing the membership and expanding it to incorporate representation from all staff networks and champions groups.</p> </li> </ul>

<p>Name of committee</p>	<p>Executive Leadership Team</p>
	<p>The expansion in membership was chiefly enabled by new remote ways of working. In parallel the committee has worked hard to maintain and further its culture of inclusivity, whilst navigating new remote working, encouraging all members to contribute to all discussions and maximising technology to facilitate contributions.</p> <ul style="list-style-type: none"> <li>• <b>Joint Prioritisation Board:</b> The JPB meets quarterly, chaired jointly by the LAA Head of Transformation and Head of LAA Digital. The JPB reviewed and revised its Terms of Reference in autumn 2020 and introduced new ways of working between LAA Digital, Transformation and Operational teams to improve collaboration and prioritisation. Transition to the new governance arrangements is near completion at the end of this reporting year.</li> </ul>

<p>Name of committee</p>	<p>Executive Leadership Team</p>
	<p>On the back of these improvements, we are reviewing the Terms of Reference for the Strategic Alignment Group, which is where the LAA Chief Executive and Director for MoJ Digital and Technology agree joint priorities. The Strategic Alignment Group will be moving to quarterly meetings following each JPB, to ensure timely escalation of challenges and to facilitate an ongoing conversation about priorities throughout the year.</p>
<p>Key activities this year</p>	<ul style="list-style-type: none"> <li>• <b>Finance and Risk Committee:</b> A change in approach this year has seen an increased emphasis on identifying emerging and shared risks through the Risk 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.</li> </ul>

Name of committee	Executive Leadership Team
	<ul style="list-style-type: none"> <li>• <b>People Committee:</b> In 2020 the LAA either sustained or increased our scores against 21 of the 34 measures we use to assess the impact of our corporate People Plan. Where scores did dip in comparison to 2019 these were only by one or two percent. Considering the challenging year we have all faced, this is an extremely positive result. Over the last year key themes considered included how we can best attract diverse talent into the LAA, how we listen to and engage our staff on change, how well staff feel they belong and the building of inspiring leadership. The committee has also played a critical role in shaping our new three-year People Strategy and 2021–22 People Plan.</li> </ul>

## 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. This year we have strengthened our process through review and discussion of the annual assurance declarations with Deputy Directors and our Audit Risk and Assurance Committee chair. 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 2020-21 nine audits were rated as moderate or substantial, and two were found to be limited. Of the actions recommended, three were rated as high.

In his 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, his 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

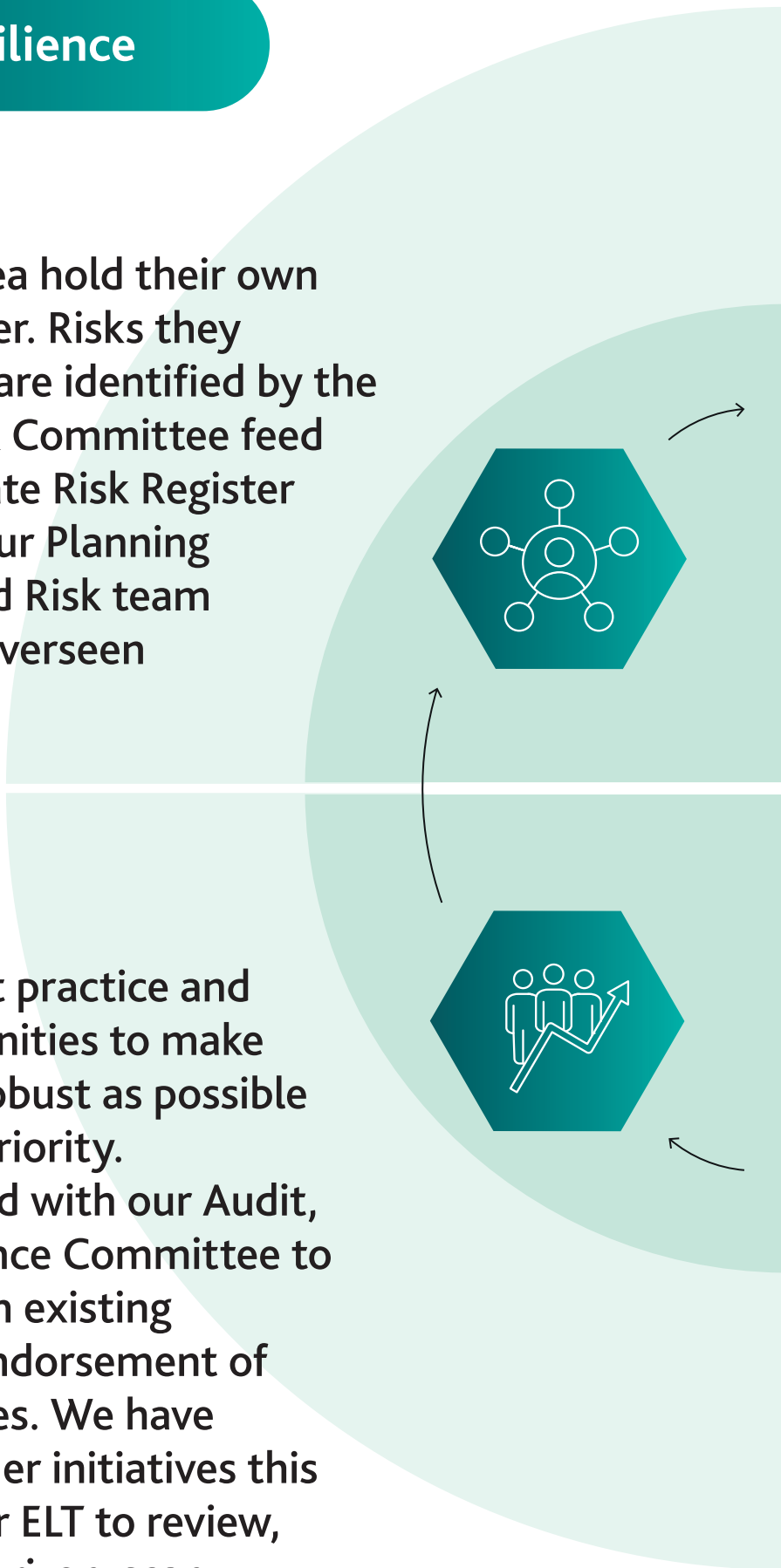
## Risk and Resilience

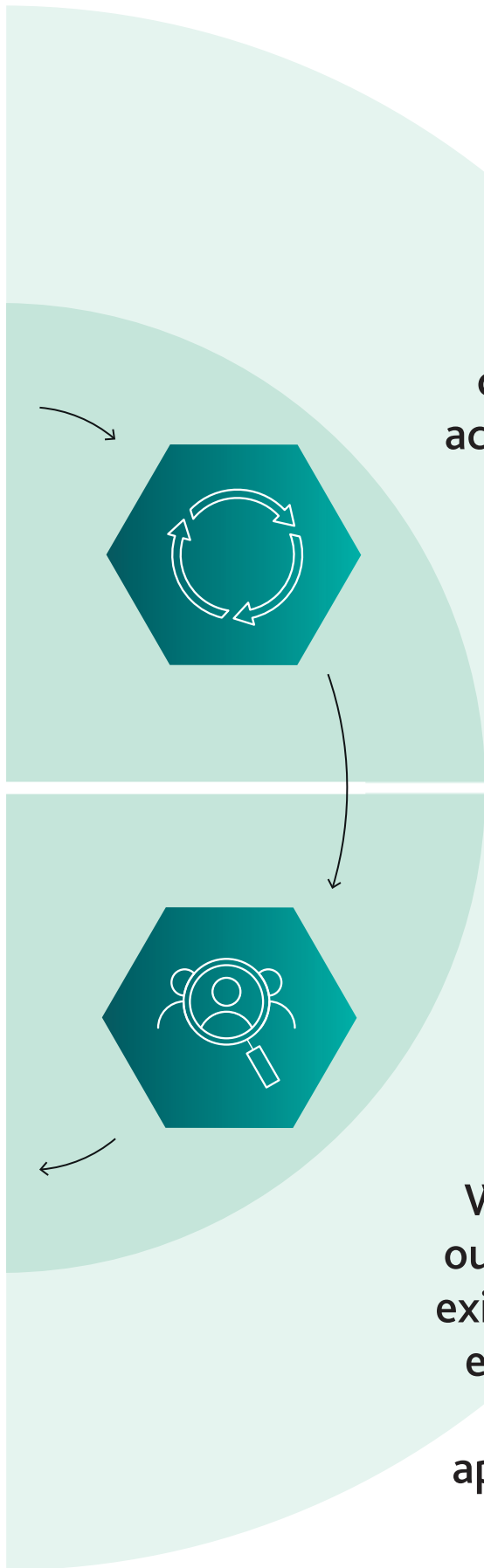
### Organisation

Each team or area hold their own risk log or register. Risks they identify and /or are identified by the Finance and Risk Committee feed into the Corporate Risk Register maintained by our Planning Performance and Risk team and ultimately overseen by our ELT.

### Continuous Improvement

Considering best practice and seeking opportunities to make our process as robust as possible is a continuing priority. We have engaged with our Audit, Risk and Assurance Committee to seek feedback on existing processes and endorsement of proposed changes. We have introduced further initiatives this year to allow our ELT to review, challenge and horizon-scan.





## Process

Our established Risk Working Group meets each month, comprising representatives from across the LAA, with their analysis of risk for their areas alongside horizon-scanning being considered in the context of the Corporate Risk Register.

Outputs help inform the thinking and recommendations of our executive committees and ultimately our ELT on emerging and established corporate level risks.

## Reporting

We have continued to strengthen our reporting this year, building on existing processes of capturing and escalating risk to ensure effective and regular oversight at appropriate levels within the LAA, as well as inputting to MoJ's Executive Committee quarterly.

## Significant risks and issues in 2020–21

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, many of our previously identified corporate-level risks have been variously impacted by COVID-19; during the earlier stages of the first national lockdown we reported COVID-19 risks as distinct entries on our Corporate Risk Register, though these were subsequently incorporated within our BAU reporting early in 2020–21. Our headline corporate-level risks across the year have included: LAA finances, including Fund forecast volatility linked to the pandemic; the sustainability of the legal aid market; GDPR governance and compliance; operations; digital change management; and LAA systems.

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. Where a particular risk has been substantially impacted by COVID-19, this has been indicated in a separate column.

**Our strategic objectives:**

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

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
LAA Fund budget and forecasting <b>SO1, SO3</b>	Y	<p>1. Fund spend falling outside budget by year-end (standing corporate risk); and</p> <p>2. Fund forecasting ability is substantially impacted due to COVID-19</p>	<p>The key focus of our finance risks during 2020–21 has been on our ability to forecast effectively in the context of COVID-19-related volatility. Our standing headline risk on Fund budget management was reframed within the year, linked to a range of different factors including changes to demand and provider billing behaviours. Whilst the forecast position continues to be reviewed and updated on a monthly basis, with spend closely monitored via weekly payment runs, the significant uncertainties around the pace and pattern of recovery, particularly in the courts, continue to impact as we move into 2021–22; Finance teams will continue to work with HMCTS and Criminal Justice Analytical Services in this context.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
Market sustainability <b>SO1</b>	Y	Gaps in the provision of legal aid due to insufficient provider volumes	<p>The stability of the legal aid provider base has continued to be a key priority for the LAA, and the risks posed by existing or potential gaps in provision have received corporate-level oversight throughout the year. Engaging with MoJ Policy colleagues and Ministers to develop strategies around service provision and the sustainability of the legal aid market has been a priority over the last year and will continue to be so into 2021–22. In relation to COVID-19 impacts, we have worked with our legal aid providers, MoJ Policy colleagues and other parts of government to quickly establish and communicate a number of contingency arrangements that highlighted our commitment to supporting the legal aid sector and ensuring access to justice during unprecedented times; many of these contingencies have been made available through the first quarter of 2020–21.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
<p>Implement- ation of GDPR <b>SO1</b></p>		<p>Delays to the implementation of GDPR remediation requirements and gaps in governance impact reputation and compliance</p>	<p>There has been a strong focus on making progress in this area across the year, with a deep-dive carried out requiring engagement across the Agency and with LAA Digital. This has aided in ensuring a full understanding of the scope of outstanding issues and activities. In relation to actions taken:</p> <ul style="list-style-type: none"> <li>- We have worked closely with LAA Digital colleagues to ensure that GDPR remediation in relation to systems appears on Digital roadmaps;</li> <li>- We have revised our Information Risk Appetite Statement;</li> <li>- The MoJ Privacy Team will be delivering training to LAA Digital colleagues on GDPR governance requirements, and this is reflected in their Strategy for 2021–22.</li> </ul>



Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
			<p>Our Information, Risk and Security Working Group continues to actively monitor progress and ongoing risk in this area, with GDPR governance and compliance remaining on our corporate-level risk register as we move into the new financial year. We will build upon the improvements already made in relation to communication between LAA business, LAA Digital and the governance forums we have in place.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
IT services and digital delivery <b>SO1, SO2, SO3</b>		Stability and resilience of our IT services and the delivery of joint LAA and Digital products	<p>We have maintained corporate-level oversight of a number of risks that are owned by LAA Digital across the year. There have been particular challenges in relation to the LAA's legacy systems; we began to monitor CCMS as a separate risk during Q2 following significant outages that led to concerns over operational impacts, external reputation and staff morale.</p> <p>There has been a move towards ensuring relevant LAA Digital risks more effectively reflect business impacts, such as to operations and reputation. We have collaborated to develop this work, with Digital colleagues undertaking a thorough review of their Digital Risk Register and engaging with business areas to discuss narratives. Future oversight of these risks will take place via the Joint Prioritisation Board and feed into the LAA's Corporate Risk Register as appropriate.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
<p>Cyber security <b>SO1, SO3</b></p>		<p>Disruption to service and/or the loss of financial and/or personal data resulting from cyber-attack</p>	<p>LAA Digital has worked closely with the dedicated Cyber Security Team to enable appropriate levels of security across all services. This has linked closely to a Department-wide review of the incident management process, and work continues to create a new process to inform the LAA and MoJ Digital about security risks and incidents at as early a stage as possible. Data Protection Impact Assessments have been completed across all LAA Digital products and migration work necessary to add a more enhanced level of security to our digital portfolio remains underway.</p> <p>As we move into the new financial year, LAA Digital will be carrying out a security audit to identify future areas of improvement and associated recommended actions.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
<p>Winter planning <b>SO1, SO4</b></p>	<p>Y</p>	<p>Risks identified via winter planning happen concurrently, impacting on the LAA's ability to deliver services and meet operational objectives</p>	<p>A single corporate-level risk relating to the potential impact of a number of separate risks happening concurrently was escalated in November 2020, at which time it was agreed that oversight would remain during Winter and early Spring. This overarching risk was scored according to the status of individual risk areas such as COVID-19, staff absence levels, operational performance, the UK's exit from the EU and more typical winter-planning considerations such as severe weather. The LAA has reported into the Moj's Winter Planning Board and considered how other corporate-level risk areas could be adversely affected. Whilst we anticipate a temporary removal of this risk from our Corporate Risk Register during Q2 of 2021-22, we will be working with Moj and across the business to ensure readiness for Winter 2021.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
Facilities management <b>SO4</b>	Y	Ineffective facilities management provision, compromising compliance standards in buildings we occupy, a risk to health and safety of business users	<p>Facilities management provision has continued to have corporate-level oversight over the last year. Owing to the necessary shift to homeworking in the final weeks of 2019–20, and with the majority of our workforce still working remotely, our focus has been on ensuring offices are COVID-19 secure, with appropriate risk assessments carried out at each site.</p> <p>We have seen some progress made in-year in terms of consolidating outstanding reactive works, though there remain substantial challenges in areas such as resource and assurance. We continue to work closely with MoJ’s Facilities Management Team.</p>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
Public Sector Equality Duty SO4		<p>The LAA is unable to sufficiently meet its Public Sector Equality Duty (PSED) in relation to staff, people seeking access to our services and providers</p>	<p>This risk was escalated to corporate-level in July 2020 to ensure relevant levels of oversight and the driving forward of key actions. There have been a number of developments across the year that have served to reduce the perceived risk in this area, though our delivery timelines take into account the time needed for changes to become embedded once initiatives have been implemented. We will continue to monitor via a number of channels, including our Corporate Risk Register, as we move into 2021–22.</p> <p>Key actions have included (but are not limited to):</p> <ul style="list-style-type: none"> <li>-All staff to receive mandatory diversity training annually, in addition to Race Awareness training;</li> <li>-Approval for the further embedding of PSED considerations within existing governance processes and the LAA Race Action Plan;</li> </ul>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
			<ul style="list-style-type: none"> <li>-Dedicated PSED capability training sessions, which will continue into 2021;</li> <li>-A review of our governance forums in relation to how we can promote and ensure a diversity of views within our decision-making.</li> </ul>

Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
<p>Error rate</p> <p><b>SO3</b></p>	<p>Y</p>	<p>The complexity of legal aid means there is an inherent risk of error because of incorrect eligibility assessments or inaccurate payments</p>	<p>The level of error 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 for 2020–21 was initially impacted by COVID-19, assurance activities slowed during Q1, with full testing resuming in July enabling us to then complete the full year’s testing.</p>



Topic	Substantial COVID-19 impacts	Description	Key mitigating actions, activities and headlines
			<p>We have undertaken a number of actions in-year to reduce the potential for future errors and monitored the impact of our contingency measures. Headline figures for the year, alongside more detail on individual contingencies, are reported separately below this table.</p>

## Error rate

A focus on maintaining payment accuracy during the pandemic has resulted in our gross error reducing to £16.5m in 2020–21 compared to £20.6m in 2019–20. Addressing overpayments has helped reduce the most likely level of error to a net position of £13.3m (0.89%) of expenditure compared to £14.5m (0.83%) of expenditure in 2019–20. Based on the statistical sampling techniques used, we have 95% confidence that the actual level of net error in 2020–21 is between 0.63% and 1.16% 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 2020–21 our estimated underpayment was 0.05% of the total legal aid expenditure (compared to 0.03% in 2019–20).

## Specific issues to highlight this year



### Net error rate category

#### Crime Higher claims

This has reduced following a focus on improvements to guidance and training. 0.40% during 2019–20

0.19%

#### Civil Representation claims

This has reduced following the introduction of improved guidance, continued emphasis on quality improvements and enhancements to the case management system. 0.87% during 2019–20

0.60%

#### Legal Help claims

2020–21 saw an increase in our Legal Help net error rate, significantly attributable to Controlled Work Escape Cases. These are complex or lengthy Legal Help cases where we had implemented contingency arrangements in response to the pandemic. To address this, we have introduced further controls and worked with providers to identify improvements through contract management activity. 0.00% during 2019–20

2.81%

## Fraud, Bribery and Corruption

Counter Fraud updates are a regular item at the ARAC meetings. We raise awareness of fraud, bribery and corruption for LAA employees through presentations, workshops, intranet articles and advice. The Counter Fraud team run a programme of counter fraud presentations across the operational delivery business areas, we promote mandatory annual refresher counter fraud e-learning and hold bespoke events in support of International Fraud Awareness Week.

We are part of the Cabinet Office Fraud Champions network and maintain close working relationships with the Department of Work and Pensions, Solicitors Regulation Authority and wider stakeholders to gather intelligence and share data to prevent, investigate and prosecute fraud. We collaborate with law enforcement agencies and the CPS, following national file standards and practice.

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 and recover monies lost to fraud. The LAA works closely with the MoJ Counter Fraud Centre of Expertise and meets the Government Functional Standard for Counter Fraud, Bribery and Corruption.

The LAA's counter fraud activity during **2020-21** resulted in the recovery or preservation of

**£774,245 of public funds**

compared to **£568,467 million** in 2019-20

**In 2020-21**

the LAA continued to apply its risk based approach to preventing, identifying and investigating suspected fraud



**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 provider's ability to repay, or the outcome of civil and / or criminal proceedings.

## 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.

MoJ launched a new Raising a Concern policy (to update the whistleblowing policy) in February 2021. That is

more supportive, addresses barriers to reporting, and includes more guidance.

The one incident reported in 2019–20 was concluded in 2020–21. We received no reports this year.

## Information assurance and data security

The LAA processes 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, both the MoJ and the ARAC challenges our performance on incident management providing direction and oversight.

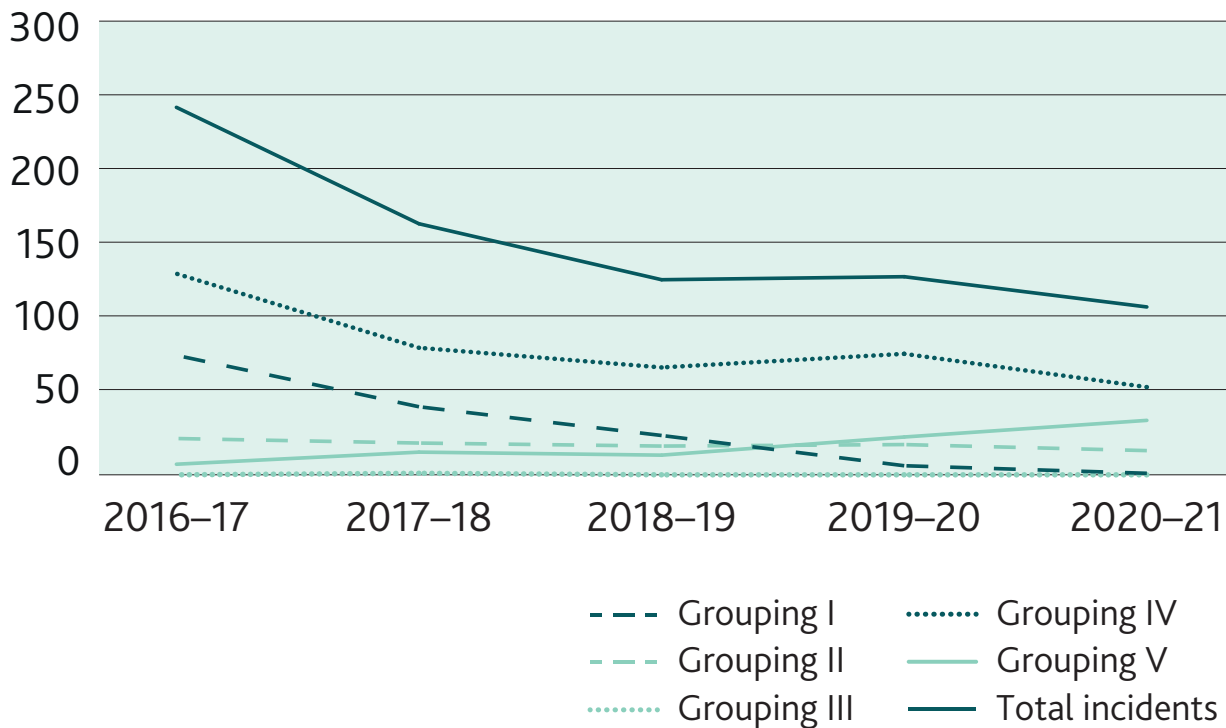
In 2020–21, there were 111 personal data-related incidents reported. This represents a decrease of 20 (18%) on the previous year. The LAA consistently reports low numbers of incidents considering the large volume of transactions that the LAA processes. This reflects the significant improvements in information security that the LAA has made over the last 5 years.

There have been no incidents that have required reporting to the Information Commissioner's Office.

Table 1. Data Incident Numbers by Grouping between years 20–21, 19–20 & 18–19

Grouping	Nature of incident	2020–21	2019–20	2018–19
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1	6	26
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	16	20	19
III	Insecure disposal of inadequately protected electronic equipment, devices or paper	0	0	0
IV	Unauthorised disclosure	58	80	71
V	Other (policy non-compliance)	36	25	13
<b>Total</b>		<b>111</b>	<b>131</b>	<b>129</b>

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



## Withdrawal and republication of 2020-21 Annual Report and Accounts

The LAA Annual Report and Accounts 2020-21 were presented to the House of Commons on 22 September 2021. Subsequently, through in-year financial management controls, the LAA identified an error in those accounts. This error resulted in the overstatement of expenditure under the legal aid schemes by £26.3m, and the overstatement of net liabilities by £26.3m. In order to correct this error in a timely manner, the Annual Report and Accounts 2020-21 as originally laid have been withdrawn and a corrected version has been presented to the House of Commons.



The error arose on reports used to calculate the accruals-based payable for amounts due to solicitors, counsel and advice agencies. Due to the timing of a data feed from one system to another, payments made to providers on 31 March 2021 were missing from the calculation, and the accruals-based payable, and expenditure, were therefore overstated.

The error did not affect payments to providers, or individual provider statements: the calculation is performed solely in order to disclose an accruals-based figure in the LAA's financial statements.

Subsequent to identifying the error, additional and enhanced reconciliations between data sources have been put in place, to prevent a recurrence of this or a similar error.

## 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 pleased that our Head of Internal Audit has provided a moderate opinion. We have taken steps to strengthen our risk management process including the further embedding 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**

Chief Executive and Accounting Officer

Legal Aid Agency

6 December 2021

## 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 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

2020–21 relate to the performance in 2019–20 and the bonuses reported in 2019–20 relate to the performance in 2018–19.

### **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 2020) and the value of the individual's benefits at the end of the pension input period (31 March 2021); 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**

All Non-Executive Board Members (NEBMs) remained in post for 2020–21 as part of their fixed period appointments.

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 161.



Table A: Senior employees in post at 31 March 2021 – Employment costs (subject to audit)

	2020–21	
	Total amount of salary and fees	Pension related benefits (to nearest nearest)
	All taxable benefits (to nearest £100)	Total (to nearest nearest £1000)
	£000	£000
Executive Board Members		
<b>Jane Harbottle</b> <sup>3</sup> Interim Chief Executive - to 28.02.21 appointed 01.03.21	90–95	58
<b>Lorna Maden</b> <sup>4</sup> Director of Finance	110–115	35
		145–150

<sup>3</sup> Jane Harbottle has a dual workplace agreement; the costs illustrate the benefit in kind for all travel to and from dual workplace locations.

