

# Annual Report and Accounts 2022-23





# **Legal Aid Agency Annual Report and Accounts 2022-23**

For the period 1 April 2022 to 31 March 2023

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# Performance Report



The  
Royal  
Courts  
of  
Justice



# Chief Executive's statement



I am pleased to introduce the Legal Aid Agency's (LAA) Annual Report and Accounts for the 2022-23 financial year.

The LAA is an integral part of the justice system and our services are relied upon by thousands of people across England and Wales to deliver justice outcomes that matter to them. During and after the pandemic the dedication and hard work of colleagues at the LAA and our partners in the justice system has ensured that provision of legal aid, and the delivery of our services, is of the highest level for all our users.

We have continued to deliver our vital services while responding to fast-moving policy changes and adjusting to delivery post-pandemic, exceeding our payment target, making funding decisions in a timely manner, maintaining our resolute focus on error and progressing our digital journey.

I am proud of all that we have achieved.

## Operational delivery and performance

We have delivered sustained high performance while ensuring that we have been able to rapidly implement the changes required to both advocate and litigator fee scheme payments, as agreed by the government, in response to the Criminal Legal Aid Independent Review (CLAIR). This has been a major achievement, in partnership with the Ministry of Justice (MOJ), Justice Digital and MOJ Policy, to deliver complex change at pace to support the legal aid market and the department's objective on swift access to justice. Our approach has ensured that payments were made accurately and on time throughout the year, with 99% of complete, accurate, eligible bills paid within 20 working days, against a target of 90%. We have delivered payment change, while also maintaining our excellent levels of service delivery for processing legal aid applications, ensuring that 100% of applications for criminal legal aid are processed within two working days. We have also processed 93% of applications for civil legal aid in 20 working days, against a target of 85% and we continue to improve our processes and systems for our service users.

Exceptional and complex casework has also seen extensive effort across the team to deliver a quality service and meet the new targets that were established in 2021-22. We processed 79% of exceptional and complex case applications and emergency applications in 25 working days, against a target of 80%. We also processed 83% of Exceptional Case Funding (ECF) applications in 25 working days, against a target of 90%. The team working on these applications invested time during the first half of 2022-23 to improve internal processes and speed up service delivery. This work led to better outcomes for applicants during the second half of 2022-23, during which time both targets were achieved. This puts the LAA in a strong position to ensure a high-level of service in 2023-24.

We have maintained a strong focus on how we manage public money, through our efforts to reduce payments made in error. In 2022-23, our overall net error rate was 0.96%. This has been managed closely through the year, under the leadership of our Finance and Risk Committee. Identifying further opportunities to reduce the likelihood of error will continue to be a priority focus for us during 2023-24.

As well as addressing error to ensure we manage public money effectively, the LAA also introduced targets for debt recovery during 2022-23 of £11.3 million for unsecured civil debt and £20.4 million for cash and secured crime debt. We consider recovery of 95% of the debt targets to be a successful outcome and exceeded this with a recovery level of 99%.

The Public Defender Service (PDS) has continued to represent clients throughout the period of action taken by the criminal bar and has exceeded its target for accepting duty solicitor calls that are offered, achieving an excellent 99% response rate.

The 2022 crime contract tender was completed successfully in October 2022. It has given business certainty to our providers and ensured that we maintained the provision of high-quality legal advice for people arrested on suspicion of committing a crime or being charged with a criminal offence. Significant tender activity is also underway in the civil jurisdiction. For civil legal aid we offered a one-year extension to current civil contract holders to 31 August 2024 alongside the opportunity for new providers to take up a civil 2018 contract and for current providers to expand the categories of law that they can offer over the same period.

## Our people

Our people are at the heart of our organisation and are key to us achieving excellence. Over the course of the reporting year we have established hybrid working in a way that supports our staff and effective service delivery. Wellbeing support and a focus on tackling stress and supporting mental health issues have been a priority.

Diversity and inclusion are important in everything we do. We recruit and retain great people with diverse backgrounds, skills and perspectives to ensure we are representative of the citizens we serve and foster a culture in which people come first, working in partnership with our staff networks.

Our 2022 People Survey engagement score was 68%, higher than the Civil Service average. The focus for 2023 will be to ensure our diverse workforce remains highly engaged, continue to deliver an excellent service and are open to new ways of working and that the agency continues to prioritise inclusivity. The LAA People Plan sets out how we will achieve this.

## Changing our services

During 2022-23 we have continued to work closely with our providers and policy colleagues in the MOJ to implement legal aid policy reform. This has included implementing the 15% uplift to criminal legal aid fees following CLAIR and introducing new payments to support the new policy to prohibit domestic abuse perpetrators from cross examining their victims in criminal and family proceedings. More generally, the LAA has worked closely with MOJ Policy colleagues to implement wider policy change and provide operational input into the Means Test Review (MTR).

We are working to transform our services and reduce our reliance on outdated digital systems. The Apply service is now being used by providers to submit applications in domestic abuse and section 8 Children Act 1989 cases. Over 19,000 applications have been received to date via this service. We have also begun developing a similar service to receive applications for criminal legal aid, which is due to be piloted in summer 2023.



We have been testing a new eligibility tool for legal aid providers to support them in assessing their clients' eligibility for civil legal aid in both controlled and certificated work. Approximately 60 providers have volunteered to take part in the pilot, ahead of us making the tool available to all providers in summer 2023.

### Looking ahead

The review of civil legal aid was announced by the MOJ in January 2023. Its aim is to identify options that will improve the sustainability of civil legal aid provision. The LAA will provide evidence to support the review, the findings of which will be reported in 2024.

As well as CLAIR implementation, we are preparing to implement the outcome of the MTR. This will be a significant undertaking over the next two years and will necessitate making changes to several LAA digital systems, ensuring the agency is resourced to handle the increased volumes of applications and working with our provider-base to ensure they are briefed and have the tools they need to handle the changes.

I am proud of all that the agency has achieved this year, and I look forward to the challenges ahead, confident in our ability to continue to provide an excellent service for the public that we serve.



**Jane Harbottle**

Chief Executive and Accounting Officer  
Legal Aid Agency  
14 July 2023

# Headline performance for 2022-23



We processed more than **350,000** applications for legal aid (almost 400,000 in 2021-22)

**93%** of civil legal aid applications were processed within 20 working days except in the most complex cases (94% in 2021-22)

**100%** of criminal legal aid applications processed within two working days (100% in 2021-22)

**Processing / Delivery**



We processed over **1.25 million** bills (over 1.2 million in 2021-22)

**99%** of complete, accurate bills were paid within 20 working days, exceeding the **90%** target (99% in 2021-22)

**Processing / Delivery**



Our Average Working Days lost stands at **6.9** for the 12 months to March 2023 matching 6.9 for the same rolling period in March 2022

Over **48%** of our people had no sickness absence during the 12 months to March 2023 (51% in 2021-22)

**Our people**



Our staff engagement score decreased by three percentage points to **68%** in the annual People Survey. With an **85%** response rate (85% in 2021-22) we are confident this represents the experience of most of our people

Of the Civil Service organisations that joined in, the LAA was in the Top 10 for highest engagement score

**Our people**



We answered **over 120,000** phone calls to our call centres, and exceeded all our customer service and correspondence Key Performance Indicator targets (over 130,000 in 2021-22)

**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 MOJ to achieve 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 (SO):

### Strategic Objective 1

Deliver 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 15-25 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.

## Our people

The success of the LAA is centred around the skill and commitment of our people. They are central to everything we deliver and a focus this year has been on both ensuring they have the skills they need to do their role and prioritising their wellbeing.

A focus on leadership, wellbeing, learning and development and inclusion were key aspects of our People Plan during 2022-23. Through being a responsive, diverse and learning organisation, we want to ensure our people are engaged in their work and feel included at every level.

To meet different needs post-pandemic, our learning and development (L&D) offer was tailored to meet our hybrid approach to work and alongside development programmes ensured our people had access to the right learning when they needed it. Working collaboratively with other agencies we ensured a diverse range of opportunities were available throughout the year for all our people.

Putting in place a central recruitment team allowed us to streamline our process and focus on recruiting the right people as quickly as possible. We have enhanced the inclusivity of the process, delivered training to recruiting managers and improved the end-to-end time taken to recruit.

A priority has been our zero tolerance to bullying, harassment and discrimination and delivering our Tackling Unacceptable Behaviour Action Plan. Appointing executive level sponsors and delivering training for leaders have been just two of the actions put in place to encourage our people to report instances so we can tackle them robustly.

We refreshed our wellbeing programme, delivering further training to our Mental Health Allies and delivering events focused on areas such as menopause and mental health. We encouraged our managers to undertake stress risk assessments with team members and to routinely carry out wellbeing checks.

We supported our managers throughout the year through training sessions, one to one support and delivered regular updates on the work of the agency and future change through all-staff calls. We celebrated the achievements of our people through our staff awards and through the monthly CEO awards.

We continue to strive to make the LAA a great place to work, recruiting and retaining the best people, increasing diversity at higher grades and delivering against our People Plan.

## Our partners

As a critical part of 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 MOJ'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, His Majesty's Courts and Tribunals Service (HMCTS) and the Crown Prosecution Service (CPS). We also work with other government departments, including the Home Office.

Our relationships with our providers are central to the work of the LAA.

Through meetings such as the Crime and Civil Contract Consultative Groups and the Provider Engagement Team, we ensure we have regular engagement on key operational issues and opportunities 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 almost 10,000 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 – CAF/CASS 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 undertakes this role, in practice delegating decision-making to LAA caseworkers and providers. The LAA Board supports the DLAC to make sure 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

The PDS provides 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 has a client-centred approach to criminal defence and has developed specialisms in working with vulnerable clients and providing prison law advice. The PDS continues to retain its Lexcel accreditation demonstrating its high standard of technical expertise and client service in criminal law. PDS lawyers share their experience of the criminal justice system to inform related policy and change initiatives. The PDS continues to embrace digital solutions to represent clients virtually, alongside advising and representing in person.



# Transformation and change

We continue to work to modernise our digital infrastructure and reduce reliance on outdated systems.

In terms of our business transformation, we have continued to develop our new service for processing applications, Apply. 66 providers are now using it to submit applications in domestic abuse and section 8 cases and over 19,200 applications have successfully come through the new service so far. We successfully rolled out section 8 (Family) to applications from over-16s and look forward to continuing to develop capabilities to allow special Children Act 1989 and public law family applications through the service, as well as onboarding more firms who deal with these application types.

We are developing a new eligibility tool for legal aid providers, to support them in assessing client eligibility for civil legal aid in both controlled and certificated work. Approximately 60 providers have volunteered to take part in the pilot using a private beta version of the 'Check if your client qualifies' tool, with all feedback being used to further improve the service ahead of making the tool available to all providers in summer 2023.

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 that come through the platform. The platform is now live in 176 courts across England and Wales and we have processed more than 163,000 applications and paid more than 88,000 bills so far.

Our Legal Aid policy implementation programme continues to oversee execution of policy changes. Some 2022-23 successes include:

- **Criminal legal aid** – implementing the 15% uplift to fees as part of phase one of implementation of CLAIR, and implementing a new bolt-on payment for section 28 cases (where cross examination of vulnerable witnesses is pre-recorded).
- **Cost of living disregards** – changes were made on 10 January 2023 to ensure individuals receiving cost of living support payments are not disadvantaged when applying for legal aid. Payments made under the Energy Prices Act 2022 and Social Security (Additional Payments) Act 2022 are disregarded from both civil and criminal legal aid means test schemes.
- **Special educational needs and disabilities** – foster parents and approved prospective adoptive parents can apply for means-free funding from 10 February 2023 for special educational needs appeals heard by the First-tier Special Educational Needs and Disability Tribunal against special education needs decisions of local authorities.
- **Adoption and placement orders** – non-means tested legal aid was extended to parents and guardians who wish to oppose applications for placement and adoptions orders in public family law proceedings.
- **ECF inquests implementation** – bereaved families at inquests are now able to apply for legal aid through ECF without means testing. The Statutory Instrument came into effect on 12 January 2022, bringing the measures into operation.

