



Legal Aid
Agency

Annual Report and Accounts 2021-22



HC 558

Legal Aid Agency Annual Report and Accounts 2021-22

For the period 1 April 2021 to 31 March 2022

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

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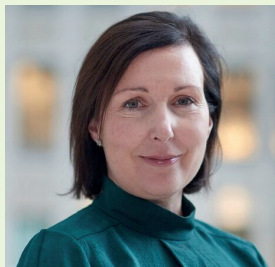
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Performance Report



Chief Executive's statement



I am delighted to present my third Annual Report and Accounts for the Legal Aid Agency (LAA) for the 2021-22 financial year.

This year marks our second year of working through the pandemic and marked a clear shift towards how we will live and work with COVID-19 in the future. As an Agency we have learned a great deal from the experience and we have retained many of the changes and adaptations we put in place to support access to justice through the pandemic. We have seen applications for legal aid return to pre-COVID levels and have continued to deliver to a high standard against our key operational performance indicators, providing timely decisions on legal aid applications and ensuring prompt payment to legal aid service providers. We are moving to a full hybrid working model for our people as they further seek to improve our services and implement the major changes planned for the year ahead.

It is with this experience in mind that we set our LAA Strategy in May 2021 and this has ensured we have had a strong focus on our three strategic objectives (SOs) and our four guiding principles that shape how we work. Central to that has been our efforts to be user centred,

in how we design new digital services like Apply, how we build on our connections with legal aid providers that we established during the pandemic, and how we prepare now for supporting the introduction of changes to the Means Test and to Criminal Legal Aid.

Performance

Throughout this second year of operating in a pandemic the volume of work returned to pre-COVID levels.

We introduced new measures for 2021-22 to improve the transparency around our service delivery and to ensure that our leadership teams have been focused on what matters to the users of our services. The new measures focus on our exceptional and complex cases, as well as civil appeals, making good progress and improvements through the year.

The targets set were stretching and for this first year, we have achieved or come close to achieving what we aimed for. Meeting our exceptional and complex case applications target and civil billing appeals target is a good start. We were within 5% of achieving our targets for processing exceptional case funding applications and civil applications appeals, making good progress and improvements through the year.

During 2020-21 we had a net error rate of 3.08% for Legal Help, well above our ambition to keep this below 0.75%. For 2021-22, we have continued to face

challenges where a limited number of escape fee and immigration cases with errors have taken us over again, resulting in a rate of 3.3%, and this will be an area of focus in the coming year for our internal operations and for improving provider awareness of common errors. However, our overall net error rate was 0.77% and remains below the 1% level of materiality assessed by the National Audit Office (NAO).

The Public Defender Service (PDS) has continued to represent clients throughout the pandemic and has exceeded our new headline performance measure for accepting duty solicitor calls that are offered achieving an excellent 99% response rate.

We have run three tenders this year including the tender for the new Criminal Legal Aid contract which opened in October 2021 and the contract will commence on 1 October 2022.

The Central Legal Team received approximately 233 threats of, and issued, litigation directed against the LAA in 2021-2022, and had a 94% success rate in resolving or successfully defending those challenges.

People First

We remain focused on our people and continue to prioritise staff wellbeing ensuring we build on our commitment to be an inclusive and welcoming workplace. Our People Plan and the LAA Strategy

emphasise the importance of our people in everything we do. We have focused on tackling unacceptable behaviour, ensuring wellbeing support is available to anyone who needs it and supporting our networks in the important work they do. We continue to support our colleagues through retaining our Disability Confident Employer accreditation, developing and delivering an LAA Disability Action Plan as well as working with our race network BeUnique to deliver our Race Action plan.

We continue to deliver to an exceptionally high standard across all areas. Overall strong leadership across the agency was recognised in our People Survey results which saw us improve our positive scores in relation to leadership and change, line management and inclusion and fair treatment. We remain in the top 10 Civil Service departments with an engagement score of 71%. We provide visible, accessible, and approachable leadership across LAA and are committed to being an organisation which is responsive, diverse and constantly learning.

In addition to our service delivery and financial performance measures, we also introduced new measures relating to our people. These relate to the diversity of our workforce and the degree to which unacceptable behaviours such as bullying and harassment takes place. We have made some positive progress during 2021-22 and will build on that into next year.

Transformation and Change

Working in close partnership with our colleagues in LAA Digital, part of Justice Digital, we continuously strive to improve the service we provide to all users. We have continued to develop our new Apply service with over 50 providers using it to submit applications in domestic abuse cases. The introduction of new functionality means that the service can handle multiple proceedings, and can verify applicants' incomes directly using HMRC data, reducing the need for applicants to submit evidence. We look forward to continuing to develop the service and rolling it out to other types of cases.

We have supported the rollout of the new Common Platform in criminal courts, ensuring that we are able to process applications and bills for cases which come through the platform.

Our Legal Aid Policy Implementation Programme oversees the successful implementation of policy changes. In 2021-22 we have implemented the Breathing Space policy to protect individuals with problem debt, introduced accelerated policy changes as a result of the Criminal Legal Aid Review (CLAR) and a policy change that allows bereaved families to apply for exceptional case funding for representation at inquests without having to undertake a means test. We have also worked closely with colleagues in Ministry of Justice (MoJ) policy to share our operational expertise as they developed the

proposals for the Means Test Review and Sir Christopher Bellamy's Independent Review of Criminal Legal Aid.

Wider work

The LAA directly supports the MoJ to deliver on its objective to 'Deliver swift access to justice'. Teams from across the LAA continue to work closely with MoJ officials to ensure changes in policy are implemented in line with the governing legislation and Ministerial intentions. We also continue to deploy 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.

We have continued to support our contracted providers through the pandemic period and in their return to normal ways of working, bringing our temporary COVID-19 standards to an end in May 2022. We have listened to providers and made changes to our contractual requirements to learn from the experiences of the pandemic, enabling more remote engagement with clients, making electronic submission on escape cases a permanent process, and increasing the scale of Payment On Account (POA).

The Public Defender Service, the Exceptional and Complex Cases Team and the Central Legal Team are recruiting two internal trainee solicitors to complete

a two-year training programme that meets Solicitors Regulation Authority requirements and will enable trainees to gain both civil and criminal legal experience.

Looking ahead

The year ahead will be challenging but we are well placed to meet the demands and to support the MoJ to deliver swift access to justice. Following the culmination of several years' endeavours we will work closely with colleagues in the MoJ to successfully implement the measures set out in the Government responses to the consultations on the independent Criminal Legal Aid and Means Test Reviews (including necessary changes to contracts). We will also make operational changes flowing from other parts of the government's legislative programme following conclusion of the parliamentary process.

Inherent in our implementation planning is the need to ensure colleagues are equipped to support our provider base, ensuring changes are understood and error remains low, making sure we have the capacity to process any resulting volumes of work in line with agreed processing targets.

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

A handwritten signature in black ink that reads "Jane Harbottle". The signature is written in a cursive style with a large, looping initial 'J'.

Jane Harbottle

Chief Executive and Accounting Officer

Legal Aid Agency

06 July 2022

Headline impacts for 2021-22

COVID-19 pandemic

During 2021-22 we have continued to live with the pandemic and its impact on the world. In preparing this Annual Report and Accounts the impacts on the work of the Legal Aid Agency, our providers and users of our services are at the forefront of our reporting. Over the course of the pandemic, we have introduced over 40 measures to address identified issues and ensure that access to justice through legal aid processes was maintained.

Key areas of impact and actions taken



Providers of our services

Impacts

- In the initial months of the pandemic during 2020-21 civil applications fell by around 15%, crime applications fell by around 34% and bills submitted saw an initial 20% rise as providers sought to stabilise their financial position

Actions taken

- Streamlining of payment processes
- Timings of payments on cases
- Expansion of payment provision
- Contractual changes (Duty Solicitors and Mental Health)
- Digital solutions for paper-based systems (Secure File Exchange for crime billing)
- Paused debt collection

Costs associated with contingency arrangements

- **Minimal costs (actions related to service improvements and deferring of activity)**

Permanent changes we have made

- **Civil cost appeals made electronically for paper claims**
- **80% POA claims**
- **Controlled work escape case claims submitted electronically**
- **Claim costs for setting up video links with clients in prison**



Users of our services – clients

Impacts

- In the initial month of the pandemic customer service calls fell by 45%

Actions taken

- Digital signatures
- Amended evidence requirements (changes to accepted evidence for domestic violence and child abuse)
- Adaption of means assessment process (example – in line with Government economic support measures such as the furlough scheme and self-employed support scheme)

Costs associated with contingency arrangements

- Nil - response focused on continuity of service and avoiding potential increases in bureaucracy and cost

Permanent changes we have made

- Digital signatures
- Increased flexibility for clients providing means evidence



Our people – staff

Impacts

- During 2020-21, we invested in equipment to support hybrid working and our health and safety obligations to ensure staff could continue to deliver during periods of Government-mandated homeworking

Actions taken

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

Costs associated with contingency arrangements

- £0.1m

Permanent changes we have made

- The LAA had a flexible working approach prior to the COVID-19 pandemic and have returned to that approach



Wider justice system and government

Impacts

- During 2021-22, the LAA allocated additional budget to fund additional legal aid costs for additional sitting days for Family Court matters

Actions taken

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

Costs associated with contingency arrangements

- £71m

Permanent changes we have made

- See above



We processed almost **400,000** applications for legal aid (almost 400,000 in 2020-21)

94% of civil legal aid applications were processed within 20 working days except in the most complex cases (94% in 2020-21)

100% of criminal legal aid applications processed within 2 working days (100% in 2020-21)

**Processing /
Delivery**



We processed over **1.2 million** bills (over 1.1 million in 2020-21)

99% of complete, accurate bills were paid within 20 working days, exceeding the **90%** target (99% in 2020-21)

**Processing /
Delivery**



Our Average Working Days lost has increased to **6.9** for the 12 months to March 2022 compared with 4.2 for the same rolling period in March 2021

Over **51%** of our people had no sickness absence during the 12 months to March 2022

Our people



Our staff engagement score decreased by **1% to 71%** in the annual People Survey. With an **85%** response rate (88% in 2020-21) 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 **8th** highest engagement score

Our people



We answered **over 130,000** phone calls to our call centres, and exceeded all our customer service and correspondence Key Performance Indicator targets (over 120,000 in 2020-21)

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.

LAA Vision

To support swift access to justice, through working with others to achieve excellence in the delivery of legal aid.

LAA Mission

Work with providers of our services to ensure fair, prompt and effective access to civil and criminal legal aid and advice in England and Wales. We work across the whole of the justice system to make sure our services meet the needs of everyone who uses them, including the most vulnerable in our society.

Our work is underpinned by our three Strategic Objectives:

Strategic Objective 1

Delivering access to justice through legal aid services that meet the needs of our users

Strategic Objective 2

Modernise our services, delivering value for money for taxpayers

Strategic Objective 3

Become a truly diverse and inclusive employer of choice

Further detail on our Strategic Objectives can be found on pages 32-55 of the Performance Analysis section.

These Strategic Objectives support the wider work of the MoJ, linking to the department's strategic outcome of providing swift access to justice. This provides 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, ensure financial requirements are met, and support delivery of key change programmes and our move to digitise services and automate processes.

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

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

Our People

Our people are at the heart of what we do, with our workforce, skills and location highlighted as key enablers for delivering MoJ outcomes. During 2021-22 we continued to provide support as we adapted to working through the pandemic and embedded new ways of working. Despite these challenges we maintained a focus on the wellbeing of our people and are proud this has been reflected in our high levels of engagement in our 2021 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 2021-22 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.

We remain indebted to those colleagues, such as the PDS, solicitors and advocates, who through necessity, continued to attend workplaces outside of their homes throughout the pandemic. By attending police stations, courts and prisons when required they supported the most vulnerable defendants.

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 recognise that delivery, evaluation and collaboration is a key enabler for achieving the Ministry of Justice's strategic outcomes.

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 continued emphasis throughout 2021-22 on communication and support for our providers. We have enabled more flexibility to accommodate working within Government guidance, supporting the wellbeing of providers and clients, through the introduction of temporary COVID-19 standards.

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

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

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

Director of Legal Aid Casework

The Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) 2012 ensured that the decision-making process for legal aid applications remained independent from Ministers. The role of Director of Legal Aid Casework (DLAC), which was created by 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 DLAC to ensure that robust practices are in place to maintain the independence of the decision-making process. The DLAC publishes a separate annual report setting out how the functions have been carried out over the financial year.

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 solicitor 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

Our focus on innovation, technology and data is a key enabler for the Ministry of Justice's strategic outcome of delivering swift access to justice. Working in close collaboration with Justice Services colleagues, we consistently strive to make our services user-centered. This means improving our systems and processes, while continuing to meet our performance targets and support our operating environment. In partnership with LAA Digital colleagues we work to modernise our digital infrastructure and reduce reliance on outdated systems. Using Government Digital Service assessments allows us to assure the quality of systems underpinning new services. Over the last year we identified critical risks, and pivoted resources to address them, reprioritising other work to allow us to focus on the top risks. Assessing the needs of all users has been key in determining opportunities for investment. Working together, this work will be enhanced over the spending review period through additional investment. In terms of our business transformation, we have continued to develop our new service for processing applications (Apply). Over 50 providers are now using it to submit applications in domestic abuse cases, and over 10,000 applications have successfully come through the new service so far. New functionality has been

introduced which means the service can now handle multiple proceedings. Working closely with HMRC, we have implemented a mechanism to verify applicants' income levels directly using HMRC data. This has reduced the need for applicants to submit evidence manually. We look forward to continuing to develop capabilities to allow Section 8 (Family) and Public Law Family applications through the service and onboarding more firms who deal with these application types.

We have continued to work closely with HMCTS to support the rollout of the Common Platform in criminal courts, ensuring we can process applications and bills for cases which come through the platform. The platform is now live in 112 courts across England and Wales, and we have processed around 48,000 applications, paying more than 15,000 bills so far.

Our Legal Aid Policy Implementation Programme (LAPI) continues to oversee execution of policy changes. Some 2021-22 successes include, implementing the Breathing Space policy to protect individuals with problem debt, accelerated policy changes as a result of the CLAR and a transformation that allows bereaved families to apply for exceptional case funding for representation at inquests, without having to undertake a means test.

We continue to work with LAA Policy and Service Development colleagues as we look to implement current priority projects. This includes proposals as set out in Sir Christopher Bellamy's Independent Review of Criminal Legal Aid and a Means Tests Review.

Next year, we will continue to seek and deliver opportunities to use digital technology to stabilise and also improve the experience for all users. That includes people who apply for legal aid, the providers who deliver the services and LAA colleagues who administer the scheme. We will continue to support the national roll out of the Common Platform and further develop the Apply service. We will continue to engage proactively with providers to ensure we both support them in starting to use new services and reflect their feedback when making iterations. We will also ensure that policy reforms for implementation in 2022-23 are delivered through revised business processes and digital development.