<sup>4</sup> Lorna Maden was remunerated for the first part of the year by HMPPS and then by the MoJ Core Department and is not employed directly by the LAA.

2020-21	
Total amount of salary and fees	Pension related benefits (to nearest nearest)
£000	£000
All taxable benefits (to nearest £100)	Total (to nearest £1000)
£000	£000
Bonus Payments	£000
£000	£000
Executive Board Members	
<b>Hannah Payne</b> Deputy Director, Head of Transformation – until 29.05.20 Deputy Director, Head of Contract Management and Assurance from 01.06.20 – 01.10.20 then Maternity leave from 02.10.20	60-65 (FTE 75-80)
	24
	80-85

2020-21	
Total amount of salary and fees	Pension related benefits (to nearest nearest)
£000	£000
All taxable benefits (to nearest £100)	Bonus Payments (to nearest nearest)
£000	£000
Total amount of salary and fees	Total (to nearest nearest)
£000	£1000
Executive Board Members	
<b>David Thomas</b> Deputy Director, Head of Contract Management and Assurance Paternity leave 01.06.20 – 13.11.20	75-80 - - 33 105-110
<b>Samantha Milton</b> Head of Public Defence Service – to 04.01.21	55-60 - - 37 100-105
	(FTE 75-80)

2020-21	
Executive Board Members	Pension related benefits (to nearest £1000)
Total amount of salary and fees	Total (to nearest £1000)
£000	£000
<b>All taxable benefits (to nearest £100)</b> £000	<b>Bonus Payments (to nearest £1000)</b> £000
70-75	28
0.1	95-100
<b>Alistair Adan<sup>5</sup></b> Interim Deputy Director, Head of Civil and Crime Case Management	
<b>Hamza Yusuf</b> Interim Deputy Director, Head of Corporate Centre – to 30.04.20	3 5-10

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

2020-21	
Total amount of salary and fees	Pension related benefits (to nearest nearest £1000) £1000
All taxable benefits (to nearest £100) £000	Bonus Payments (to nearest nearest £1000) £000
Total amount of salary and fees	Total (to nearest nearest £1000) £1000
Executive Board Members	
<b>Michael Jennings<sup>6</sup></b> Principal Legal Advisor to the LAA	85-90 - 0-5 41 130-135
<b>Lucy Jones</b> Deputy Director, Head of Corporate Centre	70-75 - 39 110-115
<b>Joanna Fiddian</b> Deputy Director, Head of Transformation – from 01.07.20	40-45 (FTE 75-80) - 5-10 17 65-70

6 Michael Jennings is remunerated through the Government Legal Department.

2019–20					
Total amount of salary and fees	Pension related benefits (to nearest £1000)	Total (to nearest £1000)			
All taxable benefits (to nearest £100)	Bonus Payments (£000)	£000			
£000	£000	£000			
Executive Board Members	85–90	17.8 <sup>8</sup>	5–10	52	165–170
<b>Jane Harbottle</b> <sup>7</sup> Interim Chief Executive - to 28.02.21 appointed 01.03.21					
<b>Lorna Maden</b> <sup>9</sup> Director of Finance	110–115	-	-	56	165–170

<sup>7</sup> Jane Harbottle has a dual workplace agreement; the costs illustrate the benefit in kind for all travel to and from dual workplace locations.

<sup>8</sup> £1.5k of 'All taxable benefits' were reimbursed in cash through I-expenses.

<sup>9</sup> Lorna Maden was remunerated for the first part of the year by HMPPS and then by the Moj Core Department and is not employed directly by the LAA.

2019–20					
Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments (£1000)	Pension related benefits (to nearest £1000)	Total (to nearest £1000)	
Executive Board Members					
<b>Hannah Payne</b> Deputy Director, Head of Transformation – Maternity leave from 29.05.20	50–55 (75–80 FYE)	£000	£000	£000	70–75
<b>David Thomas</b> Deputy Director, Head of Contract Management and Assurance Paternity leave 01.06.20 – 13.11.20	70–75	-	-	31	105–110

2019–20		
Total amount of salary and fees	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
£000	£000	£000
Executive Board Members	All taxable benefits (to nearest £100)	Bonus Payments (to nearest £1000)
	£000	£000
<b>Samantha Milton</b> Head of Public Defence Service – to 04.01.20	-	5–10
	75–80	32
		115–120
<b>Alistair Adan</b> <sup>10</sup> Interim Deputy Director, Head of Civil and Crime Case Management	13 <sup>11</sup>	-
	50–55 (70–75 FYE)	28
		90–95
<b>Hamza Yusuf</b> Interim Deputy Director, Head of Corporate Centre – to 30.04.20	-	-
	35–40 (75–80 FYE)	14
		50–55

<sup>10</sup> Alistair Adan has a dual workplace agreement; the costs illustrate the benefit in kind for all travel to and from dual workplace locations.  
<sup>11</sup> £0.7k of 'All taxable benefits' were reimbursed in cash through I-expenses.



2019–20		Pension related benefits (to nearest £1000)		Total (to nearest £1000)	
Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments (£000)	(to nearest £1000)	Total (to nearest £1000)	
£000	£000	£000	£000	£000	£000
<b>Executive Board Members</b>					
<b>Michael Jennings</b> <sup>12</sup> Principal Legal Advisor to the LAA	10–15 (80–85 FYE)	-	6	15–20	
<b>Lucy Jones</b> Deputy Director, Head of Corporate Centre	40–45 (70–75 FYE)	-	18	60–65	
<b>Joanna Fiddian</b> Deputy Director, Head of Transformation – from 01.07.20					

<sup>12</sup> Michael Jennings is remunerated through the Government Legal Department.

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

	2020–21	2019–20
Band of highest paid Executive Board Member's total remuneration excluding pension benefits (£000)	<b>110–115</b>	110–115
Median total remuneration (£)	<b>22,715</b>	22,567
Ratio	<b>5.0:1</b>	5.0:1

### 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 2020–21 was £110k–115k (2019–20: £110k–115k). This was 5.0 times (2019–20: 5.0) the median remuneration of the workforce, which was £22,715 (2019–20: £22,567). The increase is due to a change in staff mix.

In 2020–21 one staff or contractor (2019–20: 0) received banded remuneration in excess of the highest paid Executive Board Member.

Staff remuneration ranged from £15k–20k to £140k–145k (2019–20: £15k–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 162.

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**

<b>Executive Board Members</b>	<b>Contract start date</b>	<b>Term served (years)</b>	<b>Notice period (months)</b>
<b>Jane Harbottle</b>	1 April 2016	5	3
<b>Lorna Maden</b>	12 November 2018	2	3
<b>Hannah Payne</b>	1 July 2018	2	3
<b>David Thomas</b>	16 January 2017	4	3
<b>Samantha Milton</b>	20 March 2017	4	3
<b>Hamza Yusuf</b>	30 September 2019	1	3
<b>Alistair Adan</b>	23 July 2019	1	3
<b>Lucy Jones</b>	10 June 2019	1	3
<b>Joanna Fiddian</b>	1 June 2020	0	3

Michael Jennings is employed by the Government Legal Department.

## Civil service pension benefits

### Civil Service Pensions

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 in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 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.

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.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in 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 switch into

**alpha** sometime between 1 June 2015 and 1 February 2022.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below).

All members who switch to **alpha** have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having 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.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**.

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.

For **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 builds up 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.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)



**Table D: Executive Board Members – Pension costs for the year ended 31 March 2021 (subject to audit)**

	Total accrued pension and related lump sum at pension age as at 31 March 2021	Real movement in pension and related lump sum at pension age	CETV <sup>13</sup> at 31 March 2021	CETV at 31 March 2020	Real increase in CETV
	£000	£000	£000	£000	£000
<b>Jane Harbottle</b>	30–35	2.5–5	484	428	31
<b>Lorna Maden</b>	Pension 35–40 Lump sum 110–115	Pension 0–2.5 Lump sum 5–7.5	882	833	59
<b>Hannah Payne</b>	10–15	0–2.5	94	80	6
<b>David Thomas</b>	20–25	0–2.5	249	223	11

<sup>13</sup> CETV amounts relate to when the Executive Board Member joined the Board.

	Total accrued pension and related lump sum at pension age as at 31 March 2021	Real movement in pension and related lump sum at pension age	CETV <sup>13</sup> at 31 March 2021	CETV at 31 March 2020	Real increase in CETV
	£000	£000	£000	£000	£000
<b>Samantha Milton</b>	30-35	0-2.5	437	412	17
<b>Alistair Adan</b>	5-10	0-2.5	196	158	29
<b>Hamza Yusuf</b>	5-10	0-2.5	47	46	4
<b>Lucy Jones</b>	Pension 20-25 Lump sum 35-40	Pension 0-2.5 Lump sum 0-2.5	266	236	7
<b>Michael Jennings</b>	Pension 35-40 Lump sum 70-75	Pension 0-2.5 Lump sum 0-2.5	623	575	4
<b>Joanna Fiddian</b>	5-10	0-2.5	79	-	-

## Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors 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 2020–21. 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 2021 –  
Employment costs (subject to audit)

Non-Executive Board Member	2020–21		2019–20	
	Total amount of fees	All taxable benefits	Total amount of fees	All taxable benefits
	£000	£000	£000	£000
<b>Calum Mercer<sup>14</sup></b> ARAC Chair	10.4	–	10.4	–
<b>Deep Sagar</b>	8.0	–	8.1	–
<b>Suzanne Rab</b>	8.0	–	8.0	–

## Employment contracts – NEBMs

Table F: NEBMs – Employment contracts

Non-Executive Board Member	Contract start date	Term served (years)
<b>Calum Mercer</b>	1 January 2019	2
<b>Deep Sagar</b>	1 December 2018	2
<b>Suzanne Rab</b>	1 April 2019	2

14 The remuneration includes £2,400 (2019-20: £2,400) as Chair of the LAA Audit, Risk and Assurance (ARAC) Committee.

## Staff report

### Staff Costs

Table G: Staff Costs for the year ended 31 March 2021 (subject to audit)

	2020–21			2019–21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	33,939	1,625	34,564	33,384	923	34,307
Social security costs	3,307	-	3,307	3,279	-	3,279
Other pension costs	8,476	1	8,477	8,329	-	8,329
	45,722	1,626	47,348	44,992	923	45,915

	2020-21			2019-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Less recoveries in respect of outward secondments	-	-	-	2	-	2
Redundancy and early departure <sup>15</sup>	36	-	36	152	-	152
	45,758	1,626	47,384	45,146	923	46,069
Non-Executive Board Members (fees and benefits)	29	-	29	28	-	28
<b>Total</b>	<b>45,787</b>	<b>1,626</b>	<b>47,413</b>	<b>45,174</b>	<b>923</b>	<b>46,097</b>

<sup>15</sup> Redundancy and early departures disclosed in the table above relate to one (2019-20: five) full time equivalent staff.

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](http://www.civilservicepensionscheme.org.uk)).

For 2020–21, employers' contributions of £8,356k were payable to the PCSPS (2019–20: £8,194k) at one of four rates in the range 26.6% to 30.3% (2019–20: 26.6% to 30.3%) 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 £121k (2019–20: £135k) were paid to one or more of a panel of appointed stakeholder pension providers.

Two people (2019–20: one) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £5k (2019–20: £nil).



## Staff numbers

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

	2020-21			2019-20		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	1,119	-	1,119	1,127	-	1,127
Other	-	18	18	-	35	35
<b>Total</b>	<b>1,119</b>	<b>18</b>	<b>1,137</b>	<b>1,127</b>	<b>35</b>	<b>1,162</b>

Table I: Staff Composition

	Male	Female
Staff composition	486	703

### Staff composition\*



703 Female 486 Male

👤 = 10 people

### Senior civil staff by band\*

■ Female ■ Male

SCS Pay band 1



SCS Pay band 2



\*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 2020–21 Civil Service People Survey, 87% of those who took part (74% 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 2020–21 included:

- Revising and updating LAAs D&I objectives guidance.
- Delivering a workshop package for managers and teams to promote inclusive culture and build confidence in challenging inappropriate behaviour.
- The LAA’s Race Network - BeUnique (previously BeProud) has delivered a number of inspirational and educational events for colleagues across the LAA.

- Preparing for Disability Confident Leadership re-accreditation.

Our People and Capability team have identified further actions that have been included in the LAA's People Plan to continue our diversity and inclusion work. This includes the development of a network and champions partnership agreement, preparation for the delivery of the MoJ Belonging approach and launching our talent strategy.