- **Cross examination** – the LAA co-ordinated digital changes to its Client and Cost Management System (CCMS) to allow payments to be processed to the qualified legal representative and to capture relevant Management Information through CCMS. The project formally closed in September 2022.
- **Early Legal Advice Pilot (ELAP)** – this was a pilot to test the hypothesis that early legal advice relating to housing, debt and welfare matters minimises negative housing related outcomes (for example, loss of home). The LAA established the reporting and payment arrangements for the pilot. The pilot officially went live 31 October 2022.

Next year, 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 developing products and services further.

# Performance Analysis

## Our year in focus

In our tenth 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 while continuing to deliver strong performance against our Strategic Objectives and operational targets.

## Performance against our Strategic Objectives in 2022-23

The commitments associated with our Strategic Objectives have been monitored through the LAA's performance management framework, which includes Key Performance Indicators (KPI) 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 2022-23 Business Plan commitments. We revised our SOs in 2021-22 moving to three objectives and published an updated LAA Strategy in February 2023 supporting delivery of our objectives, working with our strategic enablers by being:

- user-centred
- right decisions, first time
- simplified and sustainable
- a responsive, diverse, learning organisation

Throughout the year the results were reported to the Executive Leadership Team (ELT), the LAA Board and the MOJ Executive Committee.

### Strategic Objective 1

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

#### KPI: Service Delivery

#### Milestones

- Ensure all service targets for 2022-23 are met to support the effective operation of the justice system
- Policy reforms for implementation in 2022-23 are delivered through revised business processes and digital development ensuring continued, effective delivery of all legal aid services
- Our PDS will provide access to justice for clients through continual coverage of services that meet their needs
- Launch of our communications strategy with user needs at the heart and support for provider resources such as our training website and customer service webchats

### Strategic Objective 2

Modernise our services, delivering value for money for taxpayers

#### KPI: Accuracy and accountability

#### Milestones

- Resources are able to work effectively and are deployed in support of the government’s agenda for the Civil Service
- Continue development and rollout of our transformation work strands, further expanding Apply to other case types and other efficiency driven change to make our services more user-centred and efficient
- Continue to support roll-out of the Common Platform programme.
- Work closely with MOJ to:
  - provide operational input into the government’s response to CLAIR and the MTR
  - support implementation of the response

### Strategic Objective 3

Become a truly diverse and inclusive employer of choice

#### KPI: Financial Management

#### Milestones

- Take action regarding bullying, harassment and discrimination by delivering our Tackling Unacceptable Behaviour Action Plan – increasing knowledge, support and communication
- Ensure flexible and hybrid working is tailored to the needs of our people
- Supporting mental health and wellbeing through information, monitoring and support
- Building the capability of our people through an inclusive learning and development offer with a data driven approach focused on training, coaching and mentoring

Strategic Objective 1

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



KPI: for applications from our clients

This year four of our six performance measures were met and exceeded

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

**93%** this year.

A **decrease** on 94% in 2021-22 (92% in 2020-21).



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

**100%** this year.

**Maintaining** the 100% delivered in 2021-22 (100% in 2020-21).



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

**86%** this year.

86% in 2021-22, the year this measure was introduced.



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

**79%** this year.

A **decrease** on 82% in 2021-22, the year this measure was introduced.



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

**83%** this year.

A **decrease** on 85% in 2021-22, the year this measure was introduced.



90% of civil application appeals (excluding exceptional and complex cases) that do not need an external adjudicator to be processed within 20 working days.

**92%** this year.

An **increase** on 90% in 2021-22, the year this measure was introduced.





### 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).



**99%** this year.

**Maintaining** the 99% delivered in 2021-22 (99% in 2020-21).

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



**100%** this year.

**Maintaining** the 100% delivered in 2021-22, the year this measure was introduced.

### KPI: for telephone services

Our three measures were met and exceeded

75% of crime calls to our customer services unit answered within five minutes.



**91%** this year.

A **decrease** on 92% delivered in 2021-22 (85% in 2020-21).

75% of civil calls to our customer services unit answered within five minutes.



**82%** this year.

A **decrease** on 83% delivered in 2021-22 (86% in 2020-21).

90% of duty solicitor calls offered to the PDS to be accepted.



**99%** this year.

**Maintaining** the 99% delivered in 2021-22, the year this measure was introduced.

### KPI: for correspondence

Six of our seven measures were met and exceeded

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



**99%** this year.

A **decrease** on 100% delivered in 2021-22 (100% in 2020-21).

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



**99%** this year.

A **decrease** on 100% delivered in 2021-22 (99% in 2020-21).

90% of MP correspondence within 20 working days.



**100%** this year.

**Maintaining** the 100% delivered in 2021-22 (100% in 2020-21).

100% of Freedom of Information requests within 20 working days.



**100%** this year.

**Maintaining** the 100% delivered in 2021-22 (99% in 2020-21).

100% of Internal Review requests within 20 working days.



**100%** this year.

**Maintaining** the 100% delivered in 2021-22 (100% in 2020-21).

100% of Data Protection Act 2018 requests within 30 calendar days.



**99%** this year.

**Maintaining** the 99% delivered in 2021-22 (100% in 2020-21).

90% of Parliamentary Questions (PQ) responded to within 48 hours (named day PQs within 24 hours).



**100%** this year.

We **introduced** this as a published measure for 2022-23.

## Did we achieve our milestones?

|   |  |
|---|--|
| Ensure all service targets for 2022-23 are met to support the effective operation of the justice system.  | 15 out of 18 targets were either met or exceeded supporting the effective administering of Legal Aid.  |
| Policy reforms for implementation in 2022-23 are delivered through revised business processes and digital development ensuring continued, effective delivery of all legal aid services. | Implementation of policy changes and initiatives has commenced or been completed within agreed timescales.   |
| Our Public Defender Service will provide access to justice for clients through continual coverage of services that meet their needs.  | We continue to deliver a full range of quality services within the criminal defence market, from advice and representation at the police station and magistrates' courts through to advocacy in the higher courts.   |
| Launch of our communications strategy with user needs at the heart and support for provider resources such as our training website and customer service webchats.                       | Focused on a user-centred response, our communication approach has been developed internally during the year. Working across our communication channels, we have developed our programme of webinars through our refreshed legal aid learning website, continually reviewed our social media channels to support messaging and engaged with providers through networks and our regular bulletin. |

## Other challenges

We have continued to face challenges with recruitment and retention influenced by a highly competitive labour market.

## Other achievements

- Implemented CLAIR policy changes within a short timescale
- Implemented the new cross-examination policy working closely with our providers, MOJ and HMCTS to ensure relevant guidance produced
- The removal of means testing for foster parents and approved prospective adopters when applying for a specific level of ECF in special needs related education cases

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%.

**0.96%** this year.

An **increase** in error compared with 0.77% in 2021-22 (0.89% 2020-21).



Ensure our Legal Help net error rate remains below 0.75% over the year.

**1.72%** this year.

A **decrease** in error compared with 3.3% in 2021-22 (2.81% 2020-21).



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?

Resources are able to work effectively and are deployed in support of the government's agenda for the Civil Service.

The LAA achieved an 85% score for resources and workload in the 2022 People Survey, showing that our people have the right tools and skills to deliver on their objectives. These scores remain high for the LAA and significantly higher than the Civil Service Benchmark.

Continue development and rollout of our transformation work strands, further expanding Apply to other case types and other efficiency driven change to make our services more user-centred and efficient. Crime Apply is due to go through an independent digital assurance assessment at the end of July 2022. This will be conducted by the Government Digital Service, which is responsible for assessing public-facing digital services. If Crime Apply successfully passes the assessment, it will move to the next phase of development known as 'private beta'. This will involve live testing of the system with a small number of providers. It will also be possible to process domestic abuse, section 8 and public law applications through Apply.

Crime Apply was successful in passing the Government Digital Service assessment and is now in private beta. Civil Apply has successfully expanded to section 8 cases for clients over the age of 16, with those under the age of 16 to follow. Development of the service will expand to public law cases in 2023-24 along with special Children Act 1989 and housing cases.

Continue to support roll-out of the Common Platform programme.

National roll-out continues and Common Platform is now live in 82% of courts, we continue to work closely with HMCTS and teams across different areas of our crime operational delivery to integrate LAA systems with Common Platform.

Work closely with MOJ to:

- provide operational input into the government's response to CLAIR and the MTR
- support implementation of the response

Continued providing operational input into the government's response to the MTR.

Implemented CLAIR policy and digital changes.



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 this year, which matches 6.9 in 2021-22 (the figure is based on the previous rolling 12-month period).



Increase the percentage of people agreeing in the People Survey that there are opportunities for them to develop their career in the organisation.

65% agreed with this statement in 2022, an increase of one percentage point on 2021.

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 PNTS has **remained** at **4%** (4% in 2021).



Increase the number of people who report bullying and harassment having said they have experienced it.

In the 2022 People Survey 6% of people said they had experienced bullying and harassment. 58% (40% in 2021) 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 increased and those who PNTS whether they reported it has decreased to 7% (15% in 2021).

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



This has **increased** by seven percentage points to **35%**. However, PNTS responses, those who felt their bullying and harassment report was not dealt with effectively remained at 12%.



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

This has **increased** by two percentage points to **50%**. In addition the percentage of PNTS has increased from 18% in 2021 to 26% in 2022.

**KPI: representative of the people we serve**

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



**14.6%** of our staff have not declared ethnicity and **15.3%** have not declared disability characteristics. The level of staff not making declarations has increased and we have not met our targets.

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



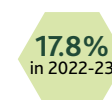
**38.1%** of our staff have declared as identifying as male and **61.9%** declared as identifying as female.

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.



**15.6%** of our staff have declared as being from a diverse ethnic minority (14.7% in 2021-22).

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.



**17.8%** of our staff have declared as having a disability (15.3% in 2021-22).

## Did we achieve our milestones?

Take action regarding bullying, harassment and discrimination by delivering our Tackling Unacceptable Behaviour Action Plan – increasing knowledge, support and communication.

During the year we have developed two training packages focused on tackling unacceptable behaviour and bystander training which will be rolled out. We have also carried out work to consider possible advisory roles to support either those involved in this area or receiving a complaint of this kind.

Ensure flexible and hybrid working is tailored to the needs of our people.

Return to the office has been challenging but we have ensured a flexible offer, which allows our people to split their time between working at home and being in the office. The LAA learning and development programme continues to offer a hybrid approach.

Supporting mental health and wellbeing through information, monitoring and support.

Our Mental Health Allies and the wellbeing programme have shared information on a range of wellbeing issues, raising awareness and running interactive sessions to engage staff on a number of health related matters. The programme promotes initiatives to improve and maintain good health, which is also shared via staff networks and through internal communications. Our Mental Health Allies continue to work at reducing the stigma attached to mental ill-health with specific awareness days and events as a focus for campaigns in those areas.

Building the capability of our people through an inclusive L&D offer with a data driven approach focused on training, coaching and mentoring.

Alongside multiple learning opportunities throughout the year we have also introduced our capability commitment. Supporting our people for the future our commitment includes three themes: to innovate, include and inspire.