Performance Analysis

Our year in focus

In our ninth 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 2021-22

The commitments associated with our Strategic Objectives 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 2020-21 Business Plan commitments. We revised our SOs in 2021-22 moving to three objectives and published a LAA Strategy in July 2021 supporting delivery of our objectives, working with our strategic enablers by being;

- User centred
- Open and transparent
- Right first time
- A responsive, diverse, learning organisation

Throughout the year the results were reported to the Executive Leadership Team, the LAA Board and the MoJ Executive Committee.

Strategic Objective 1

Delivering access to justice through legal aid services that meet the needs of our users

KPI: Service Delivery

Milestones

- Implementing a Customer Services Strategy - putting users of our services and their confidence in the quality of our services first
- A responsive Public Defender Service – gaining Lexcel re-accreditation by December 2021
- Building on positive changes to our services introduced by our response to the COVID-19 pandemic
- Working closely with colleagues in MoJ to implement recommendations from the CLAR and Means Tests Review

Strategic Objective 2

Modernise our services, delivering value for money for taxpayers

KPI: Accuracy and accountability

Milestones

- As LAA Transformation continues, further development of our Apply service including progressing through Government Digital Service Assessment
- Development of our Debt Strategy focused on efficient but appropriate recovery of taxpayers' money
- Implementation of The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020

Strategic Objective 3

Become a truly diverse and inclusive employer of choice

KPI: Financial Management

Milestones

- Use our LAA People Strategy as a roadmap supporting our goal for the LAA to be a great place to work for everyone
- Partner with our LAA staff networks to improve the experience for our people such as the work with our BeUnique network to empower change in tackling and eradicating racism
- Support the wellbeing of our people within initiatives focused on both physical and mental wellbeing
- Embed the LAA Workforce report in our reporting processes to increase our awareness and ability to monitor and act
- Achieve higher level of accreditation as a Disability Confident employer

Strategic objective 1



Delivering access to justice through legal aid services that meet the needs of our users

KPI: for applications from our clients

This year 4 of our 6 performance measures were met and exceeded

85% of applications for civil legal aid (end to end) within 20 working days.

94% this year.

An **improvement** on 92% in 2020-21 (91% 2019-20).

20
working
days

90% of applications for criminal legal aid within 2 working days.

100% this year.

Maintaining the 100% delivered in 2020-21 (100% 2019-20).



75% of applications for civil amendments (excluding exceptional & complex cases) processed end to end in 20 working days.

86% this year.

This is a new measure introduced for 2021-22.

20
working
days

80% of exceptional & complex cases applications in 25 working days.

82% this year.

This is a new measure introduced for 2021-22.



90% of applications for exceptional case funding in 25 working days.

85% this year.

This is a new measure introduced for 2021-22.



95% of civil application appeals (excluding exceptional & complex cases) that do not require an external adjudicator to be processed within 20 working days.

90% this year.

This is a new measure introduced for 2021-22.



KPI: for payments to our providers

Both performance measures were met and exceeded

95% of complete, accurate, eligible bills paid within 20 working days (monies received in account by provider).

20
working
days

99% this year.

Maintaining the 99% delivered in 2020-21 (99% 2019-20).

95% of civil billing appeals that do not require an external adjudicator to be processed within 20 working days.

20
working
days

100% this year.

This is a new measure introduced for 2021-22.

KPI: for correspondence

All 6 measures were met and exceeded

90% of 1st Tier (initial) Complaints within 20 days (exc. CCST).



100% this year.

Maintaining the 100% delivered in 2020-21 (100% 2019-20).

90% of 2nd Tier (unresolved at 1st tier) Complaints within 20 days.



100% this year.

Maintaining the 100% delivered in 2020-21 (99% 2019-20).

90% of MP correspondence within 20 days.



100% this year.

Maintaining the 100% delivered in 2020-21 (100% 2019-20).

90% of Freedom of Information requests within 20 working days.



100% this year.

Maintaining the 100% delivered in 2020-21 (99% 2019-20).

90% of Internal Review requests within 20 working days.



100% this year.

Maintaining 100% from 2020-21 and 2019-20.

90% of Data Protection Act requests within 30 calendar days.

30
days

99% this year.

This is **1% less** than the 100% delivered in 2020-21 but still significantly above target (98% 2019-20).

KPI: for telephone services

Our 3 measures were met and exceeded

75% of crime or civil calls to our customer services unit answered within 5 minutes.

5
minutes

75% target **exceeded. 83%** for civil, **92%** for crime.

A decrease on 86% delivered for civil and an increase on 85% delivered for crime in 2020-21 (83% civil and 84% crime in 2019-20).



90% of duty solicitor calls offered to the Public Defender Service to be accepted.

99% this year.

This is a new measure introduced for 2021-22.



Did we achieve our milestones?

✓ Implementing a Customer Services Strategy - putting users of our services and their confidence in the quality of our services first.

The LAA Customer Service Strategy was finalised and published on [GOV.UK](https://www.gov.uk) in summer 2021.

A responsive Public Defender Service – gaining Lexcel re-accreditation in December 2021.

✓ Building on positive changes to our services introduced by our response to the COVID-19 pandemic.

In civil billing we introduced new digital processes for Legal Help Escape Cases claims and old paper claims. These changes have become permanent, they give us greater operational resilience and flexibility and have been very well received by the profession. Following feedback on the success of temporary measures to extend emergency cost limitations in family and non-family cases emergency cost limits have been permanently extended to £2,250 (excluding investigative cases). Criminal applications can now be supported by digital copies of eligibility evidence.

✓ Working closely with colleagues in MoJ to implement recommendations from the CLAR and Means Test Review.

Technical and operational information and advice was provided to MoJ policy as part of the CLAR consultation and Means Test Review documents published on 15 March 2022.

Other challenges

We continue to have a number of outstanding vacancies as a result of external factors making recruitment and retention increasingly challenging.

Other achievements

We implemented three policy changes:

- Breathing Space policy to protect individuals with problem debt
- Accelerated policy changes as a result of CLAR
- A transformation that allows bereaved families to apply for exceptional case funding for representation at inquests, without having to undertake a means test

Strategic objective 2



Modernise our services, delivering value for money for taxpayers

KPI: accuracy and accountability

Minimise our net error rate, ensuring it remains below 1%.

0.77% this year.

A **decrease** in error compared with 0.89% in 2020-21 (0.83% 2019-20).

0.77%
in 2021-22

Ensure our legal help net error rate remains below 0.75% over the year.

3.3% this year.

An **increase** in error compared with 2.81% in 2020-21 (0.00% 2019-20).

3.3%
in 2021-22

KPI: financial management

Deliver our services within our agreed legal aid Admin spend.



Monitor our legal aid Fund spend to inform future planning and engagement with HM Treasury.



Did we achieve our milestones?

- ✓ As LAA Transformation continues, further development of our Apply service including progressing through Government Digital Service Assessment at each stage. At each stage Government Digital Service assesses progress before agreeing to move onto the next stage. GDS considered the Apply Civil product development on 15 March 2022 and confirmed it had passed, with positive feedback confirming that the product is delivering the right value to users. This means that the Apply Civil can continue to the next phase of development. GDS also assessed initial work (Discovery phase) on the Crime Apply journey in January 2022, confirming it had considered the relevant scope and could now progress to the Alpha phase.

✓ Development of our Debt Strategy focused on efficient but appropriate recovery of taxpayer money.

We agreed our Debt Strategy in October 2021, focussing on increasing collaboration across LAA and MoJ Debt teams, and delivering value for money for the taxpayer in the collection of LAA debt.

✓ Implementation of The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020.

The Breathing Space measures were implemented successfully on the 4th May 2021, with front end processes put in place for the business to respond to Breathing Space notifications. Volumes remain low, but processes are functioning well.

Other challenges

Our reliance on legacy technology and the complex legislative framework hampers the speed at which we can transform our service.

Other achievements

We have successfully supported the roll out of the new Common Platform in criminal courts, ensuring that we are able to efficiently process applications and bills for cases which come through the platform. The platform is now live in 112 courts across England and Wales, and we have processed around 48,000 applications, paying more than 15,000 bills so far.

Strategic Objective 3



Become a truly diverse and inclusive employer of choice

KPI: Supporting our people to be productive and engaged

Monitor our average working days lost through sickness at 5.3 working days per year or less.

6.9
working
days

6.9 working days this year an **increase** from 4.2 in 2020-21 (the figure is based on the previous rolling 12-month period).

Support all our people, with at least 75% achieving a minimum of 5 days learning and development throughout the year.



Due to system issues we have not been able to reliably measure this target and we will now remove it as a formal KPI until we are confident in the data.

KPI: Zero tolerance to bullying and harassment

Reduce the number of our people who answer 'prefer not to say' (PNTS) to the bullying and harassment question in the annual People Survey.



The number of staff who answered 'prefer not to say' has **reduced** by 1% to **4%**.

Report where people say they have experienced bullying and harassment increase their formal reporting of it.



In the 2021 People Survey 6% of people said they had experienced bullying and harassment. 40% (44% 2020) of people who said they had experienced bullying and harassment went on to formally report it. This means that reporting of bullying and harassment has decreased, but those who PNST whether they reported it has increased to 15% (4% 2020).

Increase the number of our people who feel that their bullying and harassment report was dealt with effectively.



This has **increased** by 7% to **28%**. However, due to a 20% decrease in PNTS responses, those who felt their bullying and harassment report was not dealt with effectively also increased by 13% to 60%.

Decrease the amount of our people who feel the culture in their area allows this behaviour to continue.



This has **increased** by 2% to 48%. However, due to a 3% decrease in PNTS responses, those who did not feel the culture in their team allowed the behaviour to continue has also increased by 1% to 34%.

KPI: Representative of the people we serve

Increase the level of our ethnicity and disability declaration reporting each year by reducing the % of staff with no positive declaration, from 14% to 10% during the year.



12.6% of our staff have not declared ethnicity and **13.0%** have not declared disability characteristics, this is a new measure introduced for 2021-22. The level of staff not making declarations has decreased but we have not met the target of 10%.

50/50 split between those identifying as male and female across the LAA with further analysis by grade to drive further equality where needed.



39.6% of our staff have declared as identifying as male and **60.4%** declared as identifying as female. This is a new measure for 2021-22 and we will continue to work to achieve the 50/50 split representative target.

14% or above of our people declared as being from a diverse ethnic minority across the LAA with further analysis by grade to drive further equality where needed.

14.7%
in 2021-22

14.7% of our staff have declared as being from a diverse ethnic minority. This is a new measure for 2021-22 and we have achieved the representative target set.

16% or above of our people declared as having a disability across the LAA with further analysis by grade to drive further equality where needed.

15.3%
in 2021-22

15.3% of our staff have declared as having a disability. This is a new measure for 2021-22, we have increased the % of our staff declaring a disability this year but have not yet reached our representative target of 16%.

Did we achieve our milestones?

✓ Use our LAA People Strategy as a roadmap supporting our goal for the LAA to be a great place to work for everyone.

Refreshed our People Strategy to reflect the impact of COVID-19 on ways of working. Delivered the actions agreed in our People Plan which link directly to the strategy.

✓ Partner with our LAA staff networks to improve the experience for our people such as the work with our BeUnique network to empower change in tackling and eradicating racism.

Refreshed Race Action Plan launched, incorporating quick-win race actions. Ongoing delivery against action in the plan.

- ✓ Support the wellbeing of our people within initiatives focused on both physical and mental wellbeing.

Defined LAA Wellbeing Programme for next 12 months consolidating existing activity.

Delivered a number of sessions focused on wellbeing including cancer awareness, dealing with stress, and building resilience.

Ongoing activity by the Stress and Mental Health Group including a focus on mental health and absence.

Regular wellbeing challenges delivered to promote physical and mental wellbeing.

✓ Embed the LAA Workforce report in our reporting processes to increase our awareness and ability to monitor and act.

The publication of the first LAA Workforce Report has been delayed to align with the publication of the MoJ's report. However, the data elements of the report have been integrated into both performance reporting for the LAA People Committee and the LAA's headline KPIs for our third strategic objective. This focus is helping to improve diversity and inclusion within the LAA.

✓ Achieve higher level of accreditation as a Disability Confident employer.

LAA achieved accreditation as a Disability Confident Leader (Level 3).

Other challenges

- Revising our L&D offer to fit with new ways of working as a result of COVID-19
- Enhancing our wellbeing offer to ensure ongoing support available for all staff

Other achievements

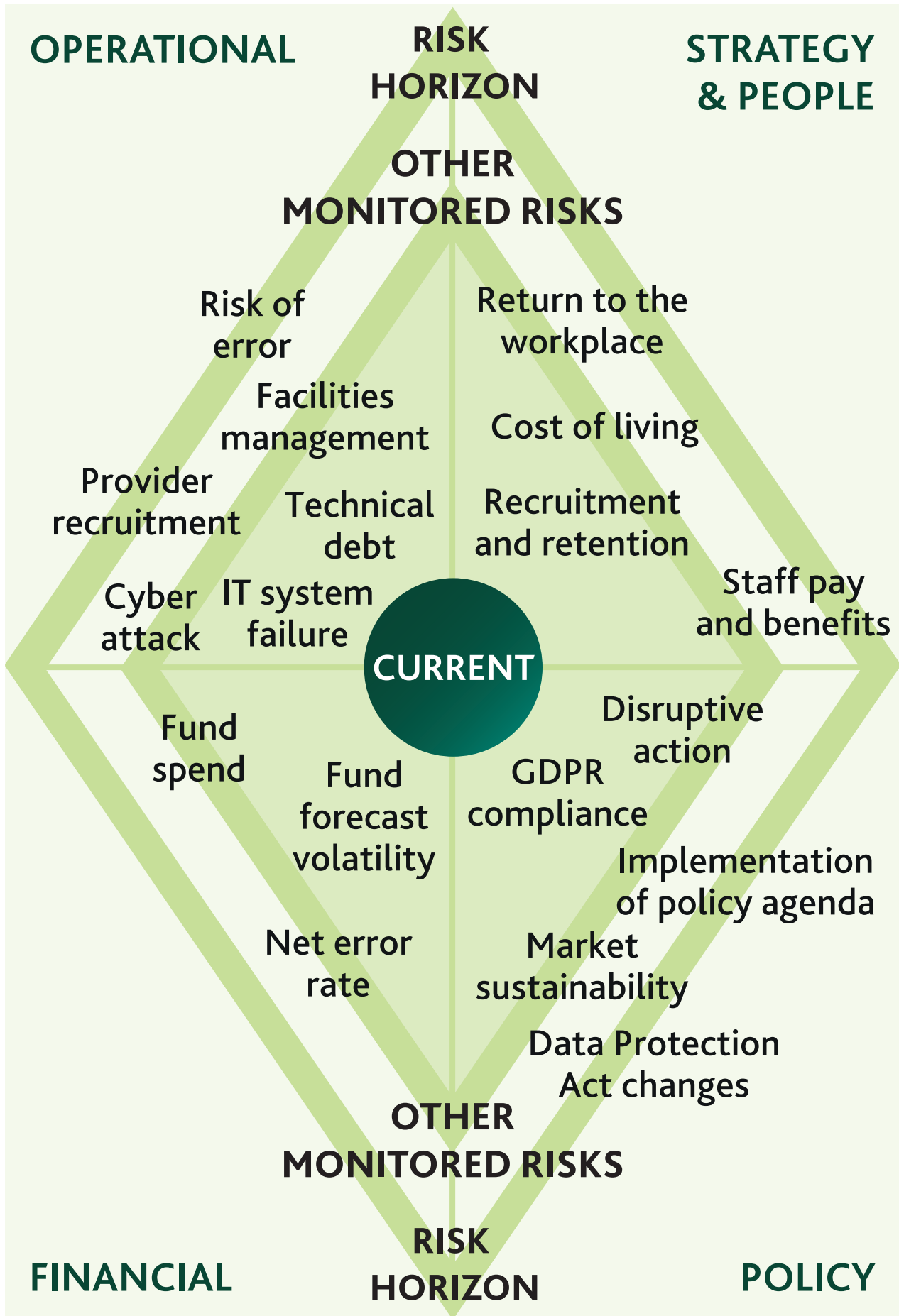
- Developed the digital learning library, delivered a variety of podcasts and updated our L&D courses to allow online delivery
- Delivery of one to one support for colleagues, manager support sessions, resilience and stress management learning via our Management Support team
- Delivery of development programmes at all levels including the new 'Beyond Boundaries' programme, as well as sourcing bespoke L&D sessions for teams across the LAA
- Launched development toolkits to support managers and staff with talent management conversations
- Trained new coaches and updated the coaching and mentoring process to make it more user friendly
- Delivered cross agency 'Leaders Live' event in September 2021
- Pilot underway to assess benefits of a centralised recruitment function

- Refreshed the Senior Leaders Group (SLG) including allocation of SLG sponsors for each LAA office site and non-SLG attendance at meetings to improve diversity of voice

Risk position

Risk position at the end of Q4 21-22 and as we look to the future.