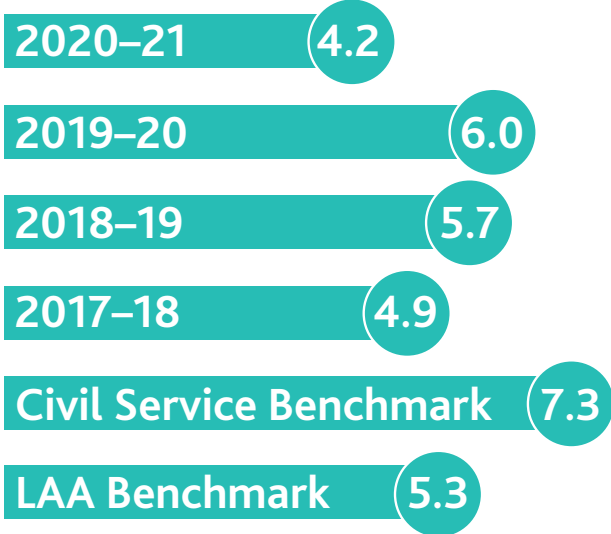
### **Employment of disabled persons**

During 2020–21, the LAA worked with colleagues across the MoJ to submit a successful application for Disability Confident Leaders re-accreditation. This confirms our ongoing commitment to having the best recruitment practices, understanding and meeting the diverse needs of people with disabilities, being open to learning about and from people's experiences, and seeking to share our experience to benefit other organisations. In the past year we have enhanced training for our people, delivered over 800 pieces of equipment to over 700 employees to support workplace adjustments, reviewed mental health and wellbeing within the LAA leading to actions included as part of our People Strategy, and we have formed our 'DisAbility' staff network. The network has delivered:

- Staff forums regarding mental health and wellbeing, disability confidence, confident about cancer, neurodiversity awareness.
- Inspiring personal storytelling on our intranet.
- ‘Confident about cancer cafés’ for all MoJ staff.
- Promotion of national and international awareness events.
- A ‘shielding buddy initiative’ for cancer patients and carers in collaboration with the Civil Service Working through Cancer (WTC) network.
- Collaboration on projects supporting the LAA, MoJ and Civil Service disability confidence e.g. Neurodiversity awareness and manager training, sight and hearing impairment and the impact of remote working.

### **Sickness absence data (not subject to audit)**

We have put significant effort into ensuring the health and wellbeing of all staff within the LAA, providing resources and training to assist with resilience, mental health support and stress. Absence is something People Committee continue to monitor closely each month with action taken to address any arising issues e.g. tackling stress and mental wellbeing



### Staff turnover

The LAA continues to monitor turnover rates and support initiatives to maintain a healthy level of turnover. The annual Civil Service People Survey helps us to understand our people’s experience of working in MoJ and take appropriate action to improve effectiveness, including where turnover becomes problematic. ‘Departmental Turnover’ includes transfers of staff within the Civil Service. These are excluded from ‘Turnover’.

	2020-21		2019-20	
	Turn-over	Departmental turnover	Turn-over	Departmental turnover
LAA	3.2%	5.6%	4.2%	7.3%

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

	2020–21		2019–20	
	Number of other departures	Total number of exit packages	Number of other departures	Total number of exit packages
<b>Exit package cost band</b>				
< £10,000	-	-	-	-
£10,000 - £25,000	-	-	2	2
£25,000 - £50,000	1	1	3	3
£50,000 - £100,000	-	-	-	-
Total number of exit packages by type	1	1	5	5
<b>Total resource cost (£000)</b>	<b>36</b>	<b>36</b>	<b>152</b>	<b>152</b>

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 2020–21 was £0k (2019–20: £0k).

### **Off-payroll engagements**

During the financial year 2020–21, 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

	2020–21		2019–20	
	Volume	£000	Volume	£000
Write-offs	2,039	5,410	3,070	6,078
Special payments	109	74	-	-
Fruitless payments	1	1,251	-	-
<b>Total value of losses</b>	<b>2,149</b>	<b>6,735</b>	<b>3,070</b>	<b>6,078</b>

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

There were no supplier balances written off over £300k (2019–20: one supplier balance written off).

There have been no special payments in 2020–21 to report (2019–20: no special payments).

In 2020–21 there has been one fruitless payment over £300k (2019–20: no losses) as follows: £1,251k payable to HMRC in relation to IR35 liabilities arising from incorrect assessments of the employment status of workers. In 2019, HMRC challenged the MoJ to revisit employment status determinations for off-payroll

workers engaged between 6 April 2017 and 5 April 2020, where we had previously concluded workers were operating outside of the off-payroll working rules. This liability has crystallised and quantifies the contingent liability disclosed in the MoJ's 2019–20 Annual Report and Accounts. As the LAA could have avoided these tax and NI payments if a different determination had originally been made, the liabilities are classified as fruitless.

### **Potential loss**

The LAA's Counter Fraud Investigations (CFI) team lead on investigations into cases of suspected fraud by providers 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.

### **Remote contingent liabilities**

As required by 'Managing Public Money', in addition to contingent liabilities disclosed in accordance with IAS 37 in Note 16 to the Accounts, the LAA is required to

disclose, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote. As at 31 March 2021 there were no such remote contingent liabilities (31 March 2020: none).

### **Regularity of expenditure**

We are a custodian of taxpayers' funds and have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with HM Treasury's Managing Public Money. The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our Accounting Officer whose responsibilities are also set out in Managing Public Money. They include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable.

As part of our stewardship arrangements, our Core Testing team assesses the level of error in Legal Aid payments and recoveries. Further details on their findings for 2020–21 are available on pages 124–127.

Signed for and on behalf of the Legal Aid Agency



**Jane Harbottle**

Chief Executive and Accounting Officer  
Legal Aid Agency  
14 September 2021

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

### Opinion on revised financial statements

I certify that I have audited the revised financial statements of the Legal Aid Agency for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The revised financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flow, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These revised financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual. These revised financial statements, revised Performance Report and revised Accountability Report replace the original financial statements, Performance Report and Accountability Report approved by the Chief Executive and Accounting Officer on 14 September 2021.

I have also audited the information in the revised Accountability Report that is described in that report as having been audited.

In my opinion, the revised financial statements:

- give a true and fair view of the state of the Legal Aid Agency's affairs as at 31 March 2021 and of the net operating costs for the year then ended;
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Emphasis of matter**

I draw attention to Note 1.2 of the revised financial statements which describes that the Annual Report and Accounts 2020–21 (including my audit certificate) as originally issued on 22 September 2021 have been withdrawn and a corrected version has been laid before the House of Commons. This relates to the overstatement of expenditure under legal aid schemes by £26.3m. I have performed additional procedures to confirm the appropriateness and completeness of the adjustments made. These procedures included: additional testing of all significant cash payments around year end; a review of all manual adjustments made to the financial statements and a review of management's relevant reconciliations. The additional procedures I have performed are restricted solely to the amendment of the financial statements as described in Note 1.2 and as such I have not considered events which have taken place after the date the original financial statements were approved. My opinion is not modified in this respect.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 revised financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Legal Aid Agency in accordance with the ethical requirements that are relevant to my audit of the revised 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

In auditing the financial statements, I have concluded that the Legal Aid Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Legal Aid Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Legal Aid Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report but does not include the parts of the revised Accountability Report described in that report as having been audited, the financial statements and



my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the revised Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the revised Performance Report and revised Accountability Report for the financial year for which the financial statements are prepared is consistent with the revised financial statements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Legal Aid Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the revised Performance Report and revised Accountability Report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the revised Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Legal Aid Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Legal Aid Agency will not continue to be provided in the future.

## **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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the audited entity's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Legal Aid Agency's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Legal Aid Agency's controls

relating to the Government Resources and Accounts Act 2000, Managing Public Money, Civil Legal Aid Regulations 2012 and 2013, Criminal Legal Aid Regulations 2013 and the Legal Aid Sentencing and Punishment of Offenders Act 2012;

- discussing among the engagement team and involving relevant internal specialists, including IT audit and statistics experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and potential bias in accounting estimates;
- obtaining an understanding of the Legal Aid Agency's framework of authority as well as other legal and regulatory frameworks that the Legal Aid Agency operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Legal Aid Agency. The key laws and regulations I considered in this context included the Civil Legal Aid Regulations 2012 and 2013 and amendments, the Criminal Legal Aid Regulations 2013 and amendments, the Legal Aid Sentencing and Punishment of Offenders Act 2012 and amendments, the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, Employment Law and tax Legislation;

- reviewing the Legal Aid Agency's accounting policies; and
- using analytical procedures to identify any unusual or unexpected relationships and transactions;

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- challenging assumptions and judgements that have formed the basis of significant accounting estimates.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

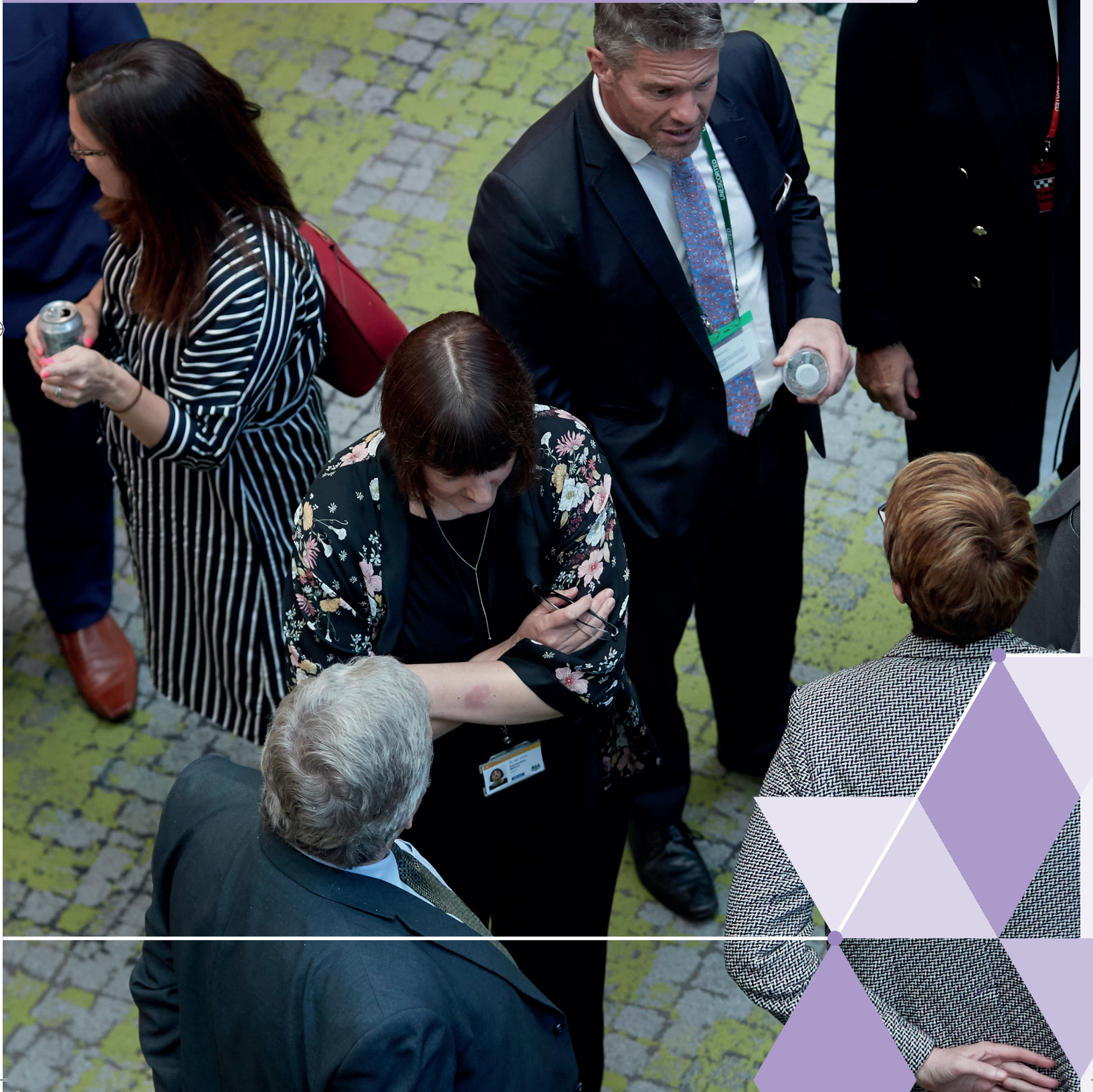
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

Gareth Davies  
Comptroller and Auditor General  
8 December 2021  
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 2021

## Legal Aid Agency

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

		2020–21	2019–20
	Note	£000	£000
Statutory charge interest		(4,531)	(5,875)
Income under the legal aid schemes	6	(21,122)	(51,871)
<b>Total operating income</b>		<b>(25,653)</b>	<b>(57,746)</b>
Staff costs	3	47,413	46,097
Expenditure under the legal aid schemes	4	1,574,040	1,724,477
Depreciation and impairment costs	7&8	10,178	16,278
Other operating expenditure	5	32,737	32,537
<b>Total operating costs</b>		<b>1,664,368</b>	<b>1,819,389</b>
<b>Net operating costs for the year</b>		<b>1,638,715</b>	<b>1,761,643</b>

		2020–21	2019–20
	Note	£000	£000
<b>Other comprehensive expenditure</b>			
Net (gain) on revaluation of intangibles	7	(1,071)	(234)
Net (gain) on revaluation of property, plant and equipment	8	(1)	(1)
<b>Total comprehensive net expenditure</b>		<b>1,637,643</b>	<b>1,761,408</b>

All income and expenditure are derived from continuing operations.

The notes on pages 203–297 form part of these financial statements.