## Other challenges

- Reverting to a hybrid L&D offer following a significant period of online learning
- Supporting rising sickness absence, particularly regarding mental health issues and stress
- Streamlining recruitment to speed up the process
- Increased staff attrition

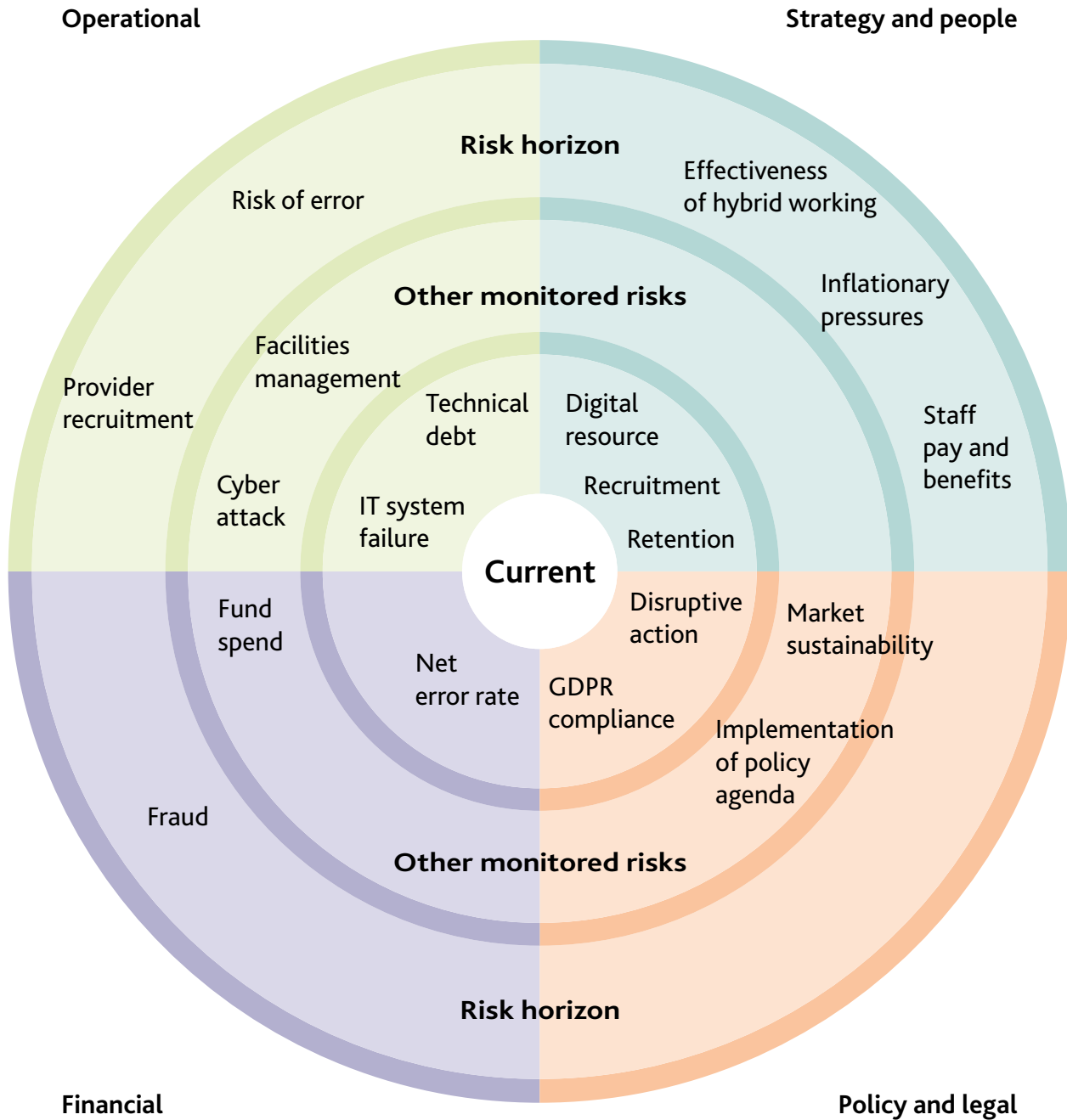
## Other achievements

- Formalised a central recruitment team for the LAA
- Delivered a wide-ranging programme of learning and development opportunities for all staff
- Started a pilot aimed at improving the emotional intelligence of our people
- Delivered development programmes across all grades including the launch of a new development programme for ethnic minority staff, Rising Together, and a leadership immersion experience for senior managers
- Expanded our L&D offer through collaborative working with the Office of the Public Guardian (OPG)
- Development of cross agency talent and L&D strategies, including career and capability commitments

## Risk position

Risk position at the end of Q4 2022-23 and as we look to the future.

Further insight into our risk profile can be found in our governance section, pages 38-58.

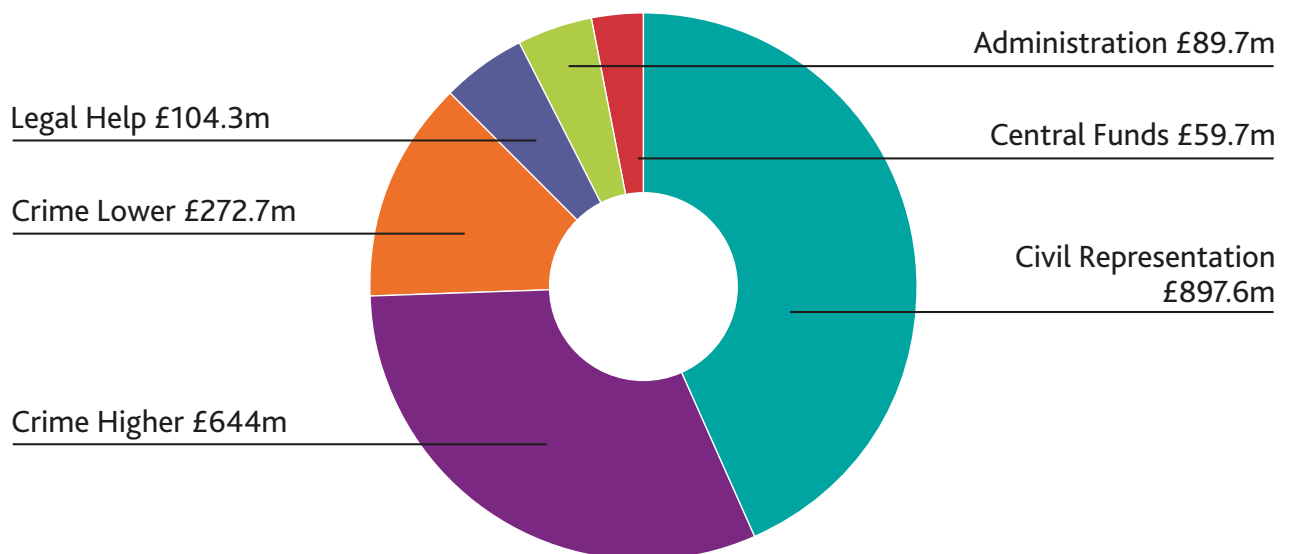




## Financial management commentary

This section provides commentary on our performance during the past year and supports the financial statements. The financial statements are set out from pages 83-131. Note 2 to the financial statements on page 102 details the net operating costs for each of the segments below and notes 3-5 set out expenditure and income in detail. Figure 1 shows the largest movements, comparing 2022-23 to 2021-22, in legal aid spend by scheme:

**Figure 1. Legal Aid Agency net expenditure, £2.1 billion. An increase of £188 million compared to previous year**



**Civil Representation £897.6 million (£799.8 million in 2021-22)**  
Increased by 12.2% due to increased case costs, driven by longer case lengths

**Crime Higher £644 million (£598.6 million in 2021-22)**  
Increased by 7.6% through increased payments due to CLAIR reforms and a skew towards more complex work in the Crown Court after COVID-19, alongside a significant increase in demand for Very High Cost Cases (VHCCs)

**Crime Lower £272.7 million (£245.3 million in 2021-22)**  
Increased by 11.2% primarily due to increased payments due to CLAIR reforms, and to ongoing increases driven by the recruitment of additional police officers

**Legal Help £104.3 million (£101.1 million in 2021-22)**  
Increased by 3.2% due to increased demand for asylum work in the Immigration and Asylum Tribunal

**Administration: £89.7 million (£84.3 million in 2021-22)**  
Increased by 6.4% primarily due to an increase in staff costs to reflect the 2022 pay award and increased recharges for digital technology

**Central Funds £59.7 million (£50.5 million in 2021-22)**  
Increased by 18.2% due primarily to increased expenditure relating to private prosecutions, with a smaller impact due to continued recovery in court activity that generates spend on Defence Costs Orders, language and interpretation services and intermediaries

## Significant items in the LAA's Statement of Financial Position

### Provision for liabilities and other charges

This is for work that has been completed by solicitors, barristers and advice agencies but has not yet been billed. The value of this work in progress is estimated by taking the number of cases that have been reported as started and estimating the activity that has taken place using historical profiles of case costs and durations for each individual scheme of legal aid. The majority of the remaining liabilities of the LAA are for bills received but not yet processed, which are treated as trade payables, and any unpaid work reported in Payment on Account (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 that provides value for money for the taxpayer, reduces our environmental impact and allows transformation of the way civil servants work. We recognise that sustainability is a key enabler for the MOJ to contribute to the Greening Government Commitments (GGCs).

### Our strategy for sustainability focuses on:

The sustainable operations strategy sets out the MOJ's aims and objectives for improving the sustainability of its estate and operations, in line with the GGCs. It links to various other strategies covering carbon, water, waste (circular economy), nature and biodiversity, single-use plastics and sustainable procurement.



#### Environmental awareness

MOJ has begun engaging Arm's Length Bodies (ALB) in a structured manner on greening government, through the ALB Centre of Excellence Communications Forum. In addition, the MOJ's Climate Change and Sustainability Unit (CCSU) also offers support by way of technical subject matter experts in all areas covered by the GGCs (such as waste, water, net zero carbon) and associated strategies and policies.

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 and 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 CCSU 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. The climate change risk assessments will allow us to plan for greater operational resilience to extreme events and long-term changes in climate.



#### Digitisation

We are making improvements to the way we ask for evidence, how we use data from other government departments and how we handle large files to further reduce our reliance on paper. We have continued to offer improved collaboration tools for staff to allow more efficient, flexible working. Paper usage has increased this year compared with last year.

## Environmental sustainability reporting

Our progress against the 2025 GGCs is outlined in this table. The 2021-22 non-financial indicators have been restated to reflect the full financial year up to March 2022. The data below shows our present position for 2022-23 against a 2017-18 baseline, using data available to December 2022.

### Greenhouse gas emissions

**Table 1. Financial and non-financial indicators of greenhouse gas emissions against Scopes 1-3 for each year 2017-18 to 2022-23**

| Energy <sup>1</sup>                           |   | 2022-23      | 2021-22<br>restated | 2020<br>-21  | 2019<br>-20  | 2018<br>-19  | 2017<br>-18  |
|---|---|--------------|---------------------|--------------|--------------|--------------|--------------|
| Non-financial indicators (tCO <sub>2</sub> e) | Gas – Scope 1 non-renewable energy                | 118          | 125                 | 79           | 135          | 85           | 95           |
|   | Electricity – Scope 2 non-renewable energy        | 167          | 168                 | 204          | 259          | 107          | 323          |
|   | Electricity – Scope 2 renewable energy            | 0            | 0                   | 0            | 5            | 77           | 102          |
|   | Official business travel emissions – Scope 3      | 10           | 31                  | 74           | 147          | 174          | 194          |
|   | <b>Total</b>                                      | <b>295</b>   | <b>324</b>          | <b>357</b>   | <b>546</b>   | <b>443</b>   | <b>714</b>   |
| Non-financial indicators (MWh)                | Gas – Scope 1 non-renewable energy                | 646          | 682                 | 430          | 428          | 463          | 514          |
|   | Electricity – Scope 2 non-renewable energy        | 843          | 791                 | 785          | 931          | 348          | 1,050        |
|   | Electricity – Scope 2 renewable energy            | 0            | 0                   | 0            | 18           | 252          | 332          |
|   | <b>Total</b>                                      | <b>1,489</b> | <b>1,473</b>        | <b>1,215</b> | <b>1,377</b> | <b>1,063</b> | <b>1,896</b> |
| Financial indicators (£000)                   | Gross expenditure on energy                       | 238          | 226                 | 162          | 278          | 108          | 210          |
|   | Expenditure on official business travel (UK only) | 429          | 152                 | 45           | 638          | 642          | 662          |
|   | <b>Total</b>                                      | <b>667</b>   | <b>378</b>          | <b>207</b>   | <b>916</b>   | <b>750</b>   | <b>872</b>   |

Electricity usage increased compared with last year, while gas usage decreased. Emissions are calculated using the Department for Business, Energy and Industrial Strategy factors for the period.

1 Energy data for 2022-23 reporting year includes information from the following sites only: Brighton, Bristol, Cardiff, Darlington, Jarrow, Leeds, London (102 Petty France), Nottingham and Swansea.