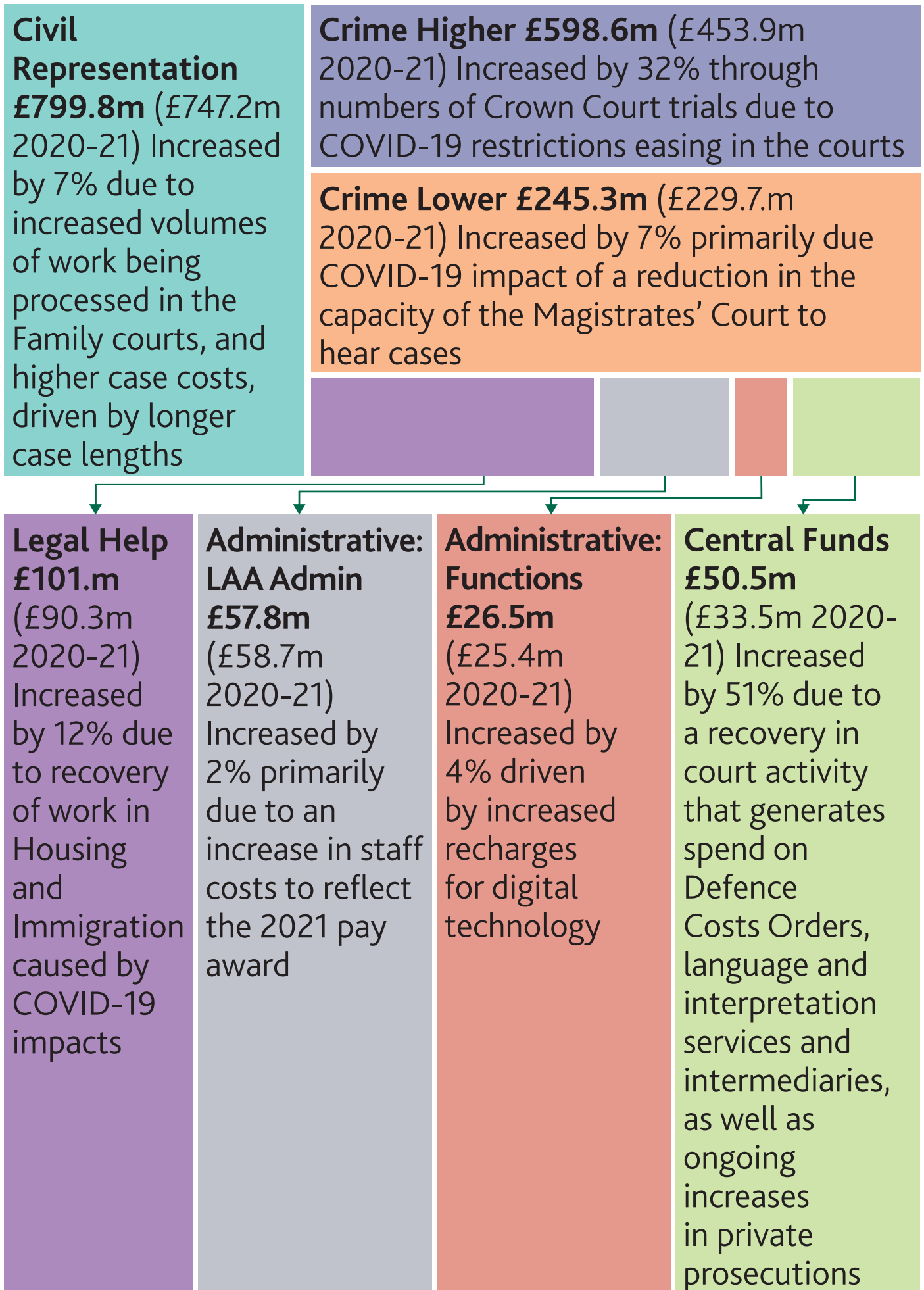
Further insight into our risk profile can be found in our Governance section, pages 80-132.



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 197 to 316. Note 2 to the Financial Statements on page 239 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 2021-22 to 2020-21, in legal aid spend by scheme:

Legal Aid Agency net expenditure - £1.9bn - increase of £242m compared to previous year



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 POA 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. We recognise that sustainability is a key enabler for the Ministry of Justice to contribute to the Greening Government Commitments.

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

Our strategy for sustainability focuses on:



- **Environmental awareness** – waste minimisation and recycling are 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 reducing our reliance on paper. We have increased automation (for example in Crown Court travel claims) to allow us to process cases more efficiently. We have continued to offer improved collaboration tools for staff to allow more efficient, flexible working. Paper usage has fallen again from 1.3 to 1.25 tonnes (£1k in spend), demonstrating the continued benefits from projects that were completed in the previous financial year.

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

Environmental sustainability measure reporting

Our progress against the 2020 Greening Government Commitments is outlined below.

Greenhouse Gas emissions

Energy ⁰¹		2021-22	2020-21	2019-20	2018-19	2017-18
Non-financial indicators (tonnes of CO2 equivalent tCO2e)	Gas – Scope 1 non-renewable energy	89	79	135	85	95
	Electricity – Scope 2 non-renewable energy	408	204	259	107	323
	Electricity – Scope 2 renewable energy	0	0	5	77	102
	Official business travel emissions – Scope 3	30	74	147	174	194
	Total	417	357	546	443	714

01 Energy data for 2021-22 reporting year includes information from the following sites only: Cardiff, Cheltenham, Darlington, Nottingham, London (102 Petty France), Jarrow, Swansea, Bristol, Brighton and Pontypridd.

Energy ⁰¹		2021-22	2020-21	2019-20	2018-19	2017-18
Non-financial indicators (Megawatt hours MWh)	Gas – Scope 1 non-renewable energy	486	430	428	463	514
	Electricity – Scope 2 non-renewable energy	1403	785	931	348	1,050
	Electricity – Scope 2 renewable energy	0	0	18	252	332
	Total	1889	1215	1,377	1,063	1,896
Financial indicators (£000)	Gross expenditure on energy	226	162	278	108	210
	Expenditure on official business travel (UK only)	152	45	638	642	662
	Total	378	207	916	750	872

Electricity and gas usage increased compared with last year, with a commensurate increase in emissions and cost.

Travel

Travel		2021-22	2020-21	2019-20	2018-19	2017-18
Output information (km 000)	Motor vehicle	0	324	437	415	415
	Rail	710	411	1,623	2,131	2,513
	Flight	1	11	18	33	55
	Total	711	746	2,078	2,579	2,983
Output information (tCO ₂ e)	Motor vehicle	0	56	77	75	75
	Rail	30	17	67	94	111
	Flight	0	0	2	5	8
	Total	30	73	146	174	194

There has been no travel recorded by motor vehicle during the year, and flights continue to be minimal from the onset of COVID-19. Rail usage saw an upturn during the year. Overall emissions have decreased by 59% from the previous year.

Finite resource consumption

Water ⁰²		2021-22	2020-21	2019-20	2018-19	2017-18
Non-financial information (cubic metres)	Water consumption	485	1,762	1,891	3,496	14,897
Financial information (£ 000)	Water supply costs*	21	24	22	5	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 2021-22 is lower than 2020-21, cost of water supply has also decreased.

02 Water data for 2021-22 reporting year includes information from the following sites only: Darlington, Nottingham, London (102 Petty France), Jarrow, Bristol, Brighton and Pontypridd.

Paper

Paper
consumption
for
2021-22

reduced by **4%** to **1.2 tonnes**

with a spend of **£1k**

Our consumption of paper has significantly reduced, this is a positive outcome towards achieving a digital paperless operation.

Waste minimisation and management

Waste ⁰³		2021-22	2020-21	2019-20	2018-19	2017-18
Non-financial information (tonnes)	Waste sent to landfill	0	0	1	162	148
	Waste incinerated for energy recovery	16	6	7	N/A	N/A
	Waste composted	1	1	2	N/A	N/A
	Waste recycled/reused	45	70	121	691	840
	Total	62	77	136	853	988
Financial information (£ 000)	Total	64	66	41	26	27

03 Waste data for 2021-22 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 2021-22 has decreased by 43% from 2020-21 although the costs of disposal have increased.

Waste production has fallen again this year. We continue to divert our waste from landfill. The COVID-19 pandemic has affected the waste industry in terms of what could be recycled and this is reflected in the lower recycling figure and increased incineration with energy recovery. 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:

- Reduce GHG emissions
- Improve our waste management
- Further reduce water consumption
- Buy more sustainable and efficient products and services

The aim of achieving the best long term minimum environmental impact. Our Sustainability Team and Facilities Management continue to find ways for us to reduce our carbon footprint through facilities upgrades.

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

We will explore further estates improvements within the LAA location strategy and explore further opportunities to share space with other government departments. 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.

Signed for and on behalf of the Legal Aid Agency

A handwritten signature in black ink, reading "J Harbottle". The signature is written in a cursive style with a large, looping initial 'J'.

Jane Harbottle

Chief Executive and Accounting Officer

Legal Aid Agency

06 July 2022

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 85-90. 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 2021-22.

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 2021-22, there were no breaches reported to the ICO.

The Governance Statement on pages 80-84 considers further information assurance and data security practices in the LAA.

Statement of Accounting Officer's responsibilities

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

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

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

- Prepare the accounts on a going concern basis

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

- There is no relevant audit information of which the LAA's auditors are unaware, and she has taken all the steps to make herself aware of relevant audit information and to establish that the LAA's auditors are aware of that information
- 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 both the Accounting Officer and Chief Executive for the LAA, having been the Accounting Officer and interim Chief Executive in 2019-20. 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.

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 a 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 regular meetings with an MoJ-wide complaints forum as the themes and working

relationships are similar. This provides an opportunity to work collaboratively to continually improve the complaints handling service.

During 2021-22, the LAA was notified of 10 referrals to the PHSO, a decrease compared against the previous year (2020-21, 16), which is reflective of the general decrease in complaint volumes received in the LAA in the same period. It also reflects the success of the LAA's ongoing engagement work with the PHSO and new process for referrals implemented in August 2020.

Of the referrals, no cases were accepted for a formal investigation. The PHSO reached conclusions on two ongoing cases in this year (cases can span multiple years and there is no direct correlation to complaints raised or concluded each financial year). Of the concluded cases, one complaint was upheld in part, one complaint was not upheld. The PHSO discontinued a further 12 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 84. 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 me as Accounting Officer and the wider Executive Leadership Team (ELT) in discharging our responsibilities.

Governance Structure



Committee Membership and Attendance

The table below details Board members and standing invitees who have responsibility for the LAA throughout 2021-22, their role and their attendance at Executive Leadership Team and Audit Risk and Assurance Committee meetings.