## Legal Aid Agency Statement of Financial Position Balance at 31 March 2021

		31 March 2021	31 March 2020
	Note	£000	£000
<b>Non-current assets</b>			
Intangible assets	7	35,212	38,322
Property, plant and equipment	8	754	656
Trade and other receivables	10	112,835	118,456
<b>Total non-current assets</b>		<b>148,801</b>	<b>157,434</b>
<b>Current assets</b>			
Trade and other receivables	10	55,058	79,043
Cash and cash equivalents	11	37,395	35,057
<b>Total current assets</b>		<b>92,453</b>	<b>114,100</b>
<b>Total assets</b>		<b>241,254</b>	<b>271,534</b>

		31 March 2021	31 March 2020
	Note	£000	£000
<b>Current liabilities</b>			
Trade and other payables	12	(182,044)	(251,112)
Provisions for liabilities and charges	13	(677,959)	(587,379)
<b>Total current liabilities</b>		<b>(860,003)</b>	<b>(838,491)</b>
<b>Total assets less current liabilities</b>		<b>(618,749)</b>	<b>(566,957)</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	(141)	(429)
Provisions for liabilities and charges	13	(1,100)	(1,100)
<b>Total non-current liabilities</b>		<b>(1,241)</b>	<b>(1,529)</b>
<b>Assets less liabilities</b>		<b>(619,990)</b>	<b>(568,486)</b>

	31 March 2021	31 March 2020
Note	£000	£000
<b>Taxpayers' equity</b>		
Revaluation reserve	3,529	2,833
General reserve	(623,519)	(571,319)
<b>Total equity</b>	<b>(619,990)</b>	<b>(568,486)</b>

The notes on pages 203–297 form part of these financial statements.

Signed for and on behalf of the Legal Aid Agency



**Jane Harbottle**

Chief Executive and Accounting Officer

Legal Aid Agency

6 December 2021

## Legal Aid Agency Statement of Cash Flows for the year ended 31 March 2021

		2020–21	2019–20
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost		(1,638,715)	(1,761,643)
Adjustments for notional and non-cash transactions		35,095	39,656
Intra-departmental balances settled via General Reserves		(5,903)	460
Loss on impairment, revaluation and loss on disposal	5	397	-
(Increase)/decrease in trade and other receivables		29,606	(33,032)
Increase/(decrease) in trade and other payables		(69,356)	62,370

		2020–21	2019–20
	Note	£000	£000
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		383	89
Movement in provisions		90,580	(14,896)
<b>Net cash outflow from operating activities</b>		<b>(1,557,913)</b>	<b>(1,706,996)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	7	-	(3,326)
Purchase of property, plant and equipment	8	(471)	(68)
<b>Net cash outflow from investing activities</b>		<b>(471)</b>	<b>(3,394)</b>



		2020–21	2019–20
	Note	£000	£000
<b>Cash flows from financing activities</b>			
Supply funding from the Ministry of Justice: revenue		1,560,251	1,696,852
Supply funding from the Ministry of Justice: capital		471	3,394
<b>Net cash inflow from financing activities</b>		<b>1,560,722</b>	<b>1,700,246</b>
Net increase/ (decrease) in cash and cash equivalents in the year		2,338	(10,144)
Cash and cash equivalents at the beginning of the year		35,057	45,201
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>37,395</b>	<b>35,057</b>

The notes on pages 203–297 form part of these financial statements.

## **Legal Aid Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021**

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.

	Revaluation Reserve	General Reserve	Total
Note	£000	£000	£000
<b>Balance at 1 April 2019</b>	<b>3,061</b>	<b>(532,577)</b>	<b>(529,516)</b>
<b>Net operating cost for the year</b>	-	<b>(1,761,643)</b>	<b>(1,761,643)</b>
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
<b>Other comprehensive expenditure</b>			
Net gain on revaluation	7&8	235	235

	Revaluation Reserve	General Reserve	Total
Note	£000	£000	£000
<b>Non-cash adjustments</b>			
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
<b>Movement in reserves</b>			
Transfers from revaluation reserve	(463)	463	-
<b>Balance at 31 March 2020</b>	<b>2,833</b>	<b>(571,319)</b>	<b>(568,486)</b>

	Revaluation Reserve	General Reserve	Total
	£000	£000	£000
<b>Note</b>			
<b>Net operating cost for the year</b>	-	<b>(1,638,715)</b>	<b>(1,638,715)</b>
Supply funding from the Ministry of Justice: revenue	-	1,560,251	1,560,251
Supply funding from the Ministry of Justice: capital	-	471	471
<b>Other comprehensive expenditure</b>			
Net gain on revaluation	1,072	-	1,072
<b>Non-cash adjustments</b>			
Intra-departmental adjustment	-	117	117

	Revaluation Reserve	General Reserve	Total
Note	£000	£000	£000
Notional recharge from the Ministry of Justice	-	25,090	25,090
Notional external audit fee	-	210	210
<b>Movement in reserves</b>			
Transfers from revaluation reserve	(376)	376	-
<b>Balance at 31 March 2021</b>	<b>3,529</b>	<b>(623,519)</b>	<b>(619,990)</b>

The notes on pages 203–297 form part of these financial statements.

# Notes to the Financial Statements for the year ended 31 March 2021

## Note 1 – Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2020 to 2021, 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 13).

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 2021.

### ***New and amended standards adopted***

There have been no new or amended standards adopted in the financial year beginning 1 April 2020.

***New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2020 and not early adopted***

**IFRS 16 Leases**

The LAA has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

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. Under the FReM, the standard is effective from 1 April 2022, with the option to early adopt. The MoJ group, including the LAA, will early adopt IFRS 16 in the financial year commencing 1 April 2021.

IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be restated. On the date of transition to IFRS 16, the LAA will recognise a right-of-use asset and a lease liability.

The lease liability will be measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing advised by HM Treasury. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with

any extension options the LAA is reasonably certain to exercise and any termination options the LAA is reasonably certain not to exercise.

The right-of-use asset will initially be measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease. As a practical expedient for existing operating leases recognised on transition, the latter two elements will not be included in the asset value.

Where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease), the asset will instead be measured at its existing use value, with the difference between the carrying amount of the right-of-use asset and lease liability treated as notional income (or on transition, a credit to the General Fund).

See Note 1(g) for details of the LAA's current leases policy. Those leases currently recognised as operating leases will be converted to right of use assets and liabilities on transition to IFRS 16, with those currently recognised as finance leases transferring at their existing values.

For the material arrangements within the scope of IFRS 16, the impact of implementation is currently considered to be an increase in assets and liabilities of approximately £3.8m and £3.5m respectively. The

value is lower than the value of minimum operating lease commitments under IAS 19 due to some operating leases expiring within 12 months of 1 April 2021, and therefore not coming within the scope of IFRS 16.

The standard is expected to increase total expenditure in 2021–22 by less than £0.1m, comprising an increase of £1.1m in depreciation and interest costs, offset by a reduction of £1.1m in operating lease rental expenses.

### **IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. Subject to EU adoption, it may come into effect for accounting periods commencing on, or after, 1 January 2023 and should be included in the 2023–24 FReM at the earliest. To assess the impact of the standard, the LAA is reviewing contracts which meet the definition of insurance contracts.

The LAA 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
- recoveries from damages and statutory charges
- Crown Court recoveries
- recoveries of defence costs

- income from the Public Defender Service
- 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.

The majority of income relates to the reimbursement of legal aid spend, and we consider the legislation under which charges and recoveries are made to constitute a contract: this income is within the scope of, and accounted for under, IFRS 15, Revenue from contracts with customers.

### ***Recoveries from damages and statutory charge***

Statutory charges and damages arise when legally aided clients successfully gain or retain an asset or damages 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.

Amounts are accounted for as income when they have been assessed as owing to the LAA, in accordance with the five step model set out in IFRS 15, Revenue from contracts with customers.

### ***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% per annum.

### ***Crown Court Means Testing***

Income from Crown Court Means Testing is recovery of legal aid costs relating to criminal cases. The LAA is only entitled to this income when an applicant is convicted. The income is recognised at a point in time, on conclusion of a case. At this point the LAA has satisfied its obligation to provide legal aid services, and the outcome of the case and the amount the client is required to reimburse the LAA for legal aid costs are known.

### **d) Expenditure**

Expenditure (notes 3, 4 and 5) comprises sums payable, including,

- the estimated value of work completed by legal aid service providers not yet billed,
- expenditure under the 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,
- other operating expenditure which includes the cost of staff 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 by legal aid providers 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 note 13, Provisions for liabilities and charges.

### ***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, and trade and other receivables. The LAA's receivables are accounted for under IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement. Gains and losses are disclosed within note 4, Expenditure under legal aid schemes.

### ***Assets measured at fair value***

Statutory charge and interest receivables are measured at fair value through the profit or loss in accordance with IFRS 13, as they are not solely payments of principal and interest, and therefore do not meet the tests set out in IFRS 9.

IFRS 13 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 with reference to the LAA's assets is explained in note 10, including detail regarding key assumptions which support the most significant fair value estimates set out in note 9.

### ***Assets measured at amortised cost***

The LAA recognises an impairment for expected credit losses on financial assets measured at amortised cost under IFRS 9, Financial instruments. This includes receivables from legal aid providers and clients who are not subject to the statutory charge. Subsequent to initial recognition, at fair value, 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 Derecognition.

The 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 initially measured at fair value, which is their transaction price. They are subsequently valued at amortised cost, but this has nil impact due to their short 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 Financial instruments (note 9) 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 the LAA to recognise at amortised cost and to then 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. The LAA applies the simplified model and recognises lifetime expected credit losses.

The measurement of expected credit loss involves increased complexity and judgement.

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

Default is determined by reference to one or more missed contractual payments but also includes 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 18) 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 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) 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.

#### **x) 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 1.2 – Reissue of LAA Annual Report and Accounts 2020–21

The LAA Annual Report and Accounts 2020-21 were laid in the House of Commons on 22 September 2021. Subsequently, the LAA identified a material error in those accounts, which resulted in them failing to give a true and fair view of the LAA's affairs as at 31 March 2021, and the net expenditure for the year then ended. Further information on the cause of this error is provided on page 132.

These revised accounts are prepared as at 14 September 2021 (for the year to 31 March 2021) and events between 14 September 2021 and the updated date of signature have not been considered. These revised accounts are now the statutory accounts for the LAA for the year ended 31 March 2021, and replace the accounts previously presented.

The error resulted in the overstatement of expenditure under the legal aid schemes by £26.3m, and the overstatement of net liabilities by £26.3m.

The following figures within the financial statements have been amended, with a consequent impact on note lines and totals:

	2020-21	Revised 2020-21	Change
	£000	£000	£000
<b>Statement of comprehensive net expenditure</b>			
Expenditure under the legal aid schemes	1,600,346	1,574,040	(26,306)
<b>Statement of financial position</b>			
Trade and other receivables – current	48,742	55,058	6,316
Trade and other payables – current	(202,034)	(182,044)	19,990
General reserve	(649,825)	(623,519)	26,306
<b>Statement of cash flows</b>			
Net operating cost	(1,665,021)	(1,638,715)	26,306
(Increase)/decrease in trade and other receivables	35,922	29,606	(6,316)
Increase/(decrease in trade and other payables	(49,366)	(69,356)	(19,990)
<b>Statement of changes in taxpayers' equity</b>			

## Note 2 – Segmental analysis

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

The Legal Aid Fund is further subdivided into:

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

Central Funds reflects spend on orders made to acquitted defendants who have privately funded their legal representation, while Administration reflects the costs of running the LAA.

The following table presents the net operating cost by segment:

	2020–21	2019–20
	£000	£000
<b>Legal Aid Fund</b>		
Legal Help	90,327	118,818
Civil Representation	747,153	653,513
Crime Lower	229,691	250,488
Crime Higher	453,922	599,570
Central Funds	33,494	50,378
Administration	84,128	88,876
<b>Net operating costs for the year</b>	<b>1,638,715</b>	<b>1,761,643</b>



## Note 3 – Staff Costs

	2020-21	2020-21	2020-21	2019-20	2019-20
	21	21	21	20	20
	Permanently employed staff	Other	Total	Permanently employed staff	Other
	£000	£000	£000	£000	£000
Salaries and wages	33,939	1,625	35,564	33,384	923
Social security costs	3,307	-	3,307	3,279	-
Other pension costs	8,476	1	8,477	8,329	-
	<b>45,722</b>	<b>1,626</b>	<b>47,348</b>	<b>44,992</b>	<b>923</b>
					<b>45,915</b>

\* Redundancy and early departure costs disclosed in the table above relate to 1 (2019:20: 5) full time equivalent staff.

	2020-21	2020-21	2020-21	2020-21	2019-20	2019-20	2019-20	2019-20
		21	21	21		20	20	20
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total	Other	Total
Less recoveries in respect of outward secondments	-	-	-	-	2	-	-	2
Redundancy and early departures*	36	-	36	152	-	152	-	152
	<b>45,758</b>	<b>1,626</b>	<b>47,384</b>	<b>45,146</b>	<b>923</b>	<b>46,069</b>		
Non-Executive Board Members (fees and benefits)	29	-	29	28	-	28	-	28
<b>Total</b>	<b>45,787</b>	<b>1,626</b>	<b>47,413</b>	<b>45,174</b>	<b>923</b>	<b>46,097</b>		

\* Redundancy and early departure costs disclosed in the table above relate to 1 (2019:20: 5) full time equivalent staff.