## Travel

**Table 2. Travel output information for each year 2017-18 to 2022-23**

| Travel <sup>2</sup>         |               | 2022-23    | 2021-22 restated | 2020 -21   | 2019 -20     | 2018 -19     | 2017 -18     |
|-----------------------------|---------------|------------|------------------|------------|--------------|--------------|--------------|
| Output information (km 000) | Motor vehicle | 0          | 0                | 324        | 437          | 415          | 464          |
|                             | Rail          | 176        | 710              | 411        | 1,623        | 2,131        | 3,934        |
|                             | Flight        | 23         | 1                | 11         | 18           | 33           | 111          |
|                             | <b>Total</b>  | <b>199</b> | <b>711</b>       | <b>746</b> | <b>2,078</b> | <b>2,579</b> | <b>4,509</b> |
| Output information (tCO2e)  | Motor vehicle | 0          | 0                | 56         | 77           | 75           | 85           |
|                             | Rail          | 6          | 25               | 17         | 67           | 94           | 184          |
|                             | Flight        | 4          | 0                | 0          | 2            | 5            | 13           |
|                             | <b>Total</b>  | <b>10</b>  | <b>25</b>        | <b>73</b>  | <b>146</b>   | <b>174</b>   | <b>282</b>   |

Flights have increased to levels last witnessed before COVID-19. Rail usage saw a downturn during the year. Overall emissions have decreased from the previous year.

## Finite resource consumption

**Table 3. Water consumption and supply costs for each year 2017-18 to 2022-23**

| Water <sup>3</sup>                       |                    | 2022-23 | 2021-22 restated | 2020 -21 | 2019 -20 | 2018 -19 | 2017 -18 |
|--|--------------------|---------|------------------|----------|----------|----------|----------|
| Non-financial information (cubic metres) | Water consumption  | 685     | 866              | 1,762    | 1,891    | 3,496    | 14,897   |
|  | Water supply costs | 24      | 21               | 24       | 22       | 5        | 21       |

- 2 There has been no travel recorded by motor vehicle during the year, however, we are not able to access grey fleet (motor vehicle) data for this period. We are working towards resolving the issue with the Single Operating Platform HR system access. The changes will reflect in next year's report.
- 3 Water data for 2022-23 reporting year includes information from the following sites only: Brighton, Jarrow, London (102 Petty France) and Nottingham.

Our water usage during 2022-23 is lower than 2021-22.

Water  
consumption for  
**2022-23**

decreased by **21%** to **685m<sup>3</sup>**

with a spend of **£24,000**

## Paper

**Table 4. Quantity of paper purchased for each year 2017-18 to 2022-23**

| Paper                                      |                    | 2022-23 | 2021-22<br>restated | 2020<br>-21 | 2019<br>-20 | 2018<br>-19 | 2017<br>-18 |
|--|--------------------|---------|---------------------|-------------|-------------|-------------|-------------|
| Non-financial<br>information<br>(A4 reams) | Paper<br>purchased | 715     | 460                 | 515         | 2,679       | 3,226       | 3,849       |

Our consumption of paper has shown an increase this year (note, all shown as reams as per GGC target).

## Waste minimisation and management

**Table 5. Waste disposal for each year 2017-18 to 2022-23**

| Waste  |  | 2022<br>-23 | 2021-22<br>restated | 2020<br>-21 | 2019<br>-20 | 2018<br>-19 | 2017<br>-18 |
|--|--|-------------|---------------------|-------------|-------------|-------------|-------------|
| Non-financial<br>information<br>(cubic metres) | Waste sent to landfill                   | 0           | 0                   | 0           | 1           | 162         | 148         |
|  | Waste incinerated for<br>energy recovery | 21          | 16                  | 6           | 7           | –           | –           |
|  | Waste composted                          | 2           | 2                   | 1           | 2           | –           | –           |
|  | Waste recycled/reused                    | 83          | 46                  | 70          | 121         | 691         | 840         |
|  | <b>Total</b>                             | <b>106</b>  | <b>64</b>           | <b>77</b>   | <b>131</b>  | <b>853</b>  | <b>988</b>  |
| Financial<br>information<br>(£000)             | <b>Total</b>                             | <b>49</b>   | <b>64</b>           | <b>66</b>   | <b>41</b>   | <b>26</b>   | <b>27</b>   |

The amount of waste we have disposed of during 2022-23 has increased by 70% from 2021-22.

We continue to divert our waste from landfill. Further progress in digital working and paper reduction should help to reduce this waste stream in the future.

## Going forward

Our sustainability strategy is to continue operating closely with the MOJ's CCSU towards the GGCs. Together, we will continue to:

- Reduce greenhouse gas 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 that provides value for money for the taxpayer, reduces our environmental impact and enables transformation.

Signed for and on behalf of the Legal Aid Agency



**Jane Harbottle**

Chief Executive and Accounting Officer  
Legal Aid Agency  
14 July 2023



# Accountability Report



# Corporate governance report

## Introduction

The LAA Framework Document sets out the arrangements for governance, accountability, financing, staffing and operations and can be viewed in full at:

[www.gov.uk/government/organisations/legal-aid-agency/about/our-governance](http://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 LAA Framework Document. Managing Public Money as issued by HM Treasury also sets out the responsibilities of an Accounting Officer.

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 ELT are detailed on pages 41-43. 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 (NEBM) 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 2022-23.

## 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 2022-23 one breach was considered to meet the criteria and was reported to the ICO.

The governance statement on pages 38-40 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 LAA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the LAA and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRoM) 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 FRoM have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take 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 MOJ has designated the Chief Executive as Accounting Officer of the LAA. 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 LAA's assets, are set out in Managing Public Money published by HM Treasury.

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

# Governance statement

## Introduction

This statement is my third, as both the Accounting Officer and Chief Executive for the LAA. 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 NAO 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, the Justice Select Committee 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 to refer their matter to the PHSO through their local MP. Where suitable 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 2022-23, the LAA was notified of 10 referrals to the PHSO, which is consistent with the volume received in 2021-22.

Of the referrals, no cases were accepted for a formal investigation. The PHSO discontinued three of the 10 complaint referrals at the pre-investigation stage. Formal outcomes are pending in respect of the remaining seven cases.

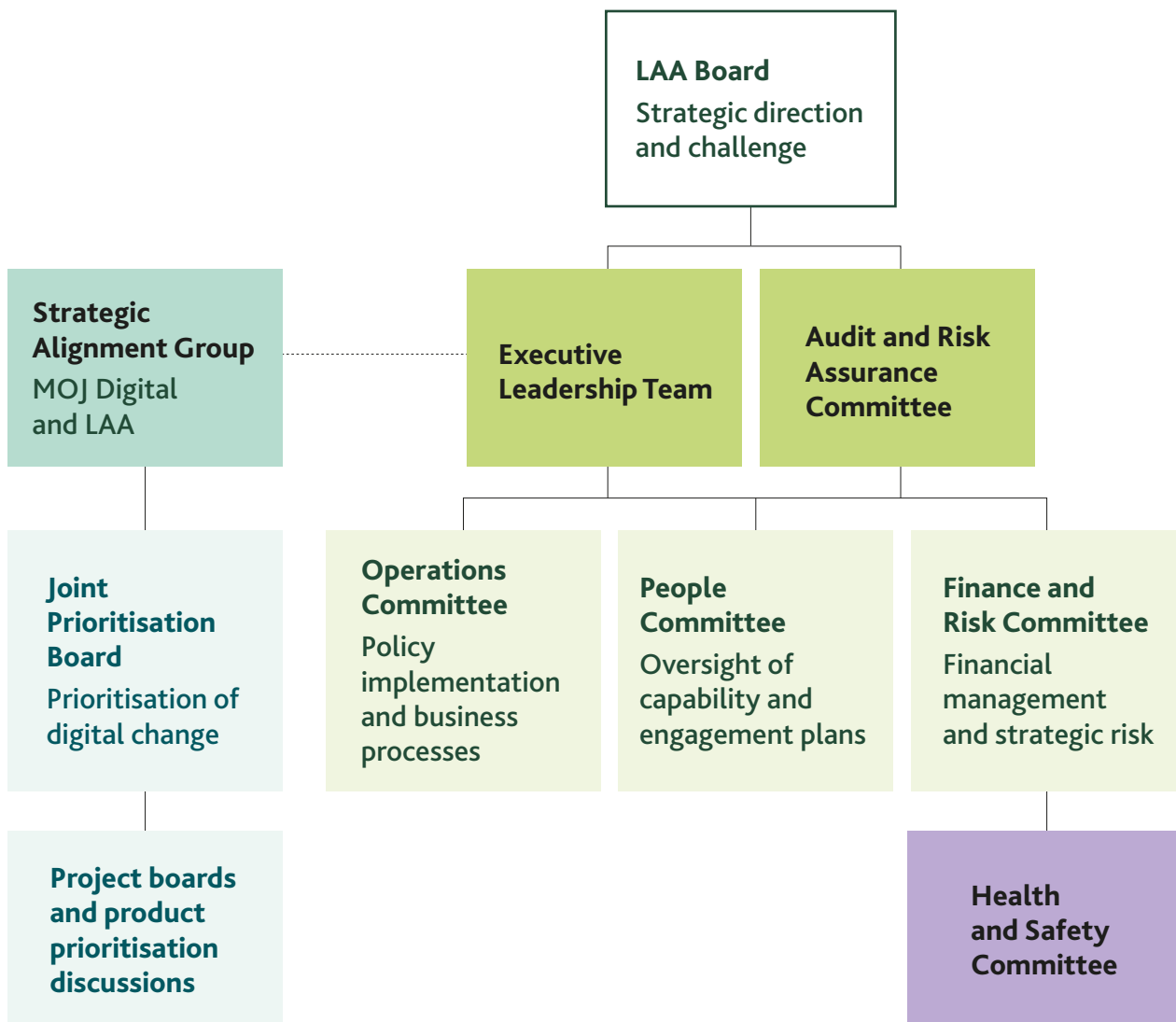
On conclusion of an investigation the LAA takes any necessary action to carry out the recommendations made by the PHSO. This can inform changes to processes and ways of working, which will have a positive impact on the provision of public services in the future.

## Governance framework

The governance structure reflects the principles of HM Treasury best practice guide 'Corporate Governance in Central Government Departments: Code of Good Practice', 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 ELT in discharging our responsibilities.

## Governance structure





## Committee membership and attendance

This table details board members and standing invitees who have responsibility for the LAA throughout 2022-23, their role and their attendance at ELT and ARAC meetings.

| Name and role  | Sex | LAA Board | ELT       | ARAC     |
|--|-----|-----------|-----------|----------|
| <b>Board members</b>   |     |           |           |          |
| <b>Chief Executive, LAA</b>  |     |           |           |          |
| Jane Harbottle   | F   | Chair     | Chair     | Invitee  |
| Number eligible to attend  |     | 6         | 12        | 4        |
| <b>Number attended</b>   |     | <b>6</b>  | <b>11</b> | <b>4</b> |
| <b>Director of Finance</b>   |     |           |           |          |
| Lorna Maden<br>(Attended by Deputy Director of Finance<br>as official representative of the Director<br>of Finance, see Invitees to Board below) | F   | Member    | Member    | Invitee  |
| Number eligible to attend  |     | 6         | 12        | 4        |
| <b>Number attended</b>   |     | <b>0</b>  | <b>0</b>  | <b>0</b> |
| <b>Principal Legal Advisor to LAA</b>  |     |           |           |          |
| Michael Jennings to 8 January 2023   | M   | Member    | Member    |          |
| Number eligible to attend  |     | 4         | 9         |          |
| <b>Number attended</b>   |     | <b>2</b>  | <b>7</b>  |          |
| Rachel Aaron from 9 January 2023   | F   | Member    | Member    |          |
| Number eligible to attend  |     | 2         | 3         |          |
| <b>Number attended</b>   |     | <b>2</b>  | <b>3</b>  |          |
| <b>LAA Operations Committee Co-Chair</b>   |     |           |           |          |
| Alistair Adan – Deputy Director,<br>Head of Civil and Crime Case Management<br>Interim to 5 October 2021 and appointed from<br>6 October 2021    | M   | Member    | Member    |          |
| Number eligible to attend  |     | 6         | 12        |          |
| <b>Number attended</b>   |     | <b>5</b>  | <b>10</b> |          |
| <b>LAA Operations Committee Co-Chair</b>   |     |           |           |          |
| Samantha Milton – Deputy Director,<br>Head of Exceptional and Complex Cases  | F   | Member    | Member    |          |
| Number eligible to attend  |     | 6         | 12        |          |
| <b>Number attended</b>   |     | <b>3</b>  | <b>11</b> |          |