Name and role	Gender	LAA Board	ELT	ARAC
Board members				
Chief Executive, LAA				
Jane Harbottle	F	Chair	Chair	Invitee
Number eligible to attend		9	12	4
Number attended		8	10	4
Principal Legal Advisor to LAA				
Michael Jennings	M	Member	Member	
Number eligible to attend		9	12	
Number attended		5	11	

Name and role	Gender	LAA Board	ELT	ARAC
Director of Finance				
Lorna Maden (Attended by Deputy Director of Finance as official representative of the Director of Finance, see invitees to Board below)	F	Member	Member	Invitee
Number eligible to attend		9	12	4
Number attended		0	0	0
LAA Operations Committee Co-Chair				
Alistair Adan – Interim Deputy Director, Head of Civil and Crime Case Management to 05.10.21 and appointed from 06.10.21	M	Member	Member	
Number eligible to attend		9	12	
Number attended		7	12	

Name and role	Gender	LAA Board	ELT	ARAC
LAA Operations Committee Co-Chair				
Samantha Milton – Deputy Director for High Cost Civil & Exceptional Cases from 01.04.21	F	Member	Member	
Number eligible to attend		9	12	
Number attended		7	11	
LAA Finance and Risk Committee Chair				
David Thomas – Deputy Director, Head of Contract Management and Assurance	M	Member	Member	Invitee
Number eligible to attend		9	12	4
Number attended		8	10	2

Name and role	Gender	LAA Board	ELT	ARAC
Deputy Director, Head of Transformation				
Hannah Payne – from 11.10.21	F	Member	Member	
Number eligible to attend		3	6	
Number attended		3	3	
Joanna Fiddian	F	Member	Member	
Number eligible to attend		9	12	
Number attended		7	11	
LAA People Committee Chair				
Lucy Jones – Deputy Director, Head of Corporate Services	F	Member	Member	
Number eligible to attend		9	12	
Number attended		6	8	

Name and role	Gender	LAA Board	ELT	ARAC
Non-Executive Board Members				
Non-Executive Board Member – Commercial				
Deep Sagar	M	Member		Member
Number eligible to attend		9		4
Number attended		9		4
Non-Executive Board Member – Financial				
Calum Mercer	M	Member		Chair
Number eligible to attend		9		4
Number attended		8		4
Non-Executive Board Member – Legal				
Professor Suzanne Rab	F	Member		Member
Number eligible to attend		9		4
Number attended		9		4

Name and role	Gender	LAA Board	ELT	ARAC
Invitees to Board				
Deputy Director of Finance	F	Invitee	Member	Invitee
Number eligible to attend		9	12	4
Number attended		8	10	4
Head of LAA Digital	F	Invitee	Member	
Number eligible to attend		9	12	
Number attended		6	6	
MoJ HR Director for LAA (Attended by MoJ Senior HR Business Partner for LAA)	F	Invitee	Member	
Number eligible to attend		9	12	
Number attended		7	10	

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 9 meetings of the Board and an Extraordinary Board meeting to approve the Annual Report and Accounts during 2021-22.</p>
Role	<p>The LAA Board supports the Accounting Officer and other senior officials in directing the business of the LAA.</p> <p>The Board is ultimately responsible for providing advice on the governance and strategic direction of the LAA.</p> <p>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"> • Chief Executive; • The Non-Executive Board Members (NEBMs); • The Principal Legal Adviser; • The Director of Finance; • The Chairs of the three Committees: People Committee: Deputy Director for Corporate Services, Finance and Risk Committee: Deputy Director for Contract Management and Assurance, Operations Committee: Deputy Director for Case Management and Deputy Director for Exceptional and Complex Cases; • Deputy Director Transformation; • Deputy Director for Finance. <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, Transformation and Digital, 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.</p> <p>A Board effectiveness review concluded with a series of improvements and actions to improve effectiveness implemented and ongoing.</p>

Name of committee	Legal Aid Agency Board
Key activities this year	<p>The Shadow Board continues to be a successful 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. A new Shadow Board Chair has been appointed with a recruitment drive for new members as well to expand the opportunity and experience for more staff.</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.
Skill set	The committee is made up of three NEBMs, who are also members of the LAA Board. They do not have any executive responsibilities.

Name of committee	Audit and Risk Assurance Committee
Key activities this year	During 2021-22 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. In exercising their duties and accountabilities both the Board and ARAC have provided significant support, challenge and guidance over the course of the financial year.

Executive Leadership Team

Name of committee	Executive Leadership Team
Chair	Chief Executive
Frequency	Monthly There were 12 meetings of ELT during 2021-22.
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"> • Operations Committee: To take decisions on implementing policy proposals and on the optimisation of business processes to deliver legal aid efficiently and effectively – including the interface with providers. It will review and challenge performance not limited to external KPIs and oversee the management of operational risks. An effectiveness review was completed and appropriate actions to ensure and improve effectiveness were undertaken.

Name of committee	Executive Leadership Team
Skill set	<ul style="list-style-type: none"> • Finance and Risk Committee: In 2021-22, the Finance and Risk Committee have continued to support the Executive Leadership Team and Audit and Risk Assurance Committee, particularly through scrutinising risk management and corporate assurance matters. This scrutiny has primarily been through a rolling programme by our Risk Working Group of reviews of departmental risk management; review of corporate assurance activity and progress on audit recommendations; and deep dives on topics such as provider risk management, the organisational budgeting cycle, cyber risk assessment of LAA systems, and of the approach to ensuring proactive error risk assessment within the organisation's transformation programme. The Committee continue to work to improve the effectiveness of the meeting through annual effectiveness reviews.

Name of committee	Executive Leadership Team
Skill set	<ul style="list-style-type: none"> • People Committee: 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. A core focus for the People Committee is the due regard the LAA gives to the objectives as set out in the Public Sector Equality Duty.

Name of committee	Executive Leadership Team
Skill set	<ul style="list-style-type: none"> • Joint Prioritisation Board: 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 December 2021 and introduced new ways of working between LAA Digital, Transformation and Operational teams to improve collaboration and prioritisation, with transition to the new governance arrangements complete. On the back of these improvements, we reviewed the Terms of Reference for the Strategic Alignment Group, in January 22, which is where the LAA Chief Executive and Director for MoJ Digital and Technology confirm 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.

Name of committee	Executive Leadership Team
Key activities this year	<ul style="list-style-type: none"> • Operations Committee: The committee continued its work on how best to implement policies, operate digital changes and improve business processes to deliver legal aid efficiently. This included a keen focus on the effect of any changes on legal-aid providers. Operations Committee reviewed and challenged performance, holding business areas to account to deliver improvements. • Finance and Risk Committee: This year the Committee has continued its emphasis on improving risk insight and challenge through the risk working group and continued to proactively review and advise operational teams on further strengthening risk management and escalation.

Name of committee	Executive Leadership Team
Key activities this year	<ul style="list-style-type: none"> • People Committee: In 2021 the LAA the people survey results most of the theme scoring remained consistent with 2020 scores, including my work, L&D, resources and workload and my team. Although the LAA engagement index dropped by 1% to 71%, the LAA remains the highest scoring department in MoJ. We saw a small decrease in the number of people who answered “prefer not to say” in response to the bullying, harassment and discrimination theme. The score in this area remains a concern with work ongoing to address the issue Scores increased in relation to pay & benefits and Inclusion and fair treatment themes. And the LAA performed highest across MoJ in eight out of ten headline results. Despite the challenging year faced, this is an extremely positive result.

Name of committee	Executive Leadership Team
Key activities this year	<ul style="list-style-type: none"> • Joint Prioritisation Board: A particular achievement for 2021-22 was the review by JPB of technical risks resulting in reprioritisation of key resources and an improved approach to risk management across LAA and LAA Digital.

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 of the annual assurance declarations by 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 2021-22 ten audits were rated as moderate or substantial, and only one was found to be limited. Of the actions recorded none were high priority. Overall, this is an improvement compared to the previous year.

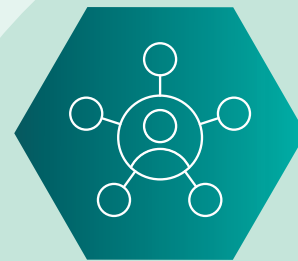
Based on the work completed throughout the course of the year; his knowledge of the LAA and attendance at the ARAC, the Head of Internal Audit has provided a 'moderate' opinion on the Agency's framework of governance, risk management and control. Management action continues to be monitored by LAA Corporate Assurance and reported on to the ARAC.

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.



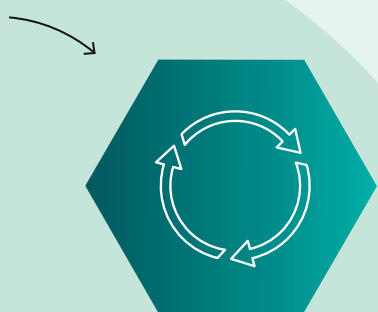
Continuous Improvement

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 2021-22

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. Our headline corporate-level risks across the year have included: LAA finances, including Fund forecast volatility linked to pandemic recovery; the sustainability of the legal aid market; GDPR governance and compliance; operations; 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.

Our strategic objectives:

SO1	Delivering access to justice through legal aid services that meet the needs of our users
SO2	Modernise our services, delivering value for money for taxpayers
SO3	Become a truly diverse and inclusive employer of choice

Topic	Description	Key mitigating actions, activities and headlines
LAA Fund budget and forecasting SO1, SO2	<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 with regards to financial risk for 2021-22 has been on our ability to understand the position with regards to the ongoing recovery from the COVID-19 pandemic across each of the various jurisdictions covered by the Legal Aid schemes, to a sufficient level to produce effective forecasts. Our standing headline risk on fund budget management continues to be framed primarily in the context of court capacities, levels of demand, and provider billing behaviour. The level of risk specifically associated with COVID-19 recovery has been downgraded this year, reflecting an emergent position of increased stability, however uncertainties remain particularly in relation to the composition of work and rate of recovery in the Crown Court, and to provider billing behaviour in the civil and family courts.</p>

Topic	Description	Key mitigating actions, activities and headlines
		<p>Finance teams continue to consider this position in conjunction with HMCTS and Criminal Justice Analytical Services, in addition to ongoing monitoring of spend throughout the year, and monthly review and consideration of the forecast position.</p>

Topic	Description	Key mitigating actions, activities and headlines
Market sustainability SO1	Gaps in the provision of legal aid due to insufficient provider volumes.	<p>The stability of our 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 has been a priority over the last year and will continue to be so into 2022-23.</p> <p>We keep market capacity under constant review and act where gaps arise. As a result of our regular capacity reviews, we have run several additional tender exercises during the course of the year to ensure sufficient provision.</p>

Topic	Description	Key mitigating actions, activities and headlines
		<p>In relation to COVID-19 impacts, we have continued to work with our legal providers to maintain, where required, a number on 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 remained available throughout 2021-22.</p>

Topic	Description	Key mitigating actions, activities and headlines
Recruitment and Retention SO1, SO3	We are unable to recruit, train, and retain sufficient levels of staff to meet an increasing demand to our services.	Identified as a Corporate Level risk in October 21 through our Risk Working Group, the LAA has experienced recruitment and retention issues during 21-22 which are predicted to continue as we move into 22-23 due to additional resourcing required for the Means Test Review, demand led policies including court recovery and potential changes in civil taxed bill assessment. The centralisation of recruitment was announced during October 21, by January an action plan had been produced to address our process issues from attracting candidates to onboarding. Key activities achieved include:

Topic	Description	Key mitigating actions, activities and headlines
		<ul style="list-style-type: none"> – Introduction of rolling recruitment for Case Management to enable better management of resource levels; – Agreement to advertise roles as permanent, wherever possible, to avoid further recruitment to change a temporary role; – Changes to Business case process to allow backfilling a position if the successful candidate is within the same cost centre; – Diversity questions added to all leadership campaigns. <p>We shall continue our recruitment and retention review into 22-23.</p>

Topic	Description	Key mitigating actions, activities and headlines
Implementation of GDPR SO1	Delays to the implementation of GDPR remediation requirements and gaps in governance impact reputation and compliance.	Governance has been our focus this year, we have: <ul style="list-style-type: none"> – Improved on and delivered annual training to our Information Asset Owners; – Delivered training in collaboration with the MoJ Privacy Team to LAA Digital colleagues on GDPR governance requirements; – Implemented better governance of data protection and information assurance issues in our committee processes and decision making; – Continued close working with transformation, digital and project teams to ensure awareness of GDPR issues are considered at early stages in projects and programmes.

Topic	Description	Key mitigating actions, activities and headlines
		<p>We have faced a challenging year with regards to Digital resourcing, with systems maintenance taking priority. As we move into 22-23, we will focus on applying resources to specifically drive forward work on GDPR non-compliance.</p> <p>Our Information, Risk and Security Working Group continues to actively monitor progress and ongoing risk in this area.</p>

Topic	Description	Key mitigating actions, activities and headlines
IT services and digital delivery SO1, SO2	<p>Reliance on outdated and unreliable legacy systems may affect our services and financial reporting, damaging our reputation.</p> <p>Ability to deliver services to end users is reduced through systemic failure of CWA and CCMS.</p>	<p>We refocused our Digital risks during 21-22 to better understand the challenges we are facing as an organisation, details of which can be seen in the description column.</p> <p>Several activities have taken place to mitigate these risks, including:</p> <ul style="list-style-type: none"> – Disaster Recovery and back up process were put in place and will continue to be tested and iterated on a regular basis during 22-23 to enable to adapt where technical changes occur – Defining, through user research, where new technology can make accessing Legal Aid simpler, such as sharing data between LAA, HMRC & DWP – Migration from physical to cloud hosting continued throughout 21-22, which has been helping to navigate technical changes in a more time-efficient way

Topic	Description	Key mitigating actions, activities and headlines
	<p>Resourcing levels, compounded with the need to address unforeseen challenges as a priority, can affect delivery of Operational services and Transformation projects.</p>	<ul style="list-style-type: none"> – Further progress moving work for Civil applications into Apply – Technology upgrades, enabling our technical foundations to be in the most beneficial position whilst reducing systemic bugs – Implemented additional enhanced security measurements in the fight against growing likelihood of cyber-attacks. Including findings from IT health checks within LAA systems that are critical for access to justice – The reduction of technical debt has been outlined by creating new discoveries to reduce duplication in the process and move to more modernised technology for the next three years.

Topic	Description	Key mitigating actions, activities and headlines
Facilities management SO3	Ineffective facilities management provision, compromising compliance standards in buildings we occupy, a risk to health and safety of business users.	Facilities management provision has continued to have corporate-level oversight over the last year. Facilities management provision has continued to have corporate-level oversight over the last year. We have seen increased risks in some offices in terms of overall compliance, for example water hygiene management, due to low usage during COVID-19 and we have ensured greater scrutiny in this area. There are still persistent failures in the delivery of some key services within the current FM contract provision in the North and the MoJ FM team have transitioned some outstanding jobs to the southern contractor. We continue to work closely with the MoJ Facilities Management Team to highlight key risks, gaps in SLA performance and to also emphasise key improvements required in preparation for the next contract review.

Topic	Description	Key mitigating actions, activities and headlines
Error rate SO2	The complexity of legal aid means there is an inherent risk of error because of incorrect eligibility assessments or inaccurate payments.	<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>Headline figures for the year, alongside more detail on individual contingencies, are reported separately below this table.</p>

Risk Horizon

As we look to 2022-23 the LAA has identified a number of risks to consider. These include; cost of living, risk of error, staff pay and benefits, provider recruitment, data protection act changes and planned provider disruptive action. During Q4 of 2021-22 in particular, the LAA worked with HMCTS and MoJ policy to prepare for planned action which is due to commence in early 2022-23. As we move into the new financial year we will continue to actively monitor and report on impacts internally through the LAA Risk Working Group and at MoJ level through the Cross-Agency Operational Contingency Group. The Public Defender Service will be deployed to mitigate impact on serious cases.

Error rate

A focus on maintaining payment accuracy has resulted in our gross error rate reducing to 1.04% in 2021-22 compared to 1.11% in 2020-21. Addressing overpayments has helped reduce the most likely level of error to a net position of £13.7m (0.77%) of expenditure compared to £13.3m (0.89%) of expenditure in 2020-21. Based on the statistical sampling techniques used, we have 95% confidence that the actual level of net error in 2021-22 is between 0.47% and 1.06% 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 2021-22 our estimated underpayment was 0.02% of the total legal aid expenditure (compared to 0.05% in 2020-21).

Specific issues to highlight this year



Net error rate category

Crime Lower Claims

This has reduced following a focus on improvements to guidance and training. 0.81% during 2020-21.

0.43%

Civil Representation claims

This has reduced following the continued emphasis on quality improvements. 0.60% during 2020-21.