## Note 4 – Expenditure under the legal aid schemes

	2020–21	2019–20
	£000	£000
<b>Civil Representation</b>		
Solicitors' charges, counsel fees and disbursements (provided in year – note 13)		
Bills submitted in year	755,154	694,583
Provision for work in progress movement	(443)	(2,535)
Refund of contributions	50	348
Costs of successful unassisted parties	473	388
Movement in fair value reduction for statutory charge secured debt	(206)	448
Movement in fair value reduction for statutory charge interest debt	650	1,488
Debt impairment and write offs	2,000	(17,105)
Discount of debt	15	208
	<b>757,693</b>	<b>677,823</b>

	2020–21	2019–20
	£000	£000
<b>Civil Legal Help</b>		
Solicitors' charges, counsel fees and disbursements (provided in year – note 13)		
Bills submitted in year	82,592	101,551
Provision for work in progress movement	3,136	11,007
Direct services	4,216	5,967
Debt impairment and write offs	(23)	(97)
Discount of debt	(2)	(23)
	<b>89,919</b>	<b>118,405</b>

	2020-21	2019-20
	£000	£000
<b>Crime Lower</b>		
Solicitors' charges, counsel fees and disbursements (provided in year – note 13)		
Bills submitted in year	220,247	249,631
Provision for work in progress movement	2,773	(6,671)
Direct services and Public Defender Service	4,896	5,575
Debt impairment and write offs	(85)	107
Discount of debt	(5)	1
	<b>227,826</b>	<b>248,643</b>
<b>Crime Higher</b>		
Solicitors' charges, counsel fees and disbursements (provided in year – note 13)		
Bills submitted in year	370,872	621,845
Provision for work in progress movement	83,851	(12,332)
Direct services and Public Defender Service	273	390
Debt impairment and write offs	11,568	14,031

	2020–21	2019–20
	£000	£000
Discount of debt	(1,455)	5,295
	<b>465,109</b>	<b>629,229</b>
<b>Central Funds</b>		
Central fund expenditure (provided in year – note 13)		
Defence cost orders awarded in Crown and magistrates' courts	22,877	41,972
Provision for work in progress movement	1,211	(4,528)
<b>Interpreters and other</b>	9,405	12,933
	<b>33,493</b>	<b>50,377</b>
<b>Total</b>	<b>1,574,040</b>	<b>1,724,477</b>

## Note 5 – Other operating expenditure

	2020–21	2019–20
	£000	£000
Accommodation and related costs	1,484	1,827
Office, IT and service running costs	1,644	2,477
Staff and committee member related costs	622	959
Operating leases	1,632	2,357
Legal and professional costs	1,466	665
Service level agreements with HMCTS	96	189
Other administration costs	147	976
	<b>7,091</b>	<b>9,450</b>
<b>Non-cash costs</b>		
Loss on disposal of assets	397	-
Movement in provision for legal costs and dilapidation	224	301
Notional recharge from the Ministry of Justice	25,198	22,685

	2020–21	2019–20
	£000	£000
Notional external audit fee	210	190
Operating lease amortisation	(383)	(89)
	<b>25,646</b>	<b>23,087</b>
<b>Total</b>	<b>32,737</b>	<b>32,537</b>



## Note 6 – Income under the legal aid schemes

	2020– 21	2019– 20
	£000	£000
<b>Civil Representation</b>		
Contributions by funded clients	2,440	9,005
Recoveries from damages and statutory charge	3,724	9,628
	<b>6,164</b>	<b>18,633</b>
<b>Criminal cases</b>		
Crown Court recoveries	14,934	32,977
Recovery of defence costs	11	86
Public Defender Service income	13	175
	<b>14,958</b>	<b>33,238</b>
<b>Total</b>	<b>21,122</b>	<b>51,871</b>

## Note 7 – Intangible assets

	Assets under construction	Computer software	Total
	£000	£000	£000
Cost at 1 April 2020	3,880	78,474	82,354
Reclassifications	(9,754)	9,956	202
Disposals scrapped	-	(413)	(413)
Transfers from the Ministry of Justice	6,020	-	6,020
Revaluations	-	2,754	2,754
<b>Cost at 31 March 2021</b>	<b>146</b>	<b>90,771</b>	<b>90,917</b>
Amortisation at 1 April 2020	-	44,032	44,032
Charged in year	-	10,006	10,006
Amortisation disposals scrapped	-	(16)	(16)
Revaluations	-	1,683	1,683
<b>Amortisation at 31 March 2021</b>	<b>-</b>	<b>55,705</b>	<b>55,705</b>

	Assets under construction	Computer software	Total
	£000	£000	£000
<b>Net book value at 31 March 2021</b>	<b>146</b>	<b>35,066</b>	<b>35,212</b>

Additions include £356k capital accruals at 31 March 2021 (31 March 2020: £356k).

The Revaluation Reserve of £3,529k at 31 March 2021 includes £2,836k (31 March 2020: £2,141k) relating to intangible assets.

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 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 from the Ministry of Justice	(629)	(944)	(1,573)
Revaluations	-	506	506
<b>Cost at 31 March 2020</b>	<b>3,880</b>	<b>78,474</b>	<b>82,354</b>
Amortisation at 1 April 2019	-	70,486	70,486
Charged in year	-	15,853	15,853
Transfers from the Ministry of Justice	-	(42,579)	(42,579)
Revaluations	-	272	272
<b>Amortisation at 31 March 2020</b>	<b>-</b>	<b>44,032</b>	<b>44,032</b>

	<b>Assets under construction</b>	<b>Computer software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net book value at 31 March 2020</b>	<b>3,880</b>	<b>34,442</b>	<b>38,322</b>

## Note 8 – Property, plant and equipment

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
Cost at 1 April 2020	203	235	7,651	8,089
Reclassifications	(202)	-	-	(202)
Additions	-	471	-	471
Revaluations	-	-	240	240
<b>Cost at 31 March 2021</b>	<b>1</b>	<b>706</b>	<b>7,891</b>	<b>8,598</b>
Depreciation at 1 April 2020	-	(3)	7,436	7,433
Charged in year	-	-	172	172
Revaluations	-	-	239	239

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
<b>Depreciation at 31 March 2021</b>	-	(3)	7,847	7,844
<b>Net book value at 31 March 2021</b>	1	709	44	754

The Revaluation Reserve of £3,529k at 31 March 2021 includes £693k (31 March 2020: £692k) relating to property, plant and equipment.

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

## Note 8 – Property, plant and equipment (continued)

	Assets under construction £000	Furniture and equipment £000	Information technology £000	Total £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
<b>Cost at 31 March 2020</b>	<b>203</b>	<b>235</b>	<b>7,651</b>	<b>8,089</b>
Depreciation at 1 April 2019	-	239	18,998	19,237
Disposals	-	(242)	(12,035)	(12,277)
Charged in year	-	-	425	425
Revaluations	-	-	48	48



## Note 8 – Property, plant and equipment (continued)

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
<b>Depreciation at 31 March 2020</b>	-	(3)	7,436	7,433
<b>Net book value at 31 March 2020</b>	203	238	215	656

## Note 9 – Financial instruments

IFRS 7 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the year in creating or changing risk an entity faces in carrying out its business.

As the cash requirements of the LAA are met through funding provided by the Ministry of Justice, which is itself funded through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The LAA is exposed to minimal market, liquidity or interest rate risk: exposure to financial risk is mainly in respect of credit risk in relation to receivables.

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 2021, £89.9m (31 March 2020: £94.2m) of statutory charge debt was due, the principal of which carries 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 Crown Court Means Test (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, and trade and other receivables.

The LAA's main 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.

## Fair values

In accordance with IFRS 9 each financial asset is classified at initial recognition, or at the point of first adoption of IFRS 9, into one of three categories:

- financial assets at fair value through profit and loss
- financial assets at fair value through other comprehensive income
- financial assets at amortised cost

For assets at amortised cost, the amortised cost balance is reduced where appropriate by an allowance for amounts which were considered to be impaired or uncollectible.

Financial liabilities are classified into one of two categories:

- financial liabilities at fair value through profit and loss
- financial liabilities at amortised cost

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.

An explanation of the treatment of receivables is provided in Note 10, 'Trade and other receivables'.

The carrying value of financial assets and liabilities is as follows:

	31 March 2021	31 March 2020
	£000	£000
Cash and cash equivalents	37,395	35,057
Trade and other receivables – current	55,058	79,043
Trade and other receivables – non-current	112,835	118,456
Trade and other payables – current	(182,044)	(251,112)
Trade and other payables – non-current	(141)	(429)
	<b>23,103</b>	<b>(18,985)</b>

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

As at 31 March 2021 there were no financial guarantees or third-party obligations, other than amounts held as damages on deposit and Crown Court means contributions, that increased the credit risk of the financial assets set out above.

## Note 10 – Trade and other receivables

	31 March 2021	31 March 2020
	£000	£000
<b>Amounts recoverable within one year:</b>		
Statutory charge	6,902	8,072
Statutory charge interest	5,147	5,895
Contributions due from funded clients	1,197	1,618
Costs to be recovered	96	304
Recovery of defence costs	5,901	6,945
Amounts due from service providers	33,378	48,722
Prepayments and accrued income	366	76
Intra-departmental debtors	1,130	5,715
Other receivables	941	1,696
<b>Trade and other receivables – current</b>	<b>55,058</b>	<b>79,043</b>
<b>Amounts recoverable later than one year:</b>		
Statutory charge	47,345	51,599
Statutory charge interest	31,577	29,763

	31 March 2021	31 March 2020
	£000	£000
Contributions due from funded clients	4,850	5,139
Costs to be recovered	690	707
Recovery of defence costs	28,373	31,248
<b>Trade and other receivables – non-current</b>	<b>112,835</b>	<b>118,456</b>
<b>Total</b>	<b>167,893</b>	<b>197,499</b>

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 income for Statutory charge, Statutory charge interest, contributions due from funded clients and recovery of defence costs are initially recognised under IFRS 15, Revenue from Contracts with Customers.

## Valuation

The valuation of trade and other receivables includes an element of estimation.

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.

Trade and other receivables have been discounted over the period from the reporting date to the expected date of collection, to reflect the effect of the time value of money. This has a material impact on their present value. Each class of receivable is discounted over periods commensurate with historical cash flow patterns, at a rate of 3.7% real and 0.7% nominal (HM Treasury discount rates). The discount rates are unchanged from 31 March 2020.

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.

Gross and net receivables balances, grouped by expected timing of recovery, are as follows:

	31 March 2021	31 March 2020 Restated
	£000	£000
<b>Current</b>		
Gross debt	140,082	161,514
Provision for impairment and cumulative fair value losses	(85,024)	(82,471)
<b>Total current receivables</b>	<b>55,058</b>	<b>79,043</b>
<b>Non-current</b>		
Gross debt	276,022	253,836
Provision for impairment and cumulative fair value losses	(163,187)	(135,380)
<b>Total non-current receivables</b>	<b>112,835</b>	<b>118,456</b>
<b>Total</b>		

	31 March 2021	31 March 2020 Restated
	£000	£000
Gross debt	416,104	415,350
Provision for impairment and cumulative fair value losses	(248,211)	(217,851)
<b>Total</b>	<b>167,893</b>	<b>197,499</b>

Gross and net receivables balances, grouped by component, are as follows:

	Gross debt £000	Provision for impairment and cumulative fair value losses £000	31 March 2021 Total receivables £000	31 March 2020 Total receivables £000
<b>Fair value through the profit and loss</b>				
Statutory charge (secured)	84,715	(31,552)	53,163	58,516
Statutory charge interest	62,253	(25,529)	36,724	35,658
<b>Amortised cost</b>				
Statutory charge (unsecured)	3,933	(2,849)	1,084	1,155

	Gross debt	Provision for impairment and cumulative fair value losses	31 March 2021 Total receivables	31 March 2020 Total receivables
Contributions due from funded clients	39,403	(33,356)	6,047	6,757
Costs to be recovered	4,935	(4,149)	786	1,011
Recovery of defence costs	145,374	(111,100)	34,274	38,193
Damages	2,506	(2,506)	-	-
Amounts due from service providers	70,548	(37,170)	33,378	48,722
Prepayments and accrued income	366	-	366	76

Gross debt	Provision for impairment and cumulative fair value losses		31 March 2021	31 March 2020
	£000	£000	Total receivables	Total receivables
Intra-departmental debtors	1,130	-	1,130	5,715
Other receivables	941	-	941	1,696
<b>Total</b>	<b>416,104</b>	<b>(248,211)</b>	<b>167,893</b>	<b>197,499</b>

The movement in receivables in the financial year was as follows:

	Held at amortised cost	Held at fair value through profit and loss	Total
	£000	£000	£000
<b>Trade and other receivables at 1 April 2020</b>	<b>103,325</b>	<b>94,174</b>	<b>197,499</b>
Movement in prepayments, accruals, intra-departmental receivables and other receivables	(5,049)	-	(5,049)
Repayment of gross fund debt	(53,230)	(12,705)	(65,935)
New gross fund debt	42,870	5,555	48,425
Fair value adjustment of fund debt through Statement of Comprehensive Net Expenditure	-	2,863	2,863

	Held at amortised cost £000	Held at fair value through profit and loss £000		Total £000
		£000	£000	
Increase in impairment of fund debt through Statement of Comprehensive Net Expenditure	(9,910)	-	(9,910)	
<b>Trade and other receivables at 31 March 2021</b>	<b>78,006</b>	<b>89,887</b>	<b>167,893</b>	

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.