| Name and role  | Sex | LAA Board | ELT       | ARAC     |
|--|-----|-----------|-----------|----------|
| <b>Board members (continued)</b>   |     |           |           |          |
| <b>LAA Finance and Risk Committee Chair</b>                                  |     |           |           |          |
| David Thomas – Deputy Director,<br>Head of Contract Management and Assurance | M   | Member    | Member    | Invitee  |
| Number eligible to attend  |     | 6         | 12        | 4        |
| <b>Number attended</b>   |     | <b>4</b>  | <b>11</b> | <b>2</b> |
| <b>Deputy Director, Head of Transformation</b>                               |     |           |           |          |
| Hannah Payne   | F   | Member    | Member    |          |
| Number eligible to attend  |     | 6         | 12        |          |
| <b>Number attended</b>   |     | <b>2</b>  | <b>5</b>  |          |
| Joanna Fiddian   | F   | Member    | Member    |          |
| Number eligible to attend  |     | 6         | 12        |          |
| <b>Number attended</b>   |     | <b>3</b>  | <b>10</b> |          |
| <b>LAA People Committee Chair</b>  |     |           |           |          |
| Lucy Jones – Deputy Director,<br>Head of Corporate Services                  | F   | Member    | Member    |          |
| Number eligible to attend  |     | 6         | 12        |          |
| <b>Number attended</b>   |     | <b>6</b>  | <b>9</b>  |          |
| <b>Non-Executive Board Members</b>   |     |           |           |          |
| <b>Non-Executive Board Member – Financial</b>                                |     |           |           |          |
| Calum Mercer to 28 February 2023   | M   | Member    |           | Chair    |
| Number eligible to attend  |     | 5         |           | 4        |
| <b>Number attended</b>   |     | <b>3</b>  |           | <b>3</b> |
| <b>Non-Executive Board Member – Legal</b>                                    |     |           |           |          |
| Professor Suzanne Rab  | F   | Member    |           | Member   |
| Number eligible to attend  |     | 6         |           | 4        |
| <b>Number attended</b>   |     | <b>6</b>  |           | <b>4</b> |
| <b>Non-Executive Board Member – Commercial</b>                               |     |           |           |          |
| Deep Sagar   | M   | Member    |           | Member   |
| Number eligible to attend  |     | 6         |           | 4        |
| <b>Number attended</b>   |     | <b>5</b>  |           | <b>3</b> |

| Name and role   | Sex | LAA Board | ELT       | ARAC     |
|---|-----|-----------|-----------|----------|
| <b>Invitees to Board</b>  |     |           |           |          |
| <b>Deputy Director of Finance</b>   |     |           |           |          |
| 1: to 14 May 2022   | F   | Invitee   | Member    | Invitee  |
| Number eligible to attend   |     | 1         | 1         | 1        |
| <b>Number attended</b>  |     | <b>1</b>  | <b>0</b>  | <b>1</b> |
| 2: from 14 May 2022   | F   | Invitee   | Member    | Invitee  |
| Number eligible to attend   |     | 5         | 11        | 3        |
| <b>Number attended</b>  |     | <b>4</b>  | <b>10</b> | <b>2</b> |
| <b>Head of LAA Digital</b>  |     |           |           |          |
| 1: to 9 December 2022   | F   | Invitee   | Member    |          |
| Number eligible to attend   |     | 4         | 8         |          |
| <b>Number attended</b>  |     | <b>0</b>  | <b>6</b>  |          |
| 2: from 10 December 2022 to 12 February 2023  | M   | Invitee   | Member    |          |
| Number eligible to attend   |     | 1         | 2         |          |
| <b>Number attended</b>  |     | <b>0</b>  | <b>1</b>  |          |
| 3: from 13 February 2023  | M   |           |           |          |
| Number eligible to attend   |     | 1         | 2         |          |
| <b>Number attended</b>  |     | <b>1</b>  | <b>2</b>  |          |
| <b>MOJ HR Director for LAA (Attended by MOJ Senior HR Business Partner for LAA)</b> |     |           |           |          |
| 1: to 22 April 2022   | F   | Invitee   | Member    |          |
| Number eligible to attend   |     | 0         | 1         |          |
| <b>Number attended</b>  |     | <b>0</b>  | <b>1</b>  |          |
| 2: from 5 May to 31 August 2022   | M   | Invitee   | Member    |          |
| Number eligible to attend   |     | 2         | 3         |          |
| <b>Number attended</b>  |     | <b>1</b>  | <b>2</b>  |          |
| 3: from 9 September 2022  | F   | Invitee   | Member    |          |
| Number eligible to attend   |     | 4         | 8         |          |
| <b>Number attended</b>  |     | <b>1</b>  | <b>6</b>  |          |

## Committee roles and responsibilities

### Legal Aid Agency Board

|                                 |  |
|---------------------------------|--|
| <b>Name of committee</b>        | Legal Aid Agency Board   |
| <b>Chair</b>                    | Chief Executive  |
| <b>Frequency</b>                | <p>Monthly</p> <p>There were six meetings of the Board and an Extraordinary Board meeting to approve the Annual Report and Accounts during 2022-23.</p>  |
| <b>Role</b>                     | The LAA Board supports the Accounting Officer and other senior officials in directing the business of the LAA. The Board is ultimately responsible for providing advice on the governance and strategic direction of the LAA. Some responsibilities of the Board are delegated to its committees, which are set out in the following tables.   |
| <b>Skill set</b>                | <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• NEBMs</li> <li>• Principal Legal Adviser</li> <li>• Director of Finance</li> <li>• Chairs of the three committees: <ul style="list-style-type: none"> <li>– Operations Committee: Deputy Director for Case Management and Deputy Director for Exceptional and Complex Cases</li> <li>– Finance and Risk Committee: Deputy Director for Contract Management and Assurance</li> <li>– People Committee: Deputy Director for Corporate Services</li> </ul> </li> <li>• Deputy Director Transformation</li> <li>• Deputy Director for Finance</li> </ul> <p>There have been changes to the individual Board members.</p>   |
| <b>Key activities this year</b> | <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>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 extra layer of challenge and support to the Board. New Shadow Board members have been recruited to expand the opportunity and experience for more staff.</p> |

### Audit and Risk Assurance Committee

|                                 |   |
|---------------------------------|---|
| <b>Name of committee</b>        | Audit and Risk Assurance Committee  |
| <b>Chair</b>                    | Finance Non-Executive Board Member  |
| <b>Frequency</b>                | Quarterly<br>There were four meetings of ARAC and an Extraordinary ARAC meeting to approve the Annual Report and Accounts during 2022-23.   |
| <b>Role</b>                     | 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.  |
| <b>Skill set</b>                | The committee is made up of three NEBMs, who are also members of the LAA Board. They do not have any executive responsibilities.  |
| <b>Key activities this year</b> | During 2022-23 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 the ARAC have provided significant support, challenge and guidance throughout the financial year. |

### Executive Leadership Team

|                          |  |
|--------------------------|--|
| <b>Name of committee</b> | Executive Leadership Team  |
| <b>Chair</b>             | Chief Executive  |
| <b>Frequency</b>         | Monthly<br>There were 12 meetings of ELT during 2022-23.   |
| <b>Role</b>              | The ELT is the senior committee and has overall management responsibility for the LAA. The ELT take decisions on the strategy for, and management of, the LAA, including the future capability and capacity of the LAA to meet departmental and government reform plans and the strategic management of corporate level risks. |

|                   |   |
|-------------------|---|
| Name of committee | Executive Leadership Team   |
| Skill set         | <p>The ELT maintains high-level oversight of the operational running of the LAA and is supported in its responsibilities by three committees and one shared committee with the Digital team (hosted in MOJ). These committees were created to facilitate deeper, focused discussions on specific issues as well as the completion of tasks delegated from the ELT.</p> <ul style="list-style-type: none"> <li>• <b>Operations Committee:</b> To take decisions on implementing policy proposals and on the optimisation of business processes to deliver legal aid efficiently and effectively, including the interface with providers. It will review and challenge performance not limited to external KPIs and oversee the management of operational risks.</li> <li>• <b>Finance and Risk Committee:</b> In 2022-23, the Finance and Risk Committee has continued to support the ELT and ARAC, 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 a 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.</li> <li>• <b>People Committee:</b> The People Committee provides constructive business focused input, decision-making and assurance to the board and 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 carry out 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.</li> <li>• <b>Joint Prioritisation Board (JPB):</b> The JPB meets quarterly, chaired jointly by the LAA Head of Transformation and Head of LAA Digital. The JPB reviewed and revised its Terms of Reference in 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 2022, 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.</li> </ul> |

|                                 |  |
|---------------------------------|--|
| <b>Name of committee</b>        | Executive Leadership Team  |
| <b>Key activities this year</b> | <ul style="list-style-type: none"> <li>• <b>Operations Committee:</b> The committee continued its work on how best to carry out 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.</li> <li>• <b>Finance and Risk Committee:</b> 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.</li> <li>• <b>People Committee:</b> The 2022 People Survey saw the LAA engagement index drop by three percentage points to 68%, however the LAA remains one of the highest scoring departments in MOJ. We continue to promote zero tolerance to bullying, harassment and discrimination with the LAA Tackling Unacceptable Behaviour Action Plan launched during the year. People Survey scores remained consistent with the exception of pay and benefits and leadership and change themes. These areas have been explored further through change chats and actions will form part of our People Plan for the next year. A committee focus this year has been a rolling programme of deep dives into the protected characteristics with actions raised and delivered as a result.</li> <li>• <b>Joint Prioritisation Board:</b> A particular achievement for 2022-23 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.</li> </ul> |

## Internal control framework

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

As explained in our operating model above, I am assisted in the stewardship of the LAA's resources and management of its risks by the board, the ELT and committee chairs. I receive written assurance from my deputy directors on the effectiveness of risk management and control in the form of annual assurance declarations.

In addition, the MOJ as part of a functional leadership framework, provides us with a suite of digital, financial and HR systems, policies and expertise that are applied where relevant. Each function provides an MOJ-wide assessment against the relevant standard and frameworks. There are formal governance and assurance mechanisms in place across MOJ and between functions and the LAA.

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 2022-23 five audits were rated as Moderate or Substantial (two Substantial and three Moderate) and one was rated as Limited. Of the 34 audit recommendations agreed with management, one was high priority. The trend towards Substantial and Moderate opinions is consistent with previous years.

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 framework

Risk management is key to good governance, it aids the development and achievement of our strategy, our performance and our decision-making. As an Executive Agency of MOJ, we continue to align with the 'Orange Book: Management of Risk – Principles and Concepts', as well as the MOJ's risk management framework, which underpins how we manage risk across the department. During 2022-23 we have made significant progress against our commitment to increase our overall levels of risk maturity within the agency.

## Risk management process



## Significant risks and issues in 2022-23

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 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: General Data Protection Regulation (GDPR) governance and compliance, legacy technology (including system failure and security), net error rate, recruitment and retention and the sustainability of the legal aid market.

The table on the following pages 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 actions and links to our Strategic Objectives.