0.35%

Legal Help claims

2021-22 saw an increase in our Legal Help net error rate, with higher rates of error found on Controlled Work Escape Cases and Immigration cases. Escape Cases are complex or lengthy Legal Help cases paid at hourly rates. To address this, we have enhanced our assessment processes, training and guidance, and continue to work with providers to identify improvements through contract management activity. This will continue to be a focus area into 2022-23. The comparable error was 3.08%⁰¹ during 2020-21.

3.33%

⁰¹ This differs from the figure reported in the LAA ARA 20-21 due to a movement in the financial accounts.

Fraud, Bribery and Corruption

Counter Fraud updates are a regular item at ARAC meetings. We raise awareness of fraud, bribery and corruption for LAA employees through presentations, workshops, intranet articles and advice. The Counter Fraud & Investigations team run a programme of counter fraud presentations across the operational delivery business areas. We also 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 other wider stakeholders to gather intelligence and share data to prevent, detect, investigate and prosecute fraud. We collaborate with law enforcement agencies and the crown prosecution service, following the national file standard and best 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 **2021-22** resulted in the recovery or preservation of

£167,177
of public funds

compared to
£774,245
in 2020-21

In 2021-22

the LAA continued to apply its risk based approach to preventing, detecting 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 Providers 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.

At 1 April 2021 there were no open investigations.

We received no reports in 2021-22.

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 MoJ and the ARAC challenges our performance on incident management providing direction and oversight.

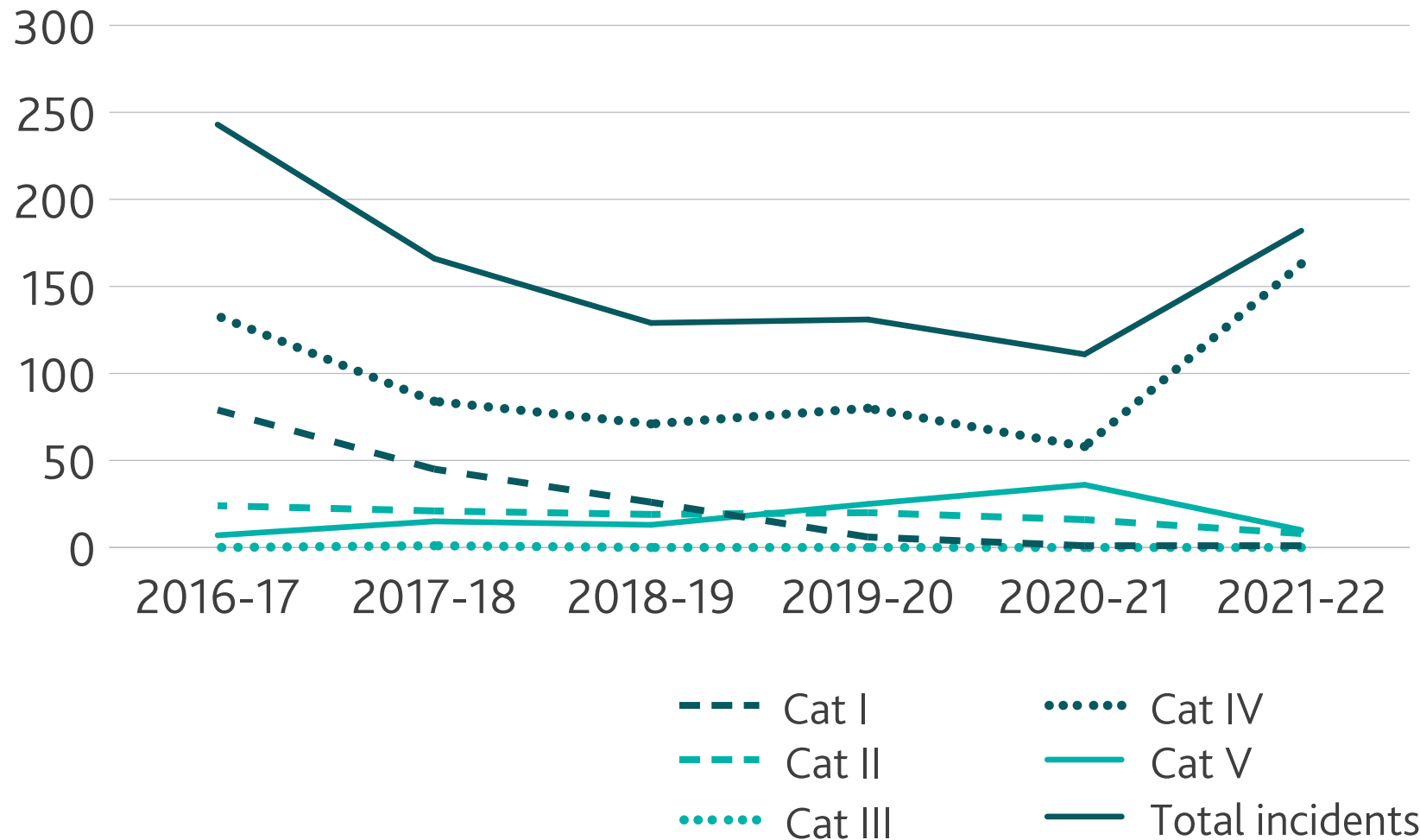
In 2021-22, there were 182 personal data-related incidents reported. This represents an increase of 71 (64%) on the previous year. The LAA consistently reports low numbers of incidents considering the large volume of transactions that the LAA processes. This reflects the significant improvements in information security that the LAA has made over the last 5 years.

There have been 0 incidents that have required reporting to the Information Commissioner's Office.

Table 1. Data Incident Numbers by Category between years 21-22, 20-21 and 19-20

Category	Nature of incident	2021-22	2020-21	2019-20
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1	1	6
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	8	16	20
III	Insecure disposal of inadequately protected electronic equipment, devices or paper	0	0	0
IV	Unauthorised disclosure	163	58	80
V	Other (policy non-compliance)	10	36	25
Total		182	111	131

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



Unauthorised disclosure incidents have increased this year, though volumes remain very low when compared to the volume of data and files that the LAA processes. Information assurance staff continue to work closely with teams identifying and reporting incidents to understand underlying causes and take appropriate action.

Conclusion

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

Signed for and on behalf of the Legal Aid Agency

A handwritten signature in black ink, reading "Jane Harbottle". The signature is written in a cursive style with a large, looping initial 'J'.

Jane Harbottle

Chief Executive and Accounting Officer

Legal Aid Agency

06 July 2022

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 2021-22 relate to the performance in 2020-21 and the bonuses reported in 2020-21 relate to the performance in 2019-20.

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 2021) and the value of the individual's benefits at the end of the pension input period (31 March 2022); 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 2021-22 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 was 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 G and H on pages 164-165.

Table A: Senior employees in post at 31 March 2022 – Employment costs
(subject to audit)

	2021-22				
Executive Board Members	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Jane Harbottle ⁰² Chief Executive	100-105	5.6	0-5	78	190-195
	2020-21				
	90-95	–	–	58	150-165

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

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Lorna Maden ⁰³ Director of Finance	110-115	–	0-5	0	110-115
	2020-21				
	110-115	–	0-5	35	145-150

03 Lorna Maden is remunerated by the MoJ Core Department and is not directly employed by the LAA.

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Hannah Payne Deputy Director, Head of Contract Management and Assurance (Returned from Maternity leave 11 October 21)	25-30 (FTE 75-80)	–	–	12	40-45
	2020-21				
	60-65 (FTE 75-80)	–	–	24	80-85

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
David Thomas Deputy Director, Head of Contract Management and Assurance	75-80	0.2	0-5	22	95-100
	2020-21				
	75-80	–	–	33	105-110

	2021-22				
Executive Board Members	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Samantha Milton ⁰⁴ Deputy Director, High Cost Civil & Exceptional Cases from 01.04.21	75-80	–	–	20	95-100
	2020-21				
	55-60 (FTE 75-80)	–	5-10	37	100-105

04 Samantha Milton's Pension related benefits in 2020-21 have been revised due to a retrospective salary update.

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Alistair Adan ⁰⁵ Interim Deputy Director, Head of Civil and Crime Case Management	75-80	0.2	0-5	24	100-105
	2020-21				
– to 05.10.21 appointed 06.10.21	70-75	0.1	–	28	95-100

⁰⁵ Alistair Adan has a dual workplace agreement; the costs illustrate the benefit in kind for all travel to and from dual workplace locations.

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Michael Jennings⁰⁶ Principal Legal Advisor to the LAA	90-95	–	0-5	18	100-115
	2020-21				
	85-90	–	0-5	41	130-135

06 Michael Jennings is remunerated through the Government Legal Department.

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Lucy Jones Deputy Director, Head of Corporate Centre	75-80	–	5-10	23	105-110
	2020-21				
	70-75	–	–	39	110-115

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Joanna Fiddian ⁰⁷ Deputy Director, Head of Transformation (job share)	50-55 (FTE 78-80)	–	–	21	70-75
	2020-21				
	40-45 (FTE 75-80)	–	5-10	16	65-70

⁰⁷ Joanna Fiddian's Pension related benefits in 2020-21 have been revised due to a retrospective salary update.

Executive Board Members	2021-22				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Pension related benefits (to nearest £1000)	Total (to nearest £1000)
	£000	£000	£000	£000	£000
Hamza Yusuf Interim Deputy Director, Head of Corporate Centre – to 30.04.20	–	–	–	–	–
	2020-21				
	5-10 (FTE 75-80)	–	–	3	5-10

Fair Pay Disclosure (subject to audit)

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.

Table B: Annual Percentage change from the previous year in total salary and bonus of highest paid director and employees

	2021-22			2020-21		
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonus Payments
	%	%	%	%	%	%
Employees⁰⁸	5.6	0	(17.2)	1.4	0	(2.6)
Lorna Maden⁰⁹	0	0	0	0	0	0

08 Employees total salary and fees and bonuses is the total for all the employees of the LAA.

09 Percentage changes have been calculated based on the 2021-22 Employment Costs in Table A on pages 139-148 for Executive Directors.

Table C: Ratio between highest paid directors' total remuneration and employees in the lower quartile, median and upper quartile

Financial Year	Lower Quartile	Median	Upper Quartile
2021-22¹⁰	5.4:1	4.5:1	3.3:1
2020-21	5.6:1	5.0:1	3.5:1

10 The pay ratios above are calculated using total remuneration costs for the Executive Directors and employees. The total salary and fees of the Executive Directors are detailed on pages 139-148 of this Report.

Table D: Lower quartile, median and upper quartile for staff pay for total amount of salary and fees

	2022	2021	2022	2021	2022	2021
Salary	Lower Quartile		Median		Upper Quartile	
	£0	£0	£0	£0	£0	£0
Salary component	20,965	19,926	25,118	22,567	33,229	31,852
Total amount of Salary and fees	20,965	20,015	25,118	22,715	34,262	31,961

The banded remuneration for the highest paid Executive Board Member in the LAA in the financial year 2021-22 was £110-115k (2020-21: 110k-115k). This was 4.5 times (2020-21: 5.0) the median remuneration of the workforce, which was £25,118 (2020-21: £22,715).

In 2021-22, four staff or contractors (2020-21: 1) received banded remuneration in excess of the highest paid Executive Board Member.

Staff remuneration ranged from £15k-£20k to £140k-£145k (2020-21: £15-20k to £140k-145k).

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.

In 2020-21, following approval from Cabinet Office and HM Treasury, a three year pay deal was implemented for MoJ including LAA employees. The three year pay deal runs from 1 August 2020 until 31 July 2023, years one and two were implemented in September and October 2021 respectively (and backdated); year three is due to be implemented in August 2022.

The implementation of the pay award in 2021 increased staff remuneration against the highest paid director and reduced the ratio against all quartiles.

The LAA believes that the median pay ratio is consistent with the Agency's pay, reward and retention policies. The base salaries of all employees, including the Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role.

**Table E: Executive Board Members –
Employment contracts**

Executive Board Members	Contract start date	Term served (years)	Notice period (months)
Jane Harbottle	1 April 2016	6	3
Lorna Maden	12 November 2018	3	3
Hannah Payne	1 July 2018	3	3
David Thomas	16 January 2017	5	3
Samantha Milton	20 March 2017	5	3
Alistair Adan	23 July 2019	2	3
Lucy Jones	10 June 2019	2	3
Joanna Fiddian	1 June 2020	1	3

Michael Jennings is employed by the Government Legal Department.

Civil service pension benefits

Civil Service Pensions

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

Table F: Executive Board Members – Pension costs for the year ended 31 March 2022 (subject to audit)

	Total accrued pension and related lump sum at pension age as at 31 March 2022	Real movement in pension and related lump sum at pension age	CETV ¹¹ at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£000	£000	£000	£000	£000
Jane Harbottle	35-40	2.5-5	566	484	52
Lorna Maden	Pension 35-40 Lump sum 110-115	Pension 0-2.5 Lump sum 5-7.5	896	882	-2
Hannah Payne	10-15	0-2.5	103	94	4

11 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 2022	Real movement in pension and related lump sum at pension age	CETV ¹¹ at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£000	£000	£000	£000	£000
David Thomas	20-25	0-2.5	271	249	6
Samantha Milton	30-35	0-2.5	487	451 ¹²	7
Alistair Adan	10-15	0-2.5	233	196	25
Lucy Jones	Pension 20-25 Lump sum 35-40	Pension 0-2.5 Lump sum 0-2.5	290	266	6

12 Samantha Milton's prior year CETV has been revised due to retrospective salary update.

	Total accrued pension and related lump sum at pension age as at 31 March 2022	Real movement in pension and related lump sum at pension age	CETV ¹¹ at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£000	£000	£000	£000	£000
Michael Jennings	Pension 35-40 Lump sum 70-75	Pension 0-2.5 Lump sum 0-2.5	665	623	5
Joanna Fiddian	5-10	0-2.5	93	79	8

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 2021-22. They will hold office until the end of the period for which they were appointed.

Employment costs – NEBMs

Table G: NEBMs in post at 31 March 2022 – Employment costs (subject to audit)

Non-Executive Board Member	2021-22		2020-21	
	Total amount of fees	All taxable benefits	Total amount of fees	All taxable benefits
	£000	£000	£000	£000
Calum Mercer¹³ ARAC Chair	10.4	–	10.4	–
Deep Sagar	8.0	–	8.1	–
Suzanne Rab	8.0	–	8.0	–

13 The remuneration includes £2,400 (2020-21: £2,400) as Chair of the LAA Audit, Risk and Assurance (ARAC) Committee.

Employment contracts – NEBMs

Table H: NEBMs – Employment contracts

Non-Executive Board Member	Contract start date	Term served (years)
Calum Mercer	1 January 2019	3
Deep Sagar	1 December 2018	3
Suzanne Rab	1 April 2019	3

NEBMs' contracts were extended during the financial year, up to a period of 3 years.