### **Financial risk identification and management**

The LAA has an inherent risk within trade and other receivables, as these are 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 provision and cumulative fair value losses which totals £248.2m (31 March 2020: £217.9m).

The majority of the LAA's trade and other receivables are the result of a statutory charge: £89.9m (31 March 2020: £94.2m) out of a total receivables balance after impairment of £167.9m (31 March 2020: £197.5m).

A high proportion of these are secured on property and settlement is deferred until the property is sold. Secured statutory charge debt is measured under IFRS 13 and reductions in carrying value are classed as fair value adjustments rather than impairments.



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 the risk that this assumption is incorrect, the LAA undertakes 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 at 31 March 2021.

However, past payment profiles have been adjusted to account for the exceptional circumstances arising from COVID-19 in 2020-21: our expectation is that these extraordinary payment patterns will not be repeated in the future.

There is no additional adjustment in the impairment of the LAA's receivables at 31 March 2021 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 receivables, and in particular 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. The financial impact of COVID-19 on the property market has been ameliorated in the short term through government action e.g. stamp duty holidays, and it may be that cash receipts have been accelerated rather than delayed. Again, based on experience from previous recessions we do not consider this will have a material impact.

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

The LAA's impairment model uses historical recovery profiles by debt category to estimate the provision required against debt balances. The impairment model is underpinned by specific assumptions including: the life of debt, the expected remittance profiles, and the discount rate is 3.7% nominal and 0.7% real (2019-20: 3.7% nominal and 0.7% 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
- predicted cash receipts used to calculate the impairment provision cashflows +/- 10%
- discount rate +/-1% (this rate is set by HM Treasury)



Using these reasonably possible alternative assumptions, the fair value of the financial assets at 31 March 2021 could be higher by £24.0m (31 March 2020: £24.2m) or lower by £22.2m (31 March 2020: £22.3m).

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

## Note 11 – Cash and cash equivalents

	31 March 2021	31 March 2020
	£000	£000
Balance at 1 April	35,057	45,201
Net change in cash and cash equivalent balances	2,338	(10,144)
<b>Balance at 31 March</b>	<b>37,395</b>	<b>35,057</b>

The balances at were held at:

	31 March 2021	31 March 2020
	£000	£000
Government Banking Service	34,277	30,267
Commercial banks	3,118	4,790
<b>Total cash and cash equivalents</b>	<b>37,395</b>	<b>35,057</b>

## Note 12 – Trade payables and other liabilities

	31 March 2021	31 March 2020
	£000	£000
<b>Amounts falling due within one year:</b>		
Amounts due to solicitors, counsel and advice agencies	42,023	120,792
Contribution refunds due to funded clients	755	960
Accruals and deferred income	123,849	112,996
Other taxation and social security costs	1,578	1,584
Intra-departmental creditors	4,083	5,145
Other payables	9,756	9,635
<b>Trade and other payables – current</b>	<b>182,044</b>	<b>251,112</b>
<b>Amounts falling due after one year:</b>		
Accruals and deferred income	141	429
<b>Trade and other payables - non-current</b>	<b>141</b>	<b>429</b>
<b>Total</b>	<b>182,185</b>	<b>251,541</b>

## Note 13 – 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	Total
	£000	£000	£000	£000	£000
At 1 April 2020	569,197	17,303	273	1,706	588,479
Provided in year	1,544,595	24,089	476	-	1,569,160
Provisions utilised in year	(1,455,171)	(22,877)	(172)	-	(1,478,220)
Provisions not required written back	-	-	(252)	(108)	(360)
Finance charges	-	-	-	-	-

	Provision for amounts outstanding on funded cases £000	Provision for amounts outstanding on privately funded cases (Central Funds) £000	Provision for legal costs £000	Provision for dilapidations £000	Total £000
<b>At 31 March 2021</b>	<b>658,621</b>	<b>18,515</b>	<b>325</b>	<b>1,598</b>	<b>679,059</b>
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)



	Provision for amounts outstanding on funded cases £000	Provision for amounts outstanding on privately funded cases (Central Funds) £000	Provision for legal costs £000	Provision for dilapidations £000	Total £000
Finance charges	-	-	-	-	-
<b>At 31 March 2020</b>	<b>569,197</b>	<b>17,303</b>	<b>273</b>	<b>1,706</b>	<b>588,479</b>

Provisions for work in progress on funded cases, by scheme category, are as follows:

	Civil Representation £000	Legal Help £000	Crime Lower £000	Crime Higher £000	Total £000
At 1 April 2020	204,901	35,353	34,201	294,742	569,197
Provided in year	755,097	92,932	241,843	454,723	1,544,595
Provisions utilised in year	(755,727)	(89,796)	(238,776)	(370,872)	(1,455,171)
<b>At 31 March 2021</b>	<b>204,271</b>	<b>38,489</b>	<b>37,268</b>	<b>378,593</b>	<b>658,621</b>
At 1 April 2019	207,435	24,347	40,872	307,075	579,729
Provided in year	692,049	112,557	242,960	609,512	1,657,078
Provisions utilised in year	(694,583)	(101,551)	(249,631)	(621,845)	(1,667,610)
<b>At 31 March 2020</b>	<b>204,901</b>	<b>35,353</b>	<b>34,201</b>	<b>294,742</b>	<b>569,197</b>

## Note 13 – 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	Total
	£000	£000	£000	£000	£000
<b>Analysis of expected timing of discounted flows</b>					
Not later than one year	658,621	18,515	325	498	677,959
Later than one year and not later than five years	-	-	-	378	378

	Provision for amounts outstanding on funded cases	Provision for amounts outstanding on privately funded cases (Central Funds)	Provision for legal costs	Provision for dilapidations	Total
	£000	£000	£000	£000	£000
<b>Analysis of expected timing of discounted flows</b>					
Later than five years	-	-	-	722	722
<b>At 31 March 2021</b>	<b>658,621</b>	<b>18,515</b>	<b>325</b>	<b>1,598</b>	<b>679,059</b>
Not later than one year	569,197	17,303	273	606	587,379

	Provision for amounts outstanding on funded cases	Provision for amounts outstanding on privately funded cases (Central Funds)	Provision for legal costs	Provision for dilapidations	Total
	£000	£000	£000	£000	£000
<b>Analysis of expected timing of discounted flows</b>					
Later than one year and not later than five years	-	-	-	378	378
Later than five years	-	-	-	722	722
<b>At 31 March 2020</b>	<b>569,197</b>	<b>17,303</b>	<b>273</b>	<b>1,706</b>	<b>588,479</b>

## Funded cases

The LAA funds legal aid across four main schemes: Civil Representation, Legal Help, Crime Higher, and Crime Lower. At any point in time there will be unbilled costs for each of these schemes, pertaining to live cases. The value of unbilled work and costs is estimated each year using complex models and based on the latest data available. The resulting work in progress (WIP) provisions are estimates of the expenditure required to settle any obligation in existence at the end of the reporting period.

As per IAS 37, 'Provisions, contingent liabilities and contingent assets', WIP liabilities are recognised as provisions, rather than as payables, due to the estimation uncertainty.

As all liabilities for funded cases are expected to be settled within the next 12 months, no discounting of provisions for the time value of money is applied.

In recognition of the uncertainty inherent in estimates, a sensitivity analysis is performed for each major class of funded WIP provision. Reasonable changes are made to the key assumptions in the models, 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 interaction between the assumptions

### **Overarching assumptions**

Underlying the estimates of liabilities for unbilled work across all of the Legal Aid funding schemes, and Central Funds, is the modelling assumption that costs accrue at a constant rate throughout the lifetime of cases. This is a simplifying modelling assumption. In reality, it is accepted that costs are generally concentrated towards the beginning and the end of legal matters. The LAA have demonstrated, however, that over a sufficiently large population of cases, this concentration of costs averages out to be equivalent to the assumption used within the modelling, that costs accrue at a constant rate.

### **Civil Representation: valuation methodology**

Civil Representation relates to legal aid for representation by barristers and solicitors in civil cases that go to court. The Civil Representation WIP provision is calculated using past patterns of activity taken from completed transactions, and assuming that these are a reasonable indicator of likely activity on live cases. Within the Civil Representation funding scheme, cases can attract payments at multiple stages throughout their duration. In estimating the WIP provision, historical

information is used to derive profiles that indicate the length of time that passes between subsequent transactions, and separate profiles that indicate the average value of payments relative to their distance in time from any prior transaction. These profiles are derived for each distinct category of law funded within Civil Representation, independently for each expenditure stream within the scheme. These profiles are then combined to produce probabilistic estimates of the value of work likely to have been conducted on cases upon which the previous transaction (or the case start date) was a given number of days prior to the estimate, and these estimates are then applied to the population of cases that are live at the end of the accounting period to determine the estimate of liability.

Key assumptions in the Civil Representation WIP model are as follows:

1. Duration profile: The model implicitly assumes that recent historical billing timing profiles are an indicator of future timing profiles for equivalent workstreams. The model also assumes that bill volumes beyond 1,500 days from a prior transaction are negligible.
2. Final billing duration: it can take some time for providers to compile and submit their bills to us once work has completed on a case: the estimate 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.



3. Dormancy: 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: we make no provision in respect of these cases.
4. Average bill value: The model implicitly assumes that recent historical bill values are an indicator of future bill values for equivalent workstreams.
5. Court capacity profiles: The model assumes that the rate at which work accumulates on cases during periods of COVID-19 related reductions in the capacity of the relevant court jurisdictions declines in proportion with the reduction in court capacity, and further that this work is diluted across an increased volume of outstanding cases.

### **Civil Representation: COVID-19 adjustments**

The impact of the COVID-19 pandemic led to substantial changes across the justice system. Consideration of these changes has had to be taken when estimating liabilities within the Legal Aid funding schemes. For Civil Representation, the following amendments have been made:

1. Civil and Family Court Capacity: the capacity of the family and civil courts was reduced during the pandemic, meaning that cases could not be cleared at the same rate. An adjustment has been made to the model, reducing the assumed rate at which work

accumulated on cases during this period in direct proportion to the reduction in court capacity. The reduced capacity has also been assumed to apply over a larger population of outstanding cases, as court backlogs increased.

2. **Payment On Account:** during the pandemic, the LAA increased the amount of completed work that was remunerated through payment on account (POA) from 75% to 80% for non-Family Advocacy Scheme (FAS) claims, and to 100% for FAS claims. This has been taken into account within the WIP provision model in generating the bill value profiles.
3. **Duration Profiles:** until August 2020, a subset of Civil Representation bills were sent to HMCTS for assessment prior to being submitted to the LAA for payment. As a result of the pandemic, the LAA decided to bring the assessment of these bills in-house, in order to speed up payments to providers. This meant that the delay in claiming prior to August 2020 and post was significantly different. In order to address this incongruity, the basis of the duration profiles for solicitor profit costs was amended to operate on the basis of the period during which work was done, removing the billing delay period from the profiles in order that all cases were considered on a consistent basis.

## **Civil Representation: sensitivity analysis**

The reasonable alternative assumptions below have been determined by management to reflect the respective levels of uncertainty in the key modelling assumptions. Where possible, they 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
Duration profile <sup>1</sup>	Max duration + 1 year	10.0	Max duration + 1 year	(10.0)
Final billing duration <sup>2</sup>	+15 days	0.0	-15 days	(0.0)
Dormancy <sup>3</sup>	910 days	17.5	N/A	N/A
Average final bill value (new since COVID-19) <sup>4</sup>	+10%	26.9	-10%	(26.9)
Court Capacity Profiles <sup>5</sup>	Without Backlog	5.2	N/A	N/A

<sup>1</sup> Duration profile: 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 if this year's profile was extended by 1 year.

<sup>2</sup> Final billing duration: 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. Note that for 31 March 2021 this sensitivity will only impact counsel costs and disbursements, since changes to the model introduced in light of the COVID-19 pandemic mean that billing delay no longer forms part of the considered duration profiles for solicitor profit costs.

<sup>3</sup> Dormancy: There is a risk that our assumption that no provision is required for cases that have been dormant for 2 years underestimates the provision, since a small proportion of these cases may indeed go on to have further financial activity. The sensitivity analysis therefore evaluates the effect if the dormancy period is longer by 6 months, taking it to two and a half years

<sup>4</sup> Average bill value: there is a degree of uncertainty in assuming that future prices will follow historical patterns, as prices vary to a small degree over time. In previous estimates, the sensitivity to this assumption has been reflected through reverting to price profiles from prior periods, however the changes that we have introduced due to the COVID-19 pandemic mean that the profiles are no longer on an equivalent basis. We have therefore changed our approach to flexing this assumption, and now consider that prices could be 10% higher or lower on average that the model suggests, based upon historical price variances

<sup>5</sup> Court capacity profiles: The sensitivity analysis removes the interaction between court capacity and the backlog of cases in the courts.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2021 could be higher by up to +18.2% (£59.6m) or lower by up to -11.2% (£36.9m).