### Our strategic objectives:

|     |   |
|-----|---|
| SO1 | Deliver 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 activities and headlines   |
|---|--|--|
| <p>Digital and Technology</p> <p>SO1</p> <p>SO2</p> | <p>Reliance on outdated and unreliable legacy systems may affect our services and financial reporting</p> <p>Ability to deliver services to end users is reduced through systemic failure of CWA and CCMS</p> <p>Resourcing levels, compounded with the need to address unforeseen challenges as a priority, affect delivery of operational services, cyber security and transformation projects</p> | <p>Despite continuing resource pressures, LAA Digital had worked on several mitigations including:</p> <ul style="list-style-type: none"> <li>• migrating our systems to modern cloud hosting, enabling the team to increase stability and replace parts of legacy systems</li> <li>• continued work on developing Apply for civil legal aid, allowing more types of applications to be submitted through the service</li> <li>• development underway on the first iteration of Apply for criminal legal aid and its corresponding service for caseworkers</li> <li>• disaster recovery training and creation of new business continuity processes across LAA Digital</li> <li>• improved security and monitoring of access to systems</li> </ul> <p>Two professional services contracts have been set up, procuring technical architects and software developers to supplement existing digital delivery teams.</p> |
| <p>GDPR</p> <p>SO1</p> <p>SO2</p>                   | <p>Delays to the implementation of GDPR remediation requirements and gaps in governance impact reputation and compliance</p>   | <p>We have faced ongoing challenges with regards to Digital resourcing, on which we rely in order to carry out necessary remediation work on our existing IT systems to ensure compliance with GDPR requirements.</p> <p>Our Information, Risk and Security Working Group continues to actively monitor progress and we have ensured the increasing level of risk in this area has been appropriately escalated through MOJ in order to identify ways to prioritise the work required and to mitigate the impacts of ongoing delays.</p>   |

| Topic  | Description   | Key activities and headlines   |
|--|---|--|
| <p>Error rate<br/>SO2</p>                        | <p>The complexity of legal aid means there is an inherent risk of error because of incorrect eligibility assessments or inaccurate payments</p> | <p>The level of error is continually scrutinised and managed as part of our stewardship arrangements. Our application and payment processes are subject to ongoing policy and administrative changes. In response we continue to focus on reducing error in a stable and sustainable way by working closely with our providers and collaborating across our contract management, case management, finance and digital teams to identify and address root causes and strengthen both internal controls and provider compliance. 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> |
| <p>Recruitment and retention<br/>SO1<br/>SO3</p> | <p>We are unable to recruit, train and retain sufficient levels of staff to meet an increasing demand to our services</p>                       | <p>Ensuring we have the right levels of appropriately trained staff is essential to our ability to meet increased demand, our ability to implement policy changes and ultimately our ability to deliver our core services.</p> <p>During 2022-23 we have closely monitored staffing levels in order to identify gaps and take targeted actions.</p> <p>This has been co-ordinated through our formalised central recruitment team.</p> <p>The exit interview process has been enhanced to address our retention risk, with outputs used to focus on areas for improvement.</p>   |
| <p>Disruptive action<br/>SO1</p>                 | <p>Disruptive action results in gaps in the provision of legal aid funded representation at court</p>   | <p>Disruptive action has remained a corporate-level risk during the year due to the government's full response to CLAIR. The LAA actively managed the impacts of disruptive action during the summer, using the levers available to the organisation. This included the establishment of a Crown Court Representation Helpline and advocate assistance from the PDS, and managing the Cross-Agency Operational Contingency Group, co-ordinating activity between agencies.</p>   |

| Topic                                  | Description  | Key activities and headlines   |
|--|--|--|
| Market sustainability<br>SO1           | Gaps in the provision of legal aid due to insufficient provider volumes  | <p>The capacity of the provider-base has continued to be managed actively by 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 outline challenges, agree options, and operational approaches to service provision issues has been a priority over the last year and will continue to be so into 2023-24.</p> <p>As a result of our regular market capacity reviews, we have run several additional tender exercises during the year to address gaps in provision.</p> |
| Facilities management<br>SO1           | Ineffective facilities management provision: the LAA is unable to operate from its current locations and or the health and safety of staff and visitors is compromised | <p>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 health and safety, security, and service level agreement compliance. We continue to work closely with the MOJ Facilities Management Team to highlight key risks, gaps in Service Level Agreement performance and to also emphasise key improvements required in preparation for the next contract review.</p>  |
| LAA Fund budget and forecasting<br>SO2 | Fund spend falling outside budget by year-end  | <p>Legal Aid Fund expenditure is, by its demand-led nature, volatile and therefore difficult to forecast. The lasting effects of the COVID-19 pandemic across the justice system continues to magnify this difficulty. We have continued to use established governance processes to monitor spend, identify, and analyse uncertainties, and manage anticipated fund variances.</p>   |

## Risk horizon

Looking ahead to 2023-24 we anticipate pressures with Digital resource to continue into the new year and we will need to ensure compliance concerns over GDPR remediation work, issues relating to our legacy technology, and the safety of our data and systems are appropriately prioritised, while remaining committed to the modernisation of our services. We will continue to consider risks in the context of the delivery of our core organisational objectives, and so anticipate an ongoing, though evolving, focus on recruitment and retention, the sustainability of the legal aid market and the potential for disruptive action.

## Error rate

Maintaining a low level of error has remained a priority in 2022-23. Our gross error rate was 1.26% in 2022-23 compared to 1.04% in 2021-22. Addressing overpayments has helped reduce the most likely level of error to a net position of £17.8 million (0.96%) of expenditure compared to £13.7 million (0.77%) of expenditure in 2021-22. Based on the statistical sampling techniques used, we have 95% confidence that the actual level of net error in 2022-23 is between 0.65% and 1.27% of legal aid spend. As well as identifying instances where providers have been paid more than is reasonably justified, our testing reviews also identify instances where there have been underpayments. In 2022-23 our estimated underpayment was 0.13% of the total legal aid expenditure (compared to 0.02% in 2021-22).



## Specific issues to highlight this year



### Net error rate category

#### Court Assessed claims

2.57%

2022-23 saw an increase in our net error rate for Court Assessed claims, which providers can alternatively decide to be assessed by the LAA.

#### Legal Help claims

1.72%

This has reduced from 3.33% in 2021-22 following an emphasis on improvements for assessments, training and guidance, and our continuing work with providers to identify improvements through contract management activity. This will continue to be a focus area into 2023-24.

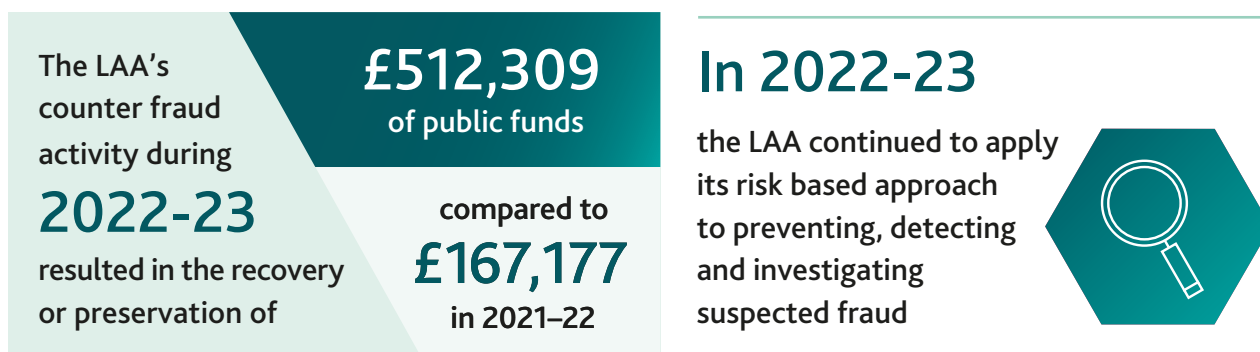
## Fraud, bribery and corruption

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, newsletters and advice. The Counter Fraud and Investigations Team run a programme of counter fraud presentations across the operational delivery business areas. We also promote mandatory annual counter fraud refresher e-learning and hold bespoke events in support of International Fraud Awareness Week.

We are part of the Public Sector Fraud Authority network and work collaboratively with them and MOJ Counter Fraud peers. We maintain close working relationships with the Department of Work and Pensions, Solicitors Regulation Authority and other wider stakeholders to collect intelligence and share data to prevent, detect, investigate and prosecute fraud. We collaborate with law enforcement agencies, prosecuting authorities and the CPS and follow the national file standard and best practice.

We continue to explore opportunities to make better use of available data and to identify new sources of data from external stakeholders. Data matching is important to highlight potential fraud risks, provide assurance, support operational decision-making and case adoption thresholds. It also supports justification for further investigation where appropriate and can signpost to evidential opportunities to support enforcement action and recover monies lost to fraud.

The LAA works closely with the MOJ Counter Fraud Centre of Expertise and our counter fraud peers within the broader MOJ. We continue to meet the requirements set out in the Government Functional Standard for Counter Fraud, Bribery and Corruption.



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

## Whistleblowing

I can confirm that the MOJ policy and procedure for whistleblowing (raising a concern) applies to all LAA staff. That covers if an individual is asked to do something, or is aware of the actions of others, which they consider to be fundamentally wrong, illegal, have the potential to endanger others or breach the values of the Civil Service code.

At 1 April 2022 there were no open investigations.

In 2022-23 one matter has been raised and is being investigated under the raising a concern (formerly whistleblowing) policy. That matter remains open.

## 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 challenge our performance on incident management providing direction and oversight.

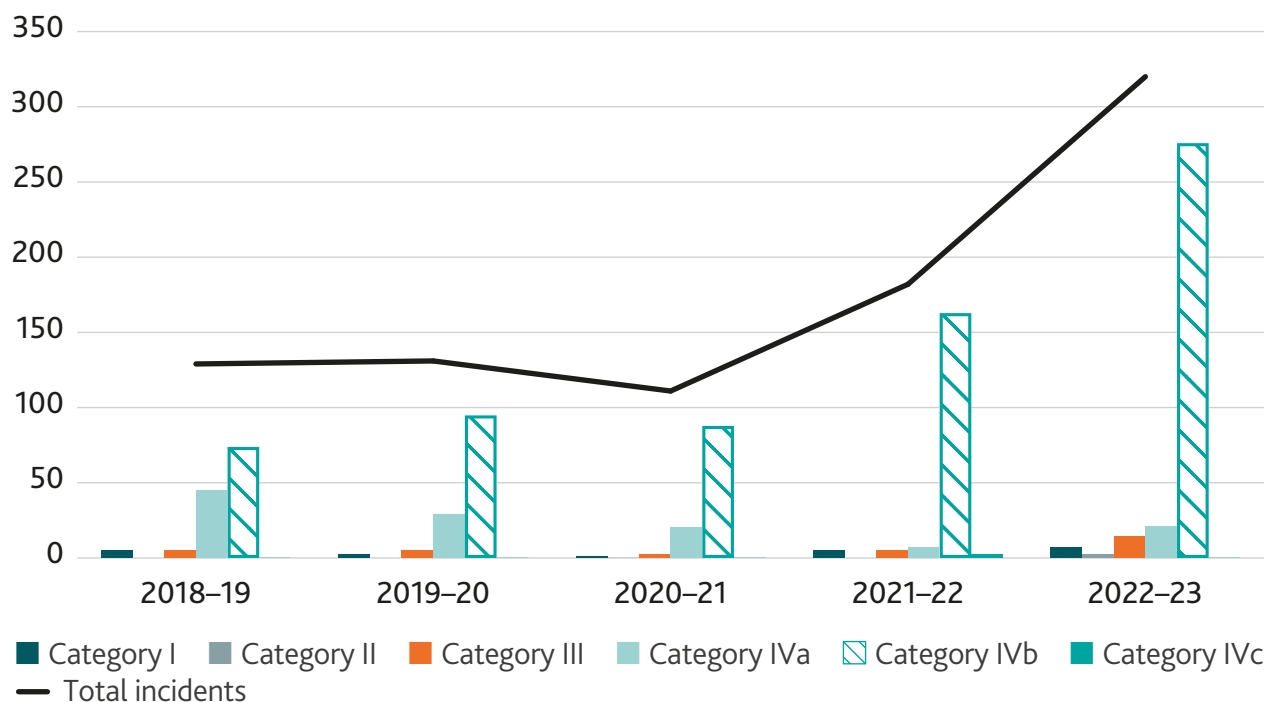
In 2022-23, there were 320 personal data related incidents reported. This represents an increase of 138 (76%) on the previous year. The LAA consistently reports low numbers of incidents considering the large volume of transactions that the LAA processes.

There has been one high impact incident in 2022-23 that met the reporting threshold and was reported to the ICO. This represents 0.3% of all identified incidents.