Staff report

Staff Costs

Table I: Staff Costs for the year ended 31 March 2022 (subject to audit)

	2021-22			2020-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	35,330	181	35,511	33,939	1,625	34,564
Social security costs	3,615	–	3,615	3,307	–	3,307
Other pension costs	8,890	–	8,890	8,476	1	8,477
	47,835	181	48,016	45,722	1,626	47,348

	2021-22			2020-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Less recoveries in respect of outward secondments	–	–	–	–	–	–
Redundancy and early departure ¹⁴	–	–	–	36	–	36
	47,835	181	48,016	45,758	1,626	47,384

¹⁴ Redundancy disclosed in the table above relate to nil (2020-21: one) full time equivalent staff.

	2021-22			2020-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Non-Executive Board Members (fees and benefits)	26	–	26	29	–	29
Total	47,861	181	48,042	45,787	1,626	47,413

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

For 2021-22, employers' contributions of £8,766k were payable to the PCSPS (2020-21: £8,356k) at one of four rates in the range 26.6% to 30.3% (2020-21: 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 £120k (2020-21: £121k) were paid to one or more of a panel of appointed stakeholder pension providers.

No people (2020-21: two) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to nil (2020-21: £5k).

Staff numbers

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

	2021-22			2020-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	1,112	–	1,112	1,119	–	1,119
Other	–	4	4	–	18	18
Total	1,112	4	1,116	1,119	18	1,137

Table K: Staff Composition (subject to audit)

	Male	Female
Staff composition	477	707

Staff composition*



707 Female 477 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.

As a public body 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 2021-22 Civil Service People Survey, 88% of those who took part (85% 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 sixth 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 and LAA Staff Networks. These 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 2021-22 included:

- Creating a new format for our D&I (belonging) objectives guidance, including a specific objective for Race equity
- Delivering a workshop package for managers and teams to promote inclusive culture, tackling unacceptable behaviour and psychological safety behaviour
- LAA staff networks have delivered a number of inspirational and educational events for colleagues across the LAA covering gender, race and disability equity
- Successfully achieved Disability Confident Leader re-accreditation
- Self-assessment against internal standards of inclusion regarding LGBT+
- Collaborating with MoJ wide departments on faith, belief and non-belief
- Created a Disability Action Group and action plan

- Continual monitoring and reviewing actions against our Race Action Plan
- Creation of a new Recruitment and Selection programme and training to ensure inclusion for all
- Launched LAA Talent Strategy
- Embedded a mentoring programme specifically for our diverse ethnic minority staff
- Ensuring our staff have access to hybrid and flexible working

The People and Capability team have identified further actions that have been included in the LAA 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 2021-22, the LAA was successful in our 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

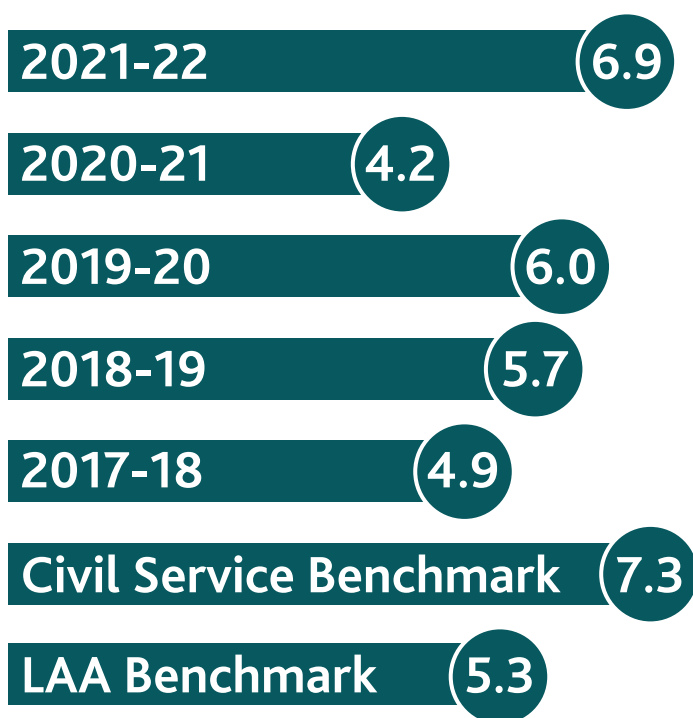
have facilitated additional training for our people, in managing disabled staff, and mental health and wellbeing within the LAA. All actions are included within our People Strategy.

Our 'disABILITY' staff network has delivered:

- Staff discussion forums regarding mental health and wellbeing, disability confidence, neurodiversity
- Inspiring personal storytelling on our intranet
- Promotion of national and international awareness events
- Collaboration on projects and training supporting the LAA, MoJ and Civil Service disability confidence e.g. neurodiversity, recruitment, selection and retention, line management and occupational health referrals

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'.

	2021-22		2020-21	
	Turn-over	Departmental turnover	Turn-over	Departmental turnover
LAA	4.7%	8.8%	3.2%	5.6%

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

	2021-22		2020-21	
	Number of other departures	Total number of exit packages	Number of other departures	Total number of exit packages
Exit package cost band				
< £10,000	–	–	–	–
£10,000 - £25,000	–	–	–	–
£25,001-£50,000	–	–	1	1
£50,001-£100,000	–	–	–	–
Total number of exit packages by type	–	–	1	1
Total resource cost (£000)	–	–	36	36

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 2021-22 was £3.6k (2020-21: £0k).

Off-payroll engagements

During the financial year 2021-22, the LAA has reviewed off-payroll engagements where we are required to consider intermediaries, (IR35), legislation using HMRC 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.

An MoJ-wide review of contracted-out service contracts was carried out during 2021-22, and a small number of these were identified as including elements

of resource. Contracted out service arrangements operating with resource elements may lead to a liability for employment taxes and VAT where this has been recovered in error. No LAA contracts including elements of resource were identified as a result of this review.

Parliamentary accountability disclosures

This section has been subject to audit.

Losses and special payments

	2021-22		2020-21	
	Volume	£000	Volume	£000
Write-offs	4,292	7,601	2,039	4,410
Special payments	46	26	109	74
Fruitless payments	-	-	1	1,251
Total value of losses	4,338	7,627	2,149	6,735

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

There was no supplier balance written off over £300k (2020-21: no supplier balance written off).

Potential loss

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

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

Remote contingent liabilities

As required by Managing Public Money, in addition to contingent liabilities disclosed in accordance with IAS 37 in Note 17 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 2022 there were no such remote contingent liabilities (31 March 2021: none).

Regularity of expenditure (subject to audit)

We are a custodian of taxpayer 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 2021-22 are available on pages 121-124.

Signed for and on behalf of the Legal Aid Agency



Jane Harbottle

Chief Executive and Accounting Officer
Legal Aid Agency
06 July 2022

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

Opinion on financial statements

I certify that I have audited the financial statements of the Legal Aid Agency for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Legal Aid Agency's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Legal Aid Agency's affairs as at 31 March 2022 and its net operating costs for the year then ended; and

- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (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 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 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 financial statements nor my auditor's certificate thereafter.

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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000:

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

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 Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Legal Aid Agency 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the 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 Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial

reporting framework and for being satisfied that they give a true and fair view;

- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- 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 Chief Executive as 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of

the Legal Aid Agency's accounting policies, key performance indicators and performance incentives.

- inquiring of management, Legal Aid Agency'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 Legal Aid Agency's compliance with 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 and external 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 a result of these procedures, I considered the opportunities and incentives that may exist within the Legal Aid Agency for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals and potential bias in accounting estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Legal Aid Agency's framework of authority as well as other legal and regulatory frameworks in which the Legal Aid Agency operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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 Government Resources and Accounts Act 2000, Managing Public Money, 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, and employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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 including internal specialists 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. This description forms part of my certificate.

Other auditor's responsibilities

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

12 July 2022

Comptroller and Auditor General

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 2022

Legal Aid Agency Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

		2021-22	2020-21
	Note	£000	£000
Statutory charge interest		(4,713)	(4,531)
Income under the legal aid schemes	6	(29,205)	(21,122)
Other income		(60)	–
Total operating income		(33,978)	(25,653)
Staff costs	3	48,042	47,413
Expenditure under the legal aid schemes	4	1,823,096	1,574,040
Depreciation and impairment costs	4, 7-9	9,145	10,178
Other operating expenditure	5	33,301	32,737
Total operating costs		1,913,584	1,664,368
Net operating costs for the year		1,879,606	1,638,715

		2021-22	2020-21
	Note	£000	£000
Other comprehensive expenditure			
Net (gain)/loss on revaluation of intangibles	7	360	(1,071)
Net (gain) on revaluation of property, plant and equipment	8	(13)	(1)
Total comprehensive net expenditure		1,879,953	1,637,643

All income and expenditure are derived from continuing operations.

The notes on pages 212-316 form part of these financial statements.

Legal Aid Agency Statement of Financial Position at 31 March 2022

		31 March 2022	31 March 2021
	Note	£000	£000
Non-current assets			
Intangible assets	7	26,600	35,212
Property, plant and equipment	8	1,075	754
Right-of-use assets	9	5,208	–
Trade and other receivables	11	123,553	112,835
Total non-current assets		156,436	148,801
Current assets			
Trade and other receivables	11	57,720	55,058
Cash and cash equivalents	12	36,903	37,395
Total current assets		94,623	92,453
Total assets		251,059	241,254

		31 March 2022	31 March 2021
	Note	£000	£000
Current liabilities			
Trade and other payables	13	(202,305)	(182,044)
Other financial liabilities	14	(1,219)	–
Provisions for liabilities and charges	15	(736,752)	(677,959)
Total current liabilities		(940,276)	(860,003)
Total assets less current liabilities		(689,217)	(618,749)
Non-current liabilities			
Trade and other payables	13	–	(141)
Other financial liabilities	14	(4,190)	–
Provisions for liabilities and charges	15	(971)	(1,100)
Total non-current liabilities		(5,161)	(1,241)
Assets less liabilities		(694,378)	(619,990)

	31 March 2022	31 March 2021
Note	£000	£000
Taxpayers' equity		
Revaluation reserve	2,625	3,529
General reserve	(697,003)	(623,519)
Total equity	(694,378)	(619,990)

The notes on pages 212-316 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

06 July 2022

Legal Aid Agency Statement of Cash Flows for the year ended 31 March 2022

		2021-22	2020-21
	Note	£000	£000
Cash flows from operating activities			
Net operating cost		(1,879,606)	(1,638,715)
Adjustments for notional and non-cash transactions		35,857	35,095
Intra-departmental balances settled via General Reserves		(473)	(5,903)
Loss on impairment, revaluation and loss on disposal	5	–	397
(Increase)/decrease in trade and other receivables		(13,380)	29,606
Increase/(decrease) in trade and other payables		20,120	(69,356)

		2021-22	2020-21
	Note	£000	£000
Movement in lease trade payables	9	88	–
Increase in financial liabilities	9	5,409	–
Less repayments of principal on leases	9	622	–
Less IFRS 16 lease additions	9	(3,002)	–
Less IFRS16 recognition of lease creditor	9	(3,081)	–
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(420)	383
Movement in provisions		58,664	90,580
Net cash outflow from operating activities		(1,779,202)	(1,557,913)

		2021-22	2020-21
	Note	£000	£000
Cash flows from investing activities			
Purchase of intangible assets	7	(356)	–
Purchase of property, plant and equipment	8	362	(471)
Net cash outflow from investing activities		6	(471)
Cash flows from financing activities			
Supply funding from the Ministry of Justice: revenue		1,778,912	1,560,251
Supply funding from the Ministry of Justice: capital		414	471
Repayments of principal on leases		(622)	–

		2021-22	2020-21
	Note	£000	£000
Net cash inflow from financing activities		(1,778,704)	1,560,722
Net increase/ (decrease) in cash and cash equivalents in the year		(492)	2,338
Cash and cash equivalents at the beginning of the year		37,395	35,057
Cash and cash equivalents at the end of the year	12	36,903	37,395

The notes on pages 212-316 form part of these financial statements.

Legal Aid Agency Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

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

	Note	Revaluation Reserve £000	General Reserve £000	Total £000
Balance at 1 April 2020		2,833	(571,319)	(568,486)
Net operating cost for the year		–	(1,638,715)	(1,638,715)
Supply funding from the Ministry of Justice: revenue		–	1,560,251	1,560,251
Supply funding from the Ministry of Justice: capital		–	471	471
Other comprehensive expenditure				
Net gain on revaluation	7&8	1,072	–	1,072

	Note	Revaluation Reserve £000	General Reserve £000	Total £000
Non-cash adjustments				
Intra-departmental adjustment		–	117	117
Notional recharge from the Ministry of Justice	5	–	25,090	25,090
Notional external audit fee	5	–	210	210
Movement in reserves				
Transfers from revaluation reserve		(376)	376	–
Balance at 31 March 2021		3,529	(623,519)	(619,990)

	Note	Revaluation Reserve £000	General Reserve £000	Total £000
Net operating cost for the year		–	(1,879,606)	(1,879,606)
Supply funding from the Ministry of Justice: revenue		–	1,778,912	1,778,912
Supply funding from the Ministry of Justice: capital		–	414	414
Other comprehensive expenditure				
Net gain on revaluation	7-9	(347)	–	(347)
Non-cash adjustments				
Intra-departmental adjustment		–	(473)	(473)

		Revaluation Reserve	General Reserve	Total
	Note	£000	£000	£000
Notional recharge from the Ministry of Justice	5	–	26,462	26,462
Notional external audit fee	5	–	250	250
Movement in reserves				
Transfers from revaluation reserve		(557)	557	–
Balance at 31 March 2022		2,625	(697,003)	(694,378)

The notes on pages 212-316 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2022

Note 1 – Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2021-22, 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 11) and provisions for liabilities and charges (note 15).

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) Changes in accounting policy and disclosures

New and amended standards adopted

IFRS 16 Leases is due to be adopted across Government bodies reporting under the FReM from 1 April 2022. However, HM Treasury has permitted the MoJ Group to early adopt the standard from 1 April 2021, in these accounts. IFRS 16 introduces a single lease accounting model that requires a lessee to recognise assets and liabilities for all leases, with some exceptions noted below. IFRS 16 has replaced the previous standard, IAS 17 Leases. Further details are disclosed at Notes 1s and 9.

Other than IFRS 16 Leases, there have been no new or amended standards adopted in the financial year beginning 1 April 2021.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2021 and not early adopted

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. The EU adopted the standard in November 2021, but the

Financial Reporting Advisory Board has agreed to delay the mandatory adoption of the standard until 2025-26 and should be included in the 2025-26 FReM at the earliest. Early adoption of IFRS 17 may be permitted on a case-by-case basis as agreed with Treasury. To assess the impact of the standard, the LAA will review 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 15, 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) 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 10. The practical application of IFRS 13 with reference to the LAA's assets is explained in note 11, including detail regarding key assumptions which support the most significant fair value estimates set out in note 10.

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 10) 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.

h) 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 apply the simplified model and recognise lifetime expected credit losses.