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 to ensure they remain appropriate.

### **Legal Help: valuation methodology**

Legal Help relates to initial advice and assistance provided for civil legal issues, and also to representation of clients before the Immigration and Asylum and Mental Health Tribunals. The Legal Help WIP provision is calculated using past patterns of activity taken from completed transactions, and assuming that these are a reasonable indicator of likely activity on live cases. Historical information is used to derive profiles that indicate the probabilities of cases that have been open for a given length of time closing at any other point in the future. Separate profiles are then created which denote what proportion of eventual case costs would already have been incurred against cases if they were to close at various intervals in the future. These profiles

are created for each funded category of law within Legal Help, and are then combined, and multiplied by the average cost of a case based upon recent historical billing data for the relevant category. This results in a profile that determines the average amount liability that should be held against cases according to their age. The resulting profiles are then applied to the population of cases that are live at the end of the accounting period to determine the estimate of liability.

Key assumptions in the Legal Help WIP model are as follows:

1. Duration profile: the model implicitly assumes that recent historical case durations are an indicator of future duration profiles for each category of law.
2. Average Price: it is assumed that recent historical case prices are a reasonable indicator of future case prices in each category of law.

### **Legal Help: COVID-19 adjustments**

The impact of the COVID-19 pandemic led to substantial changes across the justice system. Consideration of these changes has had to be taken when estimating liabilities within the Legal Aid funding schemes. For Legal Help, the following amendment has been made:

1. Tribunal capacity: the capacity of the Immigration and Asylum Tribunal was reduced during the pandemic, meaning that cases could not be cleared at the same rate. An adjustment has been made to the model,

reducing the assumed rate at which work accumulated on cases during this period in direct proportion to the reduction in Tribunal capacity.

### **Crime Lower: valuation methodology**

Crime Lower relates to funding for representation in the Magistrates' Court, legal advice at police stations, and prison law matters. The Crime Lower WIP provision is calculated using past patterns of activity taken from completed transactions, and assuming that these are a reasonable indicator of likely activity on live cases. Historical information is used to derive profiles that indicate the probabilities of cases that have been open for a given length of time closing at any other point in the future.

Separate profiles are then created which denote what proportion of eventual case costs would already have been incurred against cases if they were to close at various intervals in the future. These profiles are created for each sub-category of law within Crime Lower, and are then combined, and multiplied by the average cost of a case based upon recent historical billing data for the relevant category. This results in a profile that determines the average amount liability that should be held against cases according to their age. The resulting profiles are then applied to the population of cases that are live at the end of the accounting period to determine the estimate of liability.

Key assumptions in the Crime Lower WIP model are as follows:

1. Duration profile: the model implicitly assumes that recent historical case durations are an indicator of future duration profiles for each sub-category.
2. Average price: it is assumed that recent historical case prices are a reasonable indicator of future case prices in each sub-category.

### **Crime Lower: COVID-19 adjustments**

The impact of the COVID-19 pandemic led to substantial changes across the justice system. Consideration of these changes has had to be taken when estimating liabilities within the Legal Aid funding schemes. For Crime Lower, the following amendment has been made:

1. Magistrates' Court Capacity: the capacity of the Magistrates' Court was reduced during the pandemic, meaning that cases could not be cleared at the same rate. An adjustment has been made to the model, reducing the assumed rate at which work accumulated on cases during this period in direct proportion to the reduction in court capacity. The reduced capacity has also been assumed to apply over a larger population of outstanding cases, as court backlogs increased.

### **Central Funds: valuation methodology**

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, which are funded through Central Funds. Since these payments do not relate to live cases at any point in time, but instead arise due to one-off events relating to Court activity, the method of estimating the expenditure required to settle any obligation at the reporting period end date varies from that in the Legal Aid schemes. The Central Funds WIP provision is calculated through working backwards from a forecast of expenditure in this area. The forecast is maintained by the Ministry of Justice, and subject to robust routine governance. Historical billing information for Central Funds is used to determine profiles denoting the average length of time that passes between the costs arising in court and subsequently being billed to the LAA. These profiles are then used to determine the level of unbilled costs that would be required to result in the forecast level of expenditure in future periods.

## Legal Help, Crime Lower and Central Funds: sensitivity analysis

Assumptions Tested	Increase in net financial liability		(Decrease) in net financial liability	
	Assumption	£m	Assumption	£m
Forecast spend <sup>6</sup>	1.9%	0.9	-9.7%	(4.7)
Case duration <sup>7</sup>	9.2%	10.1	-12.0%	(13.3)
Price profiles <sup>8</sup>	14.0%	8.4	-12.7%	(7.6)

Using these reasonable alternative assumptions, WIP as at 31 March 2021 could be higher by up to +2.3% (£19.5m) or lower by up to -3.1% (-£25.7m).

### Crime Higher: valuation methodology

Crime Higher relates to funding for solicitors and advocates in the Crown Court. In estimating the Crime Higher WIP provision, historical information is used to derive profiles that indicate the duration of Crown Court matters. Separate profiles are also derived

- 6 Forecast spend: only for those estimates driven by forecast expenditure. There is an inherent level of uncertainty in the expenditure forecast used to derive the provision estimate. The potential level of variance is derived through an assessment of the accuracy of prior forecasts in the relevant area.
- 7 Case/billing duration: there is a degree of uncertainty in assuming that case durations and billing delays will follow historical patterns, as they vary to a small degree over time. Sensitivity to this assumption has been reflected through assuming that durations could be as high as the maximum 3-month mean from the preceding 12-month period, or as low as the minimum 3-month mean from the preceding 12-month period.
- 8 Price profiles: there is a degree of uncertainty in assuming that future prices will follow historical patterns, as prices vary to a small degree over time. The sensitivity analysis considers that prices could vary by as much as the maximum monthly variance from the mean over the preceding 12-month period, or that they could take a value derived as the mean of a longer or shorter period.

indicating the average value of payments, both initially awarded payments and payments subsequent to any Costs Judge review, relative to the age of the cases that they apply to. These profiles are derived separately for solicitor and Counsel payments, and also for indictable only offences and either way matters. These profiles are then combined to produce probabilistic estimates of the value of work likely to have been conducted on cases of a given age, and these estimates are then applied to the population of cases that are live at the end of the accounting period to determine the estimate of liability. Adjustments are made to the estimate in relation to interim payments made to solicitors. The first adjustment simply nets the value of these payments off of the estimate. The second considers that the way that the value of interim payments is derived means that a subset of cases against which they have been paid will have been fully remunerated via the interim payment, and no additional billable work will accrue on these cases. The proportion of such cases is derived from historical interim billing information, and no provision is held in respect of these cases.

Key assumptions in the Crime Higher WIP model are as follows:

1. Duration profile: the model implicitly assumes that recent case duration profiles are an indicator of future case duration profiles for equivalent workstreams.
2. Completion Rates: the model implicitly assumes that historical representation order completion rates are indicative of future completion rates.
3. Interim Completions: the model implicitly assumes that the proportion of cases that have received an interim bill that subsequently go on to have further bills remains consistent over time.
4. Average bill value: the model implicitly assumes that recent historical bill values are an indicator of future bill values for equivalent workstreams.
5. Court capacity profiles: the model assumes that the rate at which work accumulates on cases during periods of COVID-19 related reductions in the capacity of the relevant court jurisdictions declines in proportion with the reduction in court capacity, and further that this work is diluted across an increased volume of outstanding cases.

### **Crime Higher: COVID-19 adjustments**

The impact of the COVID-19 pandemic led to substantial changes across the justice system. Consideration of these changes has had to be taken when estimating liabilities within the Legal Aid funding schemes. For

Crime Higher, the following amendments have been made:

1. **Crown Court Capacity:** Crown Court capacity was substantially reduced during the pandemic, meaning that cases could not be cleared at the same rate. An adjustment has been made to the model, reducing the assumed rate at which work accumulated on cases during this period in direct proportion to the reduction in court capacity. The reduced capacity has also been assumed to apply over a larger population of outstanding cases, as court backlogs increased.
2. **Interim Payment Profiles:** as fewer cases were completing in the Crown Court, the estimated proportion of interim-billed cases that don't close was being over-estimated by the model. An adjustment has been made to account for this, assuming that the overall proportion of such cases is in line with pre-pandemic levels.
3. **Price Adjustment:** in addition to operating at a reduced capacity, the social distancing restrictions in place within the Crown Court during the pandemic has meant that the capacity to hear more complex cases involving multiple parties has been severely hampered. This has resulted in the mean cost of the cases that have been cleared through the court substantially reducing. This in turn means that the value of outstanding cases will be skewed towards the more expensive end of the spectrum, and an adjustment has

been made to the model to account for this, increasing the value of the liability in accordance with the reduction in case values that has been seen.

### **Crime Higher: sensitivity analysis**

The reasonable alternative assumptions below have been determined by management to reflect the respective levels of uncertainty in the key modelling assumptions. Where possible, they 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
Price profiles <sup>9</sup>	+10.0%	60.0	-10.0%	(60.0)
Completion Rates <sup>10</sup>	+2.5%	32.5	-2.5%	(29.0)
Case Durations <sup>11</sup>	+10.0%	(33.3)	-10.0%	38.3
Capacity baseline (new since COVID-19) <sup>12</sup>	+15.0%	53.0	-15.0%	(36.8)

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2021 could be higher by up to +30.7% (£112.2m) or lower by up to -23.9% (£87.5m).

<sup>9</sup> Price profiles: there is a degree of uncertainty in assuming that future prices will follow historical patterns, as prices vary to a small degree over time. The sensitivity analysis considers that prices could vary by as much as 10% in either direction.

<sup>10</sup> Completion rates: a number of representation orders never attract a bill, and so do not close. The model uses historical data to determine the likely proportion that these cases represent of the live case population. There is inherent uncertainty in assuming that the proportion will be similar to that seen historically, which this sensitivity represents. The proportion is flexed by 2.5% in either direction, representing the variance that we see in the proportion over time.

<sup>11</sup> Case durations: the estimate of the provision assumes that average case durations will be consistent with those seen in recent prior periods, however durations do vary to a small degree over time. We therefore make the assumption that durations could vary by up to 10% in either direction.

<sup>12</sup> Court capacity profiles: the proportion by which the capacity of the courts reduced during the COVID-19 pandemic is assessed against a baseline of capacity from the prior 12 months. The level of capacity in the courts does, however, change over time. This sensitivity flexes the baseline by 15% in either direction, in line with the maximum variance seen in a 12-month period during the prior three 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 Crime Higher 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 to ensure they remain appropriate.

### **Legal costs**

Provision is made for legal costs associated with ongoing litigation, where it is probable that an outflow of resources will be required to settle a current obligation.

### **Dilapidations**

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 2021 and 2029 as each lease expires.

## **Note 14 – 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.



	31 March 2021	31 March 2020
	£000	£000
<b>Land and buildings:</b>		
Not later than one year	1,545	1,839
Later than one year and not later than five years	1,852	4,770
Later than five years	803	2,196
<b>Total</b>	<b>4,200</b>	<b>8,805</b>

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 15 – Financial commitments

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

	31 March 2021	31 March 2020
	£000	£000
Not later than one year	2,015	2,147
Later than one year and not later than five years	944	1,114
<b>Present value of obligations</b>	<b>2,959</b>	<b>3,261</b>

## Note 16 – Contingent assets and liabilities

On 30 March 2021, judgment was delivered in the High Court in respect of an appeal against a decision of a Costs Judge that costs or expenses incurred before the commencement of the criminal proceedings could not be recovered out of Central Funds. The appeal was granted, and the case remitted to the Costs Judge to decide which of the pre-commencement costs and expenses come within s.17 of the Prosecution of Offences Act 1985. A provision for the case itself has been included within Provision for amounts outstanding on privately funded cases (see Note 13). It is possible that other litigants of privately funded prosecutions may now seek to rely on the High Court judgment and may recover costs from Central Funds that have previously been disallowed. It is not possible for the LAA to provide an estimate of the liability that might arise.

The LAA has 2 contingent assets in relation to costs orders from legal proceedings with a total value of £29m (31 March 2020: two with a total value of £22m).

## Note 17 – 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 2020–21 no Board Members or other related parties have undertaken any transactions with the LAA (2019–20 no transactions).

## Note 18 – 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 2020	Gross Inflows	Gross Outflows	31 March 2021
	£000	£000	£000	£000
Damages <sup>13</sup>	3,322	539	(819)	3,042
Crown Court Means Test <sup>14</sup>	9,165	14,063	(9,432)	13,796
<b>Total third party assets held as cash</b>	<b>12,487</b>	<b>14,602</b>	<b>(10,251)</b>	<b>16,838</b>

<sup>13</sup> The LAA receives awarded damages awaiting the final settlement of a case and contribution monies from clients towards legal costs.

<sup>14</sup> 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 19 – 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.

There are no subsequent events to report.