**Table 6. Data incident numbers by category between years 2020-21, 2021-22 and 2022-23**

| Category     | Nature of incident   | 2020-21    | 2021-22    | 2022-23    |
|--------------|--|------------|------------|------------|
| I            | Cyber security incidents   | 1          | 5          | 7          |
| II           | Personal or personnel security incidents   | –          | –          | 2          |
| III          | Physical security incidents  | 2          | 5          | 14         |
| IVa          | Information security incidents – loss or theft of an information asset           | 20         | 7          | 21         |
| IVb          | Information security incidents – unauthorised disclosure of an information asset | 88         | 163        | 276        |
| IVc          | Information security incidents – other incidents relating to information assets  | –          | 2          | –          |
| <b>Total</b> |  | <b>111</b> | <b>182</b> | <b>320</b> |

**Figure 2. Personal data incidents by category: five-year period**



Incident volumes have increased again this year, driven almost exclusively by increases in volume of unauthorised disclosure incidents. Most of these incidents relate to individual items of correspondence disclosed to an incorrect recipient. Of these incidents, many have their root cause outside the LAA, for example, where unauthorised disclosure involving correspondence occurs when the LAA is provided with an incorrect address. Information assurance staff continue to work closely with teams to identify appropriate remedial 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 the ARAC and each of the ELT committees. The success of these arrangements is due to the people and processes in place, which have ensured the LAA has met its business objectives and continues to be a supportive and innovative place to work as reflected in our Civil Service People Survey results.

Signed for and on behalf of the Legal Aid Agency

**Jane Harbottle**  
 Chief Executive and Accounting Officer  
 Legal Aid Agency  
 14 July 2023

# Remuneration and staff report

This section summarises the LAA's policy on remuneration of Executive Board Members, 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 FReM 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 directors general in accordance with the rules of the Civil Service management code.

The LAA does not have a Remuneration Committee. The key functions of a Remuneration Committee are dealt with through the MOJ Workforce Committee. The MOJ Workforce Committee is chaired by the Permanent Secretary and attended by all directors general and chief executives of His Majesty's Prison and Probation Service (HMPPS), 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 and Auditor General (C&AG), 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 that 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 that 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 His Majesty's Revenue and Customs (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 are paid using a Pay As You Earn 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 2022-23 relate to the performance in 2021-22 and the bonuses reported in 2021-22 relate to the performance in 2020-21.

### **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 7 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 2022) and the value of the individual's benefits at the end of the pension input period (31 March 2023), 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 NEBMs remained in post for 2022-23 as part of their fixed period appointments. One NEBM stepped down from their post on 28 February 2023 and one NEBM left on 31 May 2023 at the end of their fixed term. Recruitment is currently in progress for new NEBMs.

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 13 and 14 on page 70.

Table 7. Senior employees in post at 31 March 2023 – employment costs (subject to audit)

| Executive Board Members  | 2022-23                         |  |                |  |                           | 2021-22                         |  |                |  |                           |
|--|---------------------------------|--|----------------|--|---------------------------|---------------------------------|--|----------------|--|---------------------------|
|  | Total amount of salary and fees | All taxable benefits (to nearest £100) | Bonus payments | Pension related benefits (to nearest £1,000) | Total (to nearest £1,000) | Total amount of salary and fees | All taxable benefits (to nearest £100) | Bonus payments | Pension related benefits (to nearest £1,000) | Total (to nearest £1,000) |
|  | £000                            | £000                                   | £000           | £000   | £000                      | £000                            | £000                                   | £000           | £000   | £000                      |
| <b>Jane Harbottle<sup>4</sup></b><br>Chief Executive   | 105-110                         | 15.2                                   | 10-15          | 9  | 140-145                   | 100-105                         | 5.6                                    | 0-5            | 78   | 190-195                   |
| <b>Lorna Maden<sup>5</sup></b><br>Director of Finance  | 115-120                         | –                                      | –              | (22)   | 90-95                     | 110-115                         | –                                      | 0-5            | –  | 110-115                   |
| <b>Alistair Adan<sup>6</sup></b><br>Deputy Director,<br>Head of Civil<br>and Crime Case<br>Management – Interim<br>to 5 October 2021<br>Appointed<br>10 October 2021 | 75-80                           | 3.5                                    | 0-5            | 20   | 100-105                   | 75-80                           | 0.2                                    | 0-5            | 24   | 100-105                   |
| <b>Joanna Fiddian</b><br>Deputy Director,<br>Head of Transformation<br>(job share)   | 55-60<br>(FTE<br>75-80)         | –                                      | 0-5            | 17   | 75-80                     | 50-55<br>(FTE<br>78-80)         | –                                      | –              | 21   | 70-75                     |

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

5 Lorna Maden is remunerated by the MOJ Core Department and is not directly employed by the LAA.

6 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   | 2022-23                         |  |                |  |                           | 2021-22                         |  |                |  |                           |
|---|---------------------------------|--|----------------|--|---------------------------|---------------------------------|--|----------------|--|---------------------------|
|   | Total amount of salary and fees | All taxable benefits (to nearest £100) | Bonus payments | Pension related benefits (to nearest £1,000) | Total (to nearest £1,000) | Total amount of salary and fees | All taxable benefits (to nearest £100) | Bonus payments | Pension related benefits (to nearest £1,000) | Total (to nearest £1,000) |
|   | £000                            | £000                                   | £000           | £000   | £000                      | £000                            | £000                                   | £000           | £000   | £000                      |
| <b>Michael Jennings<sup>7</sup></b><br>Principal Legal Advisor to the LAA to 8 January 2023         | 65-70<br>(FTE<br>90-95)         | –                                      | 5-10           | 5  | 75-80                     | 90-95                           | –                                      | 0-5            | 18   | 100-115                   |
| <b>Lucy Jones</b><br>Deputy Director, Head of Corporate Services                                    | 75-80                           | –                                      | 5-10           | 11   | 95-100                    | 75-80                           | –                                      | 5-10           | 23   | 105-110                   |
| <b>Samantha Milton</b><br>Deputy Director, Head of Exceptional and Complex Cases from 01 April 2021 | 65-70<br>(FTE<br>80-85)         | –                                      | –              | (1)  | 65-70                     | 75-80                           | –                                      | –              | 20   | 95-100                    |

7 Michael Jennings is remunerated through the Government Legal Department.

| Executive Board Members   | 2022-23                                 |  |                        |  |                                   | 2021-22                                 |  |                        |  |                                   |
|---|---|--|------------------------|--|-----------------------------------|---|--|------------------------|--|-----------------------------------|
|   | Total amount of salary and fees<br>£000 | All taxable benefits (to nearest £100)<br>£000 | Bonus payments<br>£000 | Pension related benefits (to nearest £1,000)<br>£000 | Total (to nearest £1,000)<br>£000 | Total amount of salary and fees<br>£000 | All taxable benefits (to nearest £100)<br>£000 | Bonus payments<br>£000 | Pension related benefits (to nearest £1,000)<br>£000 | Total (to nearest £1,000)<br>£000 |
| <b>Hannah Payne</b><br>Deputy Director,<br>Head of Contract Management and Assurance (Returned from Maternity leave 11 October 2021)<br><br>Deputy Director,<br>Head of Transformation (job share) from 11 October 2021 | 50-55<br>(FTE<br>75-80)                 | –  | 0-5                    | –  | 50-55                             | 25-30<br>(FTE<br>75-80)                 | –  | –                      | 12   | 40-45                             |
| <b>David Thomas</b><br>Deputy Director,<br>Head of Contract Management and Assurance  | 75-80                                   | –  | –                      | 14   | 90-95                             | 75-80                                   | –  | 0-5                    | 22   | 95-100                            |

### 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 8. Annual percentage change from the previous year in total salary and bonus of highest paid director and employees**

|                                    | 2022-23                         |                | 2021-22                         |                |
|------------------------------------|---------------------------------|----------------|---------------------------------|----------------|
|                                    | Total amount of salary and fees | Bonus payments | Total amount of salary and fees | Bonus payments |
|                                    | %                               | %              | %                               | %              |
| Employees <sup>8</sup>             | 7.5                             | 5.5            | 5.6                             | (17.2)         |
| Highest paid director <sup>9</sup> | 3.0                             | 266.7          | –                               | –              |

**Table 9. Ratio between highest paid directors' total remuneration and employees in the lower quartile, median and upper quartile**

| Financial Year        | Lower quartile | Median | Upper quartile |
|-----------------------|----------------|--------|----------------|
| 2022-23 <sup>10</sup> | 6.0:1          | 5.1:1  | 3.7:1          |
| 2021-22               | 5.4:1          | 4.5:1  | 3.3:1          |

**Table 10. Lower quartile, median and upper quartile for total staff remuneration**

|                                 | 2023           | 2022          | 2023          | 2022          | 2023           | 2022          |
|---------------------------------|----------------|---------------|---------------|---------------|----------------|---------------|
|                                 | Lower quartile |               | Median        |               | Upper quartile |               |
|                                 | £              | £             | £             | £             | £              | £             |
| Salary component                | 21,775         | 20,965        | 25,827        | 25,118        | 35,420         | 33,229        |
| <b>Total staff remuneration</b> | <b>21,975</b>  | <b>20,965</b> | <b>26,127</b> | <b>25,118</b> | <b>35,952</b>  | <b>34,262</b> |

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

9 Percentage changes have been calculated based on the 2022-23 employment costs in Table 7 on pages 62-64 for Executive Directors.

10 The pay ratios 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 62-64 of this Report.

The banded remuneration for the highest paid Executive Board Member in the LAA in the financial year 2022-23 was £130-135,000 (2021-22: £110-115,000). This was 5.1 times (2021-22: 4.5) the median remuneration of the workforce, which was £25,827 (2021-22: £25,118). These increases in banding and ratio are mainly driven by increases in bonus payments and benefits in kind.

In 2022-23, five staff members or contractors (2021-22: four) received banded remuneration in excess of the highest paid Executive Board Member.

Staff remuneration ranged from £15-20,000 to £185-£190,000 (2021-22: £15-20,000 to £140-145,000).

Total remuneration included salary, non-consolidated performance related pay and benefits in kind. 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 was implemented in August 2022.

The implementation of the pay award in 2022 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 11. Executive Board Members – employment contracts**

| Executive Board Members | Contract start date | Term served (years) | Notice period (months) |
|-------------------------|---------------------|---------------------|------------------------|
| Jane Harbottle          | 1 April 2016        | 7                   | 3                      |
| Lorna Maden             | 12 November 2018    | 4                   | 3                      |
| Alistair Adan           | 23 July 2019        | 3                   | 3                      |
| Joanna Fiddian          | 1 June 2020         | 2                   | 3                      |
| Lucy Jones              | 10 June 2019        | 3                   | 3                      |
| Samantha Milton         | 20 March 2017       | 6                   | 3                      |
| Hannah Payne            | 1 July 2018         | 4                   | 3                      |
| David Thomas            | 16 January 2017     | 6                   | 3                      |

Michael Jennings is employed by the Government Legal Department.

## Civil Service pension benefits

### Civil Service pensions

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

From that date all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three 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).

### Contribution rates

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 their 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**, **Classic Plus**, 65 for members of **Nuvos** and the higher of 65 or State Pension Age for members of **Alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **Alpha** as appropriate. Where the official has benefits in both the PCSPS and **Alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

**Table 12. Executive Board Members – pension costs for the year ended 31 March 2023 (subject to audit)**

|                  | Total accrued pension and related lump sum at pension age as at 31 March 2023 | Real movement in pension and related lump sum at pension age | CETV <sup>11</sup> at 31 March 2023 | CETV at 31 March 2022 | Real increase in CETV |
|------------------|---|--|-------------------------------------|-----------------------|-----------------------|
|                  | £000  | £000   | £000                                | £000                  | £000                  |
| Jane Harbottle   | 40-45   | 0-2.5  | 627                                 | 566                   | (6)                   |
| Lorna Maden      | Pension 40-45<br>Lump sum 115-120   | Pension 0<br>Lump sum 0                                      | 941                                 | 896                   | (32)                  |
| Alistair Adan    | 10-15   | 0-2.5  | 267                                 | 233                   | 12                    |
| Joanna Fiddian   | 10-15   | 0-2.5  | 108                                 | 93                    | 6                     |
| Michael Jennings | Pension 40-45<br>Lump sum 70-75   | Pension 0-2.5<br>Lump sum 0                                  | 734                                 | 665                   | (9)                   |
| Lucy Jones       | Pension 25-30<br>Lump sum 35-40   | Pension 0-2.5<br>Lump sum 0                                  | 322                                 | 290                   | (2)                   |
| Samantha Milton  | 35-40   | 0-2.5  | 532                                 | 487                   | (9)                   |
| Hannah Payne     | 10-15   | 0-2.5  | 108                                 | 103                   | –                     |
| David Thomas     | 25-30   | 0-2.5  | 303                                 | 271                   | –                     |

Taking account of inflation, the CETV funded by the employer has decreased in real terms.