Further detail on the valuation model used to generate this estimate and the actual impairments against the LAA's receivables is included in note 11, to these financial statements.

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

i) 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.

j) 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 judgment and costs have been determined, if the applicant is found guilty, the value of the funds up to the cost limit are due to the LAA. If the applicant is found not guilty, contributions paid to the LAA are refunded including interest calculated at 2% per annum from the date of payment.

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

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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

s) Leases

Scope and exclusions – LAA as lessee

In accordance with IFRS 16 Leases, contracts, or parts of contracts, that convey the right to control the use of an asset for a period of time are accounted for as leases.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, incorporating both the right to obtain substantially all the economic benefits from the asset and to direct its use. If so, the relevant part of the contract is treated as a lease.

As adapted by the FReM, IFRS 16 has been applied to leases with nil or nominal (that is, significantly below market value) consideration and arrangements for accommodation between government departments.

When making the above assessments, the LAA excludes two types of leases. Firstly, those relating to low value items, which it considers as those where the underlying asset would have a cost of less than £10,000 when new, provided those items are not highly dependent on or integrated with other items. Secondly, contracts whose term (comprising 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) is less than twelve months.

Initial recognition – LAA as lessee

At the commencement of a lease (or on the date of transition to IFRS 16, if later), the LAA recognises a right-of-use asset and a lease liability.

The lease liability is 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 LAA's incremental rate of borrowing. This rate is advised annually by HM Treasury (0.91 for leases recognised in 2021, 0.95 for those in 2022). 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.

In the event that a lease contract has expired but the Group remains in operations pending negotiations for a renewed term, the lease term has been measured as the estimated time until the new contract will be agreed.

The measurement of lease payments excludes any VAT payable, and irrecoverable VAT is expensed at the point it falls due in line with IFRIC 21 Levies.

The right-of-use asset is 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. However, 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).

Subsequent measurement – LAA as lessee

The lease liability will be adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, for example where we no longer expect to exercise an extension option; modifications are changes to the lease contract. Reassessments and modifications are accounted for by discounting the revised cash flows: using a revised discount rate where the LAA becomes or ceases to be reasonably certain to exercise or not exercise an extension or termination option, or the lease is modified to amend the non-cancellable period, change the term of the lease, change the consideration or the scope; or at the existing discount rate where there is a movement in an index or rate that will alter the cash flows, or the amount payable under a residual value guarantee changes.

After initial recognition, the right-of-use asset will be measured using the fair value model. The LAA considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value, in the case of non-property leases, and for property leases of

less than five years or with regular rent reviews. For other leases, the asset will be carried at a revalued amount.

The value of the asset will be adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described above.

Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset over the life of the lease, together with any impairment of the right-of-use asset and any change in variable lease payments, that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or with a term under twelve months, are also expensed.

Finance and operating leases – LAA as lessor

Where the LAA acts as a lessor, the arrangement will be assessed to determine whether it constitutes a finance lease, being where the risks and rewards incidental to ownership of an underlying asset are substantially transferred to the lessee. For these leases, the asset is derecognised and a receivable is recognised, with accrued interest being treated as income over its life.

All other leases are treated as operating leases and rental income is recognised on a straight-line basis.

Transitional arrangements

The LAA has applied a number of options and practical expedients on initial adoption of IFRS 16, most of which were mandated by the FReM.

IFRS 16 has been adopted retrospectively using the 'cumulative catch-up' approach, without restatement of comparative balances. Consequently, the financial statements for 2020-21 were prepared in accordance with the previous standard, IAS 17 Leases.

There has been no reassessment of existing contracts that the LAA had previously assessed as containing or not containing a lease. However, new contracts will be classified according to the criteria given in IFRS 16.

For leases previously treated as operating leases, the right-of-use assets have been measured at the present value of the remaining lease payments, adjusted for any prepayment or accrual balances in respect of the lease payments. The LAA has used hindsight in determining the remaining term of leases and no adjustment has been made for leases whose term ends within twelve months of the date of first adoption.

Where the LAA subleases a right-of-use asset, the classification of the sublease as a finance or operating lease has been reassessed. Where an arrangement

previously treated as an operating lease is found to be a finance lease, it has been treated as a new lease, commencing on the date of first adoption.

In addition, the LAA has adopted the following practical expedient: for leases that were previously onerous and provided for, the LAA has adjusted the right-of-us asset by the amount of that provision. Leased assets that are deemed surplus continue to be treated as such, with no right-of-us asset recognised.

Estimates and judgements

Where a lease is embedded in a contract for services, the amount to be recognised as the right-of-use asset and lease liability should be the stand-alone price of the lease component only. Where this is not readily observable, a determination will be made by reference for other observable data, such as the fair value of similar assets or price of contracts for similar non-lease components.

As discussed above, the LAA has determined the lease term by assessing the level of certainty as to whether termination or extension options will be exercised.

In making these judgements, reliance has been placed on the professional judgement of estates staff, supported by information on corporate asset management plans, other business strategies, investment already made

in the underlying asset, ongoing business needs and market conditions.

The LAA has determined that the cost model is a reasonable proxy for fair value in most cases, because the rents payable are aligned to open market rates. In the case of longer leases where there are not regular rent reviews, there is a greater chance of divergence between cost and fair value, hence a professional revaluation is appropriate.

The LAA leases various non-property assets. It has determined that, at the present time, all non-property leases which are not individually low value are immaterial. Consequently no non-property leases have been recognised in these accounts.

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 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:

- Civil Representation - legal aid in relation to representation by barristers and solicitors in civil cases that could go to court
- Legal Help - legal aid in relation to advice and support provided for a legal issue
- 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:

	2021-22	2020-21
	£000	£000
Legal Aid Fund		
Civil Representation	799,813	747,153
Legal Help	101,116	90,327
Crime Lower	245,276	229,691
Crime Higher	598,606	453,922
Central Funds	50,542	33,494
Administration	84,253	84,128
Net operating costs for the year	1,879,606	1,638,715

Note 3 – Staff Costs

	2021-22			2020-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	35,330	181	35,511	33,939	1,625	35,564
Social security costs	3,615	–	3,615	3,307	–	3,307
Other pension costs	8,890	–	8,890	8,476	1	8,477
	47,835	181	48,016	45,722	1,626	47,348
Redundancy and early departures*	–	–	–	36	–	36

	2021-22			2020-21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
	47,835	181	48,016	45,758	1,626	47,384
Non-Executive Board Members (fees and benefits)	26	–	26	29	–	29
Total	47,861	181	48,042	45,787	1,626	47,413

* Redundancy and early departure costs disclosed in the table above relate to nil (2020-21: 1) full time equivalent staff.

Note 4 – Expenditure under the legal aid schemes

	2021-22	2020-21
	£000	£000
Civil Representation		
Solicitors' charges, counsel fees and disbursements (provided in year – note 15)		
Bills submitted in year	798,968	755,154
Provision for work in progress movement	20,373	(443)
Refund of contributions	1,061	50
Costs of successful unassisted parties	1,142	473
Movement in fair value reduction for statutory charge secured debt	2,465	(206)
Movement in fair value reduction for statutory charge interest debt	(5,847)	650
Debt impairment and write offs	4,720	2,000
Discount of debt	(6,835)	15
	816,047	757,693

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

	2021-22	2020-21
	£000	£000
Civil Legal Help		
Solicitors' charges, counsel fees and disbursements (provided in year – note 15)		
Bills submitted in year	88,711	82,592
Provision for work in progress movement	7,198	3,136
Direct services	4,959	4,216
Debt impairment and write offs	(153)	(23)
Discount of debt	(18)	(2)
	100,697	89,919

	2021-22	2020-21
	£000	£000
Crime Lower		
Solicitors' charges, counsel fees and disbursements (provided in year – note 15)		
Bills submitted in year	244,977	220,247
Provision for work in progress movement	(5,224)	2,773
Direct services and Public Defender Service	3,628	4,896
Debt impairment and write offs	(14)	(85)
Discount of debt	(4)	(5)
	243,363	227,826
Crime Higher		
Solicitors' charges, counsel fees and disbursements (provided in year – note 15)		
Bills submitted in year	583,639	370,872
Provision for work in progress movement	29,979	83,851
Direct services and Public Defender Service	152	273

	2021-22	2020-21
	£000	£000
Debt impairment and write offs	7,443	11,568
Discount of debt	(8,766)	(1,455)
	612,447	465,109
Central Funds		
Central fund expenditure (provided in year – note 15)		
Defence cost orders awarded in Crown and magistrates' courts	31,303	22,877
Provision for work in progress movement	6,948	1,211
Interpreters and other	12,291	9,405
	50,542	33,493
Depreciation expense	84	–
Total	1,823,180	1,574,040

Note 5 – Other operating expenditure

	2021-22	2020-21
	£000	£000
Accommodation and related costs	2,423	1,484
Office, IT and service running costs	1,705	1,644
Staff and committee member related costs	30	622
Property rentals not falling within IFRS 16	1,015	1,632
Legal and professional costs	1,074	1,466
Service level agreements with HMCTS	100	96
Other administration costs	411	147
Lease interest expense	34	–
	6,792	7,091

Note 5 – Other operating expenditure (continued)

	2021-22	2020-21
	£000	£000
Non-cash costs		
Loss on disposal of assets	–	397
Movement in provision for legal costs and dilapidation	(290)	224
Notional recharge from the Ministry of Justice	26,549	25,198
Notional external audit fee	250	210
Operating lease amortisation	–	(383)
	26,509	25,646
Total	33,301	32,737

Note 6 – Income under the legal aid schemes

	2021-22	2020-21
	£000	£000
Civil Representation		
Contributions by funded clients	4,853	2,440
Recoveries from damages and statutory charge	6,846	3,724
	11,699	6,164
Criminal cases		
Crown Court recoveries	17,447	14,934
Recovery of defence costs	12	11
Public Defender Service income	47	13
	17,506	14,958
Total	29,205	21,122

Note 7 – Intangible assets

	Assets under construction	Computer software	Total
	£000	£000	£000
Cost at 1 April 2021	146	90,771	90,917
Reclassifications	–	–	–
Disposals	–	(6,007)	(6,007)
Transfers from the Ministry of Justice	–	–	–
Revaluations	–	(1,215)	(1,215)
Cost at 31 March 2022	146	83,549	83,695
Amortisation at 1 April 2021	–	55,705	55,705
Charged in year	–	8,252	8,252
Disposals	–	(6,007)	(6,007)
Amortisation disposals scrapped	–	–	–
Revaluations	–	(855)	(855)

	Assets under construction	Computer software	Total
	£000	£000	£000
Amortisation at 31 March 2022	–	57,095	57,095
Net book value at 31 March 2022	146	26,454	26,600

Additions include £776k capital accruals at 31 March 2022 (31 March 2020: £356k).

The Revaluation Reserve of £2,625k at 31 March 2022 includes £1,919k (31 March 2021: £2,836k) 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 2020	3,880	78,474	82,354
Reclassifications	(9,754)	9,956	202
Disposals	–	(413)	(413)
Transfers from the Ministry of Justice	6,020	–	6,020
Revaluations	–	2,754	2,754
Cost at 31 March 2021	146	90,771	90,917
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

	Assets under construction	Computer software	Total
	£000	£000	£000
Amortisation at 31 March 2021	–	55,705	55,705
Net book value at 31 March 2021	146	35,066	35,212

Note 8 – Property, plant and equipment

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
Cost at 1 April 2021	1	706	7,891	8,598
Reclassifications	–	–	–	–
Additions	786	(372)	–	414
Revaluations	–	(25)	(106)	(131)
Cost at 31 March 2022	787	309	7,785	8,881
Depreciation at 1 April 2021	–	(3)	7,847	7,844
Charged in year	–	62	44	106
Revaluations	–	(38)	(106)	(144)

	Assets under construction	Furniture and equipment	Information technology	Total
	£000	£000	£000	£000
Depreciation at 31 March 2022	–	21	7,785	7,806
Net book value at 31 March 2022	787	288	–	1,075

The Revaluation Reserve of £2,625k at 31 March 2022 includes £706k (31 March 2021: £693k) 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	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
Cost at 31 March 2021	1	706	7,891	8,598
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
Depreciation at 31 March 2021	–	(3)	7,847	7,844
Net book value at 31 March 2021	1	709	44	754

Note 9 – Leases

Right-of-use leased assets

	Buildings	Total
	£000	£000
Cost at 1 April 2021	–	–
Initial recognition	2,993	2,993
Additions	3,002	3,002
Disposals	–	–
Revaluation	–	–
Cost at 31 March 2022	5,995	5,995
Amortisation at 1 April 2021	–	–
Charged in year	787	787
Disposals	–	–
Revaluation	–	–
Amortisation at 31 March 2022	787	787
Net book value at 31 March 2022	5,208	5,208

Lease creditors

A maturity analysis of contractual discounted cash flows relating to lease liabilities is presented below. The cash flows and balances are presented net of irrecoverable VAT.

	31 March 2022
	£000
Not later than one year	1,260
Later than one year and not later than five years	2,782
Later than five years	1,544
	5,586
Less interest element	(177)
Present value of obligations	5,409

	31 March 2022
	£000
Current	1,219
Non-current	4,190
Present value of obligations	5,409

Amounts recognised in the Statement of comprehensive net expenditure

	31 March 2022
	£000
Depreciation	787
Interest expense	37
Low value and short-term leases	1,015
	1,839

Amounts recognised in the Statement of cash flows

	31 March 2022
	£000
Repayment of principal on leases	585
Interest expense	37
Total cash outflow for leases under IFRS 16	622

Reconciliation from IAS 17 to IFRS 16

This table reconciles the LAA's operating lease commitments as at 31 March 2021 to the lease liabilities as at 1 April 2021, immediately following adoption of IFRS 16.

Reconciling items are an adjustment for the impact of discounting and for the differing assessments of the lease term (the previous operating lease commitment reflected amounts payable during the non-cancellable lease period, while the IFRS 16 lease term reflects the LAA's assessment of the likelihood that it will exercise lease extension or cancellation options).

Opening lease liabilities are greater than opening right-of-use assets because operating lease accruals recognised under IAS 17 are de-recognised and deducted from the right-of-use asset upon implementation of IFRS 16.

Note 9 – Leases (continued)

	31 March 2022
	£000
Operating leases disclosed at 31 March 2021	4,200
Adjustments from IAS 17 to IFRS 16	
Low value, short-term leases and intra- Ministry of Justice leases	(1,102)
Impact of discounting	(77)
Non-recoverable VAT	(328)
Assessments of lease extension periods and break clauses	1,159
Other adjustments	(770)
IFRS 16 opening balance lease liabilities at 31 March 2021	3,082

Note 10 – Financial risk identification and management

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 2022, £93.7m (31 March 2021: £89.9m) of statutory charge debt was due, the principal of which carried a fixed rate of interest.

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

Money received by the LAA in relation to 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, trade and other receivables and other financial assets.

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

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 11, 'Trade and other receivables'.

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

	31 March 2022	31 March 2021
	£000	£000
Cash and cash equivalents	36,903	37,395
Trade and other receivables – current	57,720	55,058
Trade and other receivables – non-current	123,553	112,835
Trade and other payables – current	(202,305)	(182,044)
Trade and other payables – non-current	–	(141)
	15,871	23,103

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

As at 31 March 2022 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 11 – Trade and other receivables

	31 March 2022	31 March 2021
	£000	£000
Amounts recoverable within one year:		
Statutory charge	6,925	6,902
Statutory charge interest	5,569	5,147
Contributions due from funded clients	631	1,197
Costs to be recovered	292	96
Recovery of defence costs	6,894	5,901
Amounts due from service providers	30,664	33,378
Prepayments and accrued income	152	366
Intra-departmental debtors	5,261	1,130
Other receivables	1,332	941
Trade and other receivables – current	57,720	55,058

Note 11 – Trade and other receivables (continued)

	31 March 2022	31 March 2021
	£000	£000
Amounts recoverable later than one year:		
Statutory charge	44,475	47,345
Statutory charge interest	37,993	31,577
Contributions due from funded clients	4,860	4,850
Costs to be recovered	728	690
Recovery of defence costs	35,497	28,373
Trade and other receivables – non-current	123,553	112,835
Total	181,273	167,893

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 1.9% nominal and (1.1%) and (0.2%) in excess

of RPI real until February 2030 and post February 2030 respectively (2020-21: 3.7% nominal and 0.7% real).

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 2022	31 March 2021
	£000	£000
Current		
Gross debt	149,098	140,082
Provision for impairment and cumulative fair value losses	(91,378)	(85,024)
Total current receivables	57,720	55,058
Non-current		
Gross debt	278,746	276,022
Provision for impairment and cumulative fair value losses	(155,193)	(163,187)
Total non-current receivables	123,553	112,835
Total		
Gross debt	427,844	416,104
Provision for impairment and cumulative fair value losses	(246,571)	(248,211)
Total	181,273	167,893

Note 11 – Trade and other receivables (continued)

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

	Gross debt	Provision for impairment and cumulative fair value losses	31 March 2022 Total receivables	31 March 2021 Total receivables
	£000	£000	£000	£000
Fair value through the profit and loss				
Statutory charge (secured)	78,415	(28,250)	50,165	53,163
Statutory charge interest	61,639	(18,077)	43,562	36,724

	Gross debt	Provision for impairment and cumulative fair value losses	31 March 2022 Total receivables	31 March 2021 Total receivables
	£000	£000	£000	£000
Amortised cost				
Statutory charge (unsecured)	4,478	(3,243)	1,235	1,084
Contributions due from funded clients	39,041	(33,550)	5,491	6,047
Costs to be recovered	5,382	(4,362)	1,020	786
Recovery of defence costs	160,405	(118,014)	42,391	34,274
Damages	2,546	(2,546)	–	–

	Gross debt	Provision for impairment and cumulative fair value losses	31 March 2022 Total receivables	31 March 2021 Total receivables
	£000	£000	£000	£000
Amounts due from service providers	69,193	(38,529)	30,664	33,378
Prepayments and accrued income	152	–	152	366
Intra-departmental debtors	5,261	–	5,261	1,130
Other receivables	1,332	–	1,332	941
Total	427,844	(246,571)	181,273	167,893

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
Trade and other receivables at 1 April 2021	89,887	78,006	167,893
Movement in prepayments, accruals, intra- departmental receivables and other receivables	4,308	–	4,308
Repayment of gross fund debt	(40,232)	(12,135)	(52,367)
New gross fund debt	41,604	5,224	46,828
Fair value adjustment of fund debt through Statement of Comprehensive Net Expenditure	–	10,754	10,754

	Held at amortised cost	Held at fair value through profit and loss	Total
	£000	£000	£000
Increase in impairment of fund debt through Statement of Comprehensive Net Expenditure	3,857	–	3,857
Trade and other receivables at 31 March 2022	99,424	81,849	181,273

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 £246.6m (31 March 2021: £284.2m).

The majority of the LAA's trade and other receivables are the result of a statutory charge: £93.7m (31 March 2021: £89.9m) out of a total receivables balance after impairment of £181.3m (31 March 2021: £167.9m).

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 2022.

However, past payment profiles have been adjusted to account for the exceptional circumstances arising from COVID-19: 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 2022 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 1.9% nominal and (1.1%) and (0.2%) in excess of RPI real until February 2030 and post February 2030 respectively (2020-21: 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)

Note 11 – Trade and other receivables (continued)

Assumptions tested	Assumption	Increase/(decrease) in net financial asset	
		31 March 2022	31 March 2021
		£m	£m
Incomer received	Evenly through the year	1.7	1.1
Expected cash inflows based on historic repayment profiles	+10%	14.6	14.7
Expected cash inflows based on historic repayment profiles	-10%	(14.7)	(14.8)
Discount rate	+1%	(8.4)	(7.4)
Discount rate	-1%	9.4	8.2

Using these reasonably possible alternative assumptions, the fair value of the financial assets at 31 March 2022 could be higher by £25.6m (31 March 2021: £24.0m) or lower by £23.1m (31 March 2021: £22.2m).

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

Note 12 – Cash and cash equivalents

	2021-22	2020-21
	£000	£000
Balance at 1 April	37,395	35,057
Net change in cash and cash equivalent balances	(492)	2,338
Balance at 31 March	36,903	37,395

The balances were held at:	31 March 2022	31 March 2021
	£000	£000
Government Banking Service	26,792	34,277
Commercial banks	10,111	3,118
Total cash and cash equivalents	36,903	37,395

Note 13 – Trade payables and other liabilities

	31 March 2022	31 March 2021
	£000	£000
Amounts falling due within one year		
Amounts due to solicitors, counsel and advice agencies	59,638	42,023
Contribution refunds due to funded clients	1,284	755
Accruals and deferred income	125,135	123,849
Other taxation and social security costs	1,224	1,578
Intra-departmental creditors	6,357	4,083
Other payables	8,667	9,756
Trade and other payables – current	202,305	182,044
Amounts falling due after one year		
Accruals and deferred income	–	141
Trade and other payables – non-current	–	141
Total	202,305	182,185

Note 14 – Other financial liabilities

	31 March 2022	31 March 2021
	£000	£000
Lease payables - current	1,219	–
Lease payables - non-current	4,190	–
Total	5,409	–

Note 15 – 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 2021	658,621	18,515	325	1,598	679,059
Provided in year	1,768,621	38,251	110	90	1,807,072
Provisions utilised in year	(1,716,295)	(31,303)	(292)	(118)	(1,748,008)

	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
Provisions not required written back	–	–	(36)	(364)	(400)
At 31 March 2022	710,947	25,463	107	1,206	737,723

	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
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)

	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
Provisions not required written back	–	–	(252)	(108)	(360)
At 31 March 2021	658,621	18,515	325	1,598	679,059

Note 15 – Provisions for liabilities and charges (continued)

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

	Civil Representation	Legal Help	Crime Lower	Crime Higher	Total
	£000	£000	£000	£000	£000
At 1 April 2021	204,271	38,489	37,268	378,593	658,621
Provided in year	819,340	95,909	239,752	613,620	1,768,621
Provisions utilised in year	(798,968)	(88,711)	(244,977)	(583,639)	(1,716,295)
At 31 March 2022	224,643	45,687	32,043	408,574	710,947

	Civil Representation	Legal Help	Crime Lower	Crime Higher	Total
	£000	£000	£000	£000	£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)
At 31 March 2021	204,271	38,489	37,268	378,593	658,621

Note 15 – Provisions for liabilities and charges (continued)

Analysis of expected timing of discounted flows	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
Not later than one year	710,947	25,463	107	235	736,752
Later than one year and not later than five years	–	–	–	762	762

Analysis of expected timing of discounted flows	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
Later than five years	–	–	–	209	209
At 31 March 2022	710,947	25,463	107	1,206	737,723
Not later than one year	658,621	18,515	325	498	677,959

Analysis of expected timing of discounted flows	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
Later than one year and not later than five years	–	–	–	378	378
Later than five years	–	–	–	722	722
At 31 March 2021	658,621	18,515	325	1,598	679,059

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. Average bill value: The model implicitly assumes that recent historical bill values are an indicator of future bill values for equivalent workstreams.
4. 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. This approach implicitly assumes that the delays in cases progressing through the courts due to COVID-19 related capacity constraints are not indicative of additional work being conducted on affected cases.
5. Provider COVID-19 billing behaviour: during the COVID-19 pandemic, significant changes were observed in the pattern of provider billing. Most notably, there was a marked increase in claims for payment on account and in claims for interim bills on cases with multiple proceedings. The impact of these changes has not yet fed through to the profiles used to estimate the provision, but the increased rate of payment clearly reduces the outstanding liability,

therefore an assessment has been made of the anticipated level of increased payment due to variance from pre-pandemic billing patterns, and deducted from the provision.

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

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

Assumptions Tested	Increase		(Decrease)	
	Assumption	£m	Assumption	£m
Duration profile ⁰¹	Max duration + 1 year	13.5	Max duration + 1 year	(13.5)
Final billing duration ⁰²	+15 days	–	-15 days	–
Average final bill value (new since COVID-19)	+15%	43.4	-15%	(43.4)
COVID-19 capacity profile ⁰³	Maximum capacity	19.1	Minimum capacity	(10.0)
Provider COVID-19 billing behavior ⁰⁴	-25.0%	13.4	+25%	(13.4)

- 01 Duration profile: In order to estimate the provision, profiles outlining the timing and magnitude of costs on civil representation cases are calculated. There is a degree of uncertainty in the calculation of these profiles, particularly due to the inherent time lag. We therefore make the assumption that the level of variance could be equal to the variance if this year's profile was extended by 1 year.
- 02 Final billing duration: It can take some time for Legal Aid providers to compile and submit their bills to us once work has completed on a case. The estimate of the provision assumes that the average delay will be equivalent to that seen in the preceding quarter, however this does vary to a small degree over time. We therefore make the assumption that this delay could vary by up to 15 days in either direction.
- 03 COVID-19 capacity profile: In order to estimate the provision for 2021-22, an assumption has been made relating to the rate at which work has been completed during periods of reduced capacity within the courts. It has further been assumed that this capacity adjustment interacts with the backlog of cases in the court. To reflect uncertainty over the extent of the impact of court capacity on the rate of work, and over the interaction between this and the backlog, the sensitivity considers both the maximum and minimum levels of capacity seen within each court jurisdiction during the pandemic period, and applies these rates throughout the profile.
- 04 Provider COVID-19 billing behavior: In the estimation of the provision for 2021-22, an adjustment has been made to account for changes in provider billing behaviour during the pandemic, where more frequent billing, and greater use of payment on account and interim billing was seen. This adjustment was made independently of the estimation model, and in order to avoid unwanted interaction, data from the pandemic period was not used in the model profiles. To reflect uncertainty over this adjustment, the sensitivity varies the adjustment by 25% either way.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2022 could be higher by up to +25.2% (£89.4m) or lower by up to -22.6% (-£80.3m).

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.
3. 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. This approach implicitly assumes that the delays in cases progressing through the courts due to COVID-

related capacity constraints are not indicative of additional work being conducted on affected cases.

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.
3. Duration profile: the model implicitly assumes that recent historical case durations are an indicator of future duration profiles for each category of law.

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 ⁰⁵	1.4%	0.8	-10.0%	(5.6)
Case duration ⁰⁶	7.4%	9.4	-13.0%	(16.6)
Price profiles ⁰⁷	3.0%	1.8	-2.8%	(1.7)

- 05 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.
- 06 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.
- 07 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.

The impact of the above reasonable alternatives to the inputs have been quantified as follows; forecast spend +1.4% to -10.0%, case duration +7.4% to -13.0% and price profiles +3.0% to -2.8%. Using these reasonable alternative assumptions, WIP as at 31 March 2022 could be higher by up to +1.3% (£12.0m) or lower by up to -2.6% (-£23.9m).

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

Crime Higher: valuation methodology

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

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. This approach implicitly assumes that the delays in cases progressing through the courts due to COVID-19 related capacity constraints are not indicative of additional work being conducted on affected 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 Crime Higher Graduated Fee Scheme WIP estimates are calculated by considering cohorts of case starts and modelling their progress through the legal aid system, considering when the case completes, when the work is done on the case and the different types of bills that may be incurred in order to reflect the way the scheme operates as closely as possible. A separate calculation is then done to estimate the amount that has already been paid on these cases through interim payments.

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

For 31 March 2022 an additional sensitivity has been included, flexing the capacity baseline for the Graduated Fee Schemes. The updated WIP estimate accounts for the impact of the COVID-19 pandemic on Crown Court capacity, however volatility in historical capacity levels makes it challenging to define the baseline against which

this should be measured. To account for this a sensitivity flexing the baseline up and down by 15% has been calculated.

Assumptions Tested	Increase		(Decrease)	
	Assumption	£m	Assumption	£m
Price profiles ⁰⁸	+10.0%	67.2	-10.0%	(67.2)
Completion Rates ⁰⁹	+2.5%	26.6	-2.5%	(25.2)
Case Durations ¹⁰	+10.0%	(63.8)	-10.0%	61.4
Capacity baseline (new since COVID-19) ¹¹	+25.0%	(1.4)	-25.0%	(15.1)

08 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.

09 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.

10 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.

11 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 25% in either direction, in line with the maximum variance seen in a 12-month period during the prior three years.

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

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2022 could be higher by up to +7% (£28.5m) or lower by up to -11.3% (-£46.0m).

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 2022-2029 as each lease expires.

Note 16 – Commitments

Property rentals not falling within IFRS 16

	31 March 2022	31 March 2021
	£000	£000
Not later than one year	521	1,545
Later than one year and not later than five years	6	1,852
Later than five years	–	803
Total	527	4,200

Under the terms of the rental 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.

Other financial commitments

	31 March 2022	31 March 2021
	£000	£000
Not later than one year	900	2,015
Later than one year and not later than five years	422	944
Present value of obligations	1,322	2,959

Note 17 – Contingent assets and liabilities

The LAA has two contingent assets in relation to costs orders from legal proceedings with a total value of £29m (31 March 2021: two with a total value of £29m).

Note 18 – Related party transactions

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

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

During 2021-22 no Board Members or other related parties have undertaken any transactions with the LAA (2020-21 no transactions).

Note 19 – Third-party assets

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

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

	31 March 2021	Gross Inflows	Gross Outflows	31 March 2022
	£000	£000	£000	£000
Damages ¹²	3,042	686	(1,495)	2,233
Crown Court Means Test ¹³	13,796	19,570	(18,583)	14,783
Total third party assets held as cash	16,838	20,256	(20,078)	17,016

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

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

Note 20 - Events after the reporting period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are no subsequent events to report.

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