### 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 because 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 that 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.

11 Cash Equivalent Transfer Value (CETV) amounts relate to when the Executive Board Member joined the Board.

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023, this guidance will be used in the calculation of 2023-24 CETV figures.

### Real increase in Cash Equivalent Transfer Value

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 2022-23. They will hold office until the end of the period for which they were appointed.

### Employment costs – NEBMs

**Table 13. NEBMs in post at 31 March 2023 – employment costs (subject to audit)**

| Non-Executive Board Member               | 2022-23              |                      | 2021-22              |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Total amount of fees | All taxable benefits | Total amount of fees | All taxable benefits |
|  | £000                 | £000                 | £000                 | £000                 |
| Calum Mercer <sup>12</sup><br>ARAC Chair | 10.5                 | –                    | 10.4                 | –                    |
| Deep Sagar                               | 8.0                  | –                    | 8.0                  | –                    |
| Suzanne Rab                              | 8.0                  | –                    | 8.0                  | –                    |

Callum Mercer left his post on 28 February 2023, Deep Sagar left his post on 31 May 2023.

### Employment contracts – NEBMs

**Table 14. NEBMs – employment contracts**

| Non-Executive Board Member | Contract start date | Term served (years) |
|----------------------------|---------------------|---------------------|
| Calum Mercer               | 1 January 2019      | 4                   |
| Suzanne Rab                | 1 April 2019        | 4                   |
| Deep Sagar                 | 1 December 2018     | 4                   |

<sup>12</sup> The remuneration includes £2,400 (2021-22: £2,400) as Chair of the LAA ARAC.



## Staff report

### Staff costs

**Table 15. Staff costs for the year ended 31 March 2023 (subject to audit)**

|   | 2022-23                    |            |               | 2021-22                    |            |               |
|---|----------------------------|------------|---------------|----------------------------|------------|---------------|
|   | Permanently employed staff | Other      | Total         | Permanently employed staff | Other      | Total         |
|   | £000                       | £000       | £000          | £000                       | £000       | £000          |
| Salaries and wages                                | 35,667                     | 336        | 36,003        | 35,330                     | 181        | 35,511        |
| Social security costs                             | 3,714                      | –          | 3,714         | 3,615                      | –          | 3,615         |
| Other pension costs                               | 9,021                      | –          | 9,021         | 8,890                      | –          | 8,890         |
|   | <b>48,402</b>              | <b>336</b> | <b>48,738</b> | <b>47,835</b>              | <b>181</b> | <b>48,016</b> |
| Less recoveries in respect of outward secondments | –                          | –          | –             | –                          | –          | –             |
| Redundancy and early departures <sup>13</sup>     | –                          | –          | –             | –                          | –          | –             |
|   | <b>48,402</b>              | <b>336</b> | <b>48,738</b> | <b>47,835</b>              | <b>181</b> | <b>48,016</b> |
| Fees to Non-Executive Board Members               | 27                         | –          | 27            | 26                         | –          | 26            |
| <b>Total</b>                                      | <b>48,429</b>              | <b>336</b> | <b>48,765</b> | <b>47,861</b>              | <b>181</b> | <b>48,042</b> |

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

For 2022-23, employer's contributions of £8,997,000 were payable to the PCSPS (2021-22: £8,766,000) at one of four rates in the range 26.6% to 30.3% (2021-22: 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. Employer's contributions of £89,000 (2021-22: £120,000) were paid to one or more of a panel of appointed stakeholder pension providers.

Nil people (2021-22: nil) retired early on ill health grounds, the total additional accrued pension liabilities in the year amounted to nil (2021-22: nil).

13 Redundancy and early departures disclosed in the table above relate to nil (2021-22: nil) full time equivalent staff.

## Staff numbers

Table 16. Average number of persons employed (subject to audit)

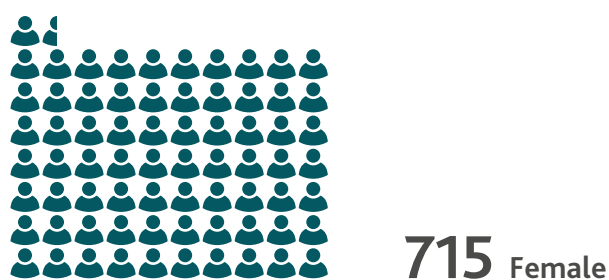
|                   | 2022-23                    |          |              | 2021-22                    |          |              |
|-------------------|----------------------------|----------|--------------|----------------------------|----------|--------------|
|                   | Permanently employed staff | Other    | Total        | Permanently employed staff | Other    | Total        |
| Directly employed | 1,090                      | –        | 1,090        | 1,112                      | –        | 1,112        |
| Other             | –                          | 3        | 3            | –                          | 4        | 4            |
| <b>Total</b>      | <b>1,090</b>               | <b>3</b> | <b>1,093</b> | <b>1,112</b>               | <b>4</b> | <b>1,116</b> |

Table 17. Staff composition (not subject to audit)

|                   | Male | Female |
|-------------------|------|--------|
| Staff composition | 452  | 715    |

Figure 3. Staff composition and senior Civil Service staff by band

### Staff composition\*



👤 = 10 people

### Senior civil staff by band\*

#### SCS Pay band 1

Female 👤 4

Male 👤 3.3

#### SCS Pay band 2

Female 👤 1

Male 👤 1

👤 = 1 person

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

## Diversity and Inclusion

We continue to promote an inclusive and welcoming environment, encouraging diversity and fair treatment for all.

In the 2022 Civil Service People Survey, 86% of those who took part (85% of total staff numbers) gave a positive response on the theme of Inclusion and Fair Treatment. Of the 102 Civil Service organisations that took part this was the seventh highest score achieved.

Through inclusive practices and action plans relating to race and disability we continue to build an inclusive culture. This work is supported by a network of champions, Mental Health Allies, LAA Staff Networks and working groups. These include gender, age, disability and race networks.

We support our networks in their delivery of events throughout the year, including sessions for International Men's Day, Disability Awareness Day and Stress Awareness Month. The LAA wellbeing programme provides events on an ongoing basis, promoting awareness and signposting our people to support available.

Some of our key activities during 2022-23 included:

- Delivered a rolling programme of deep dives into the Equality Act 2010 protected characteristics. Papers presented to the LAA People Committee outlined the position within the organisation for each characteristic regarding data, staff feedback, activity and issues, identifying any gaps to address.
- Delivered shared events as part of collaborative work with OPG, including joint events for National Inclusion Week, Black History Month and Stress Awareness Month.
- Provided domestic abuse and menopause awareness sessions.
- Our staff networks supported core corporate meetings, facilitated events for staff and shared lived experiences through personal storytelling.
- Continued to deliver against the LAA Race Action Plan, and Disability Action Plan, including commissioning a new development programme for ethnic minority staff and supporting the roll-out of the MOJ workplace adjustment service.
- Continued to deliver the actions in the LAA Tackling Unacceptable Behaviour Action Plan including providing training for line managers and piloting bystander training.

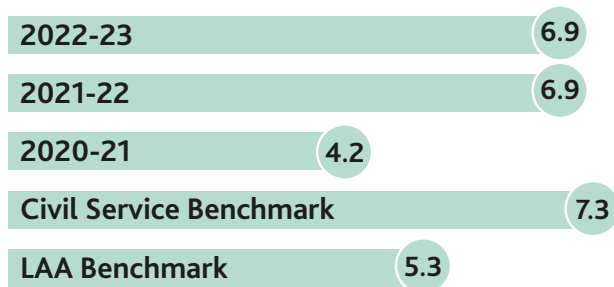
A key focus of the LAA People Plan was activity aimed at supporting LAA to become a truly diverse and inclusive employer of choice. This included improving the way we recruit, making improvements for candidates and the business, and ensuring fair, consistent and transparent use of reward and recognition.

### **Employment of disabled persons**

Following the LAA's Disability Confident Leaders re-accreditation in 2020-21 we have continued to deliver against our commitment, ensuring our recruitment practices are inclusive for all, being open to learning from people's experiences and ensuring our staff have access to the right workplace adjustments when they need them. In the past year we have reviewed our job adverts, updated our candidate information pack, encouraged the use of workplace passports and rolled out an improved stress risk assessment.

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

Absence is a key area of focus for both our People Committee and for the LAA Stress and Mental Health Group. A rolling wellbeing programme, regular wellbeing events and support for our people from dedicated staff ensures accessibility and clarity of the offer. A range of support is available and key events such as Time to Talk and Stress Awareness Month are used to raise awareness and encourage discussion. We implemented a revised stress risk assessment allowing our people to have focused and supportive discussions when they need them.

**Figure 4. Sickness absence data (average number of sick days)****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'.

**Table 18. Staff turnover**

|     | 2022-23  |                       | 2021-22  |                       |
|-----|----------|-----------------------|----------|-----------------------|
|     | Turnover | Departmental turnover | Turnover | Departmental turnover |
| LAA | 6.3%     | 8.3%                  | 4.7%     | 8.8%                  |

There were no exit packages in 2022-23 or the year before.

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 2022-23 was nil (2021-22: £3,600).

**Off-payroll engagements**

During the financial year 2022-23, the LAA has reviewed off-payroll engagements where we are required to consider intermediaries (IR35) legislation using HMRC guidance and online 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 2022-23 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 Value Added Tax (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

**Table 19. Losses and special payments**

|                              | 2022-23      |              | 2021-22      |              |
|------------------------------|--------------|--------------|--------------|--------------|
|                              | Volume       | £000         | Volume       | £000         |
| Write-offs                   | 4,280        | 8,860        | 4,292        | 7,601        |
| Special payments             | 52           | 99           | 46           | 26           |
| <b>Total value of losses</b> | <b>4,332</b> | <b>8,959</b> | <b>4,338</b> | <b>7,627</b> |

In accordance with Managing Public Money, individual losses over £300,000 are separately disclosed.

There were two supplier balances written off over £300,000 (2021-22: no supplier balance written off). £606,000 has been written off in relation to a provider firm that has ceased trading and gone into liquidation. The debt relates to previous Payments on Account for which final bills have not been received and therefore we cannot confirm whether the work was done. One recovery of defence costs order debt of £1,018,000 has been written off during the year. Our assessment is that further action will not lead to recovery of the debt and therefore the loss has been crystallised in 2022-23.

### 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 International Accounting Standard (IAS) 37 in note 16 to the Accounts, the LAA is required to disclose, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote. As at 31 March 2023 there were no such remote contingent liabilities (31 March 2022: none).

**Regularity of expenditure**

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 2022-23 are available on pages 52 and 54-55.

Signed for and on behalf of the Legal Aid Agency

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

**Jane Harbottle**

Chief Executive and Accounting Officer

Legal Aid Agency

14 July 2023

## 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 (LAA) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise the LAA's:

- Statement of Financial Position as at 31 March 2023;
- 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 LAA's affairs as at 31 March 2023 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 am independent of the LAA 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 LAA'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 LAA'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 LAA is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires 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 and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 LAA 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:

- Adequate accounting records have not been kept by the LAA or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the LAA from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the LAA'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 LAA 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the LAA's accounting policies;
- inquired of management, the LAA's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the LAA's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the LAA's controls relating to the LAA'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, and other relevant pieces of legislation stipulating legal aid fees;
- inquired of management, the LAA's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team, 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 LAA for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of the LAA's framework of authority and other legal and regulatory frameworks in which the Legal Aid Agency operates. I focused 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 LAA. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, employment law, tax legislation and the relevant pieces of legislation stipulating Legal Aid fees.

### **Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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](http://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 expenditure and income reported 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.

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  
17 July 2023  
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 2023



**Legal Aid Agency**  
**Statement of Comprehensive Net Expenditure**  
**for the year ended 31 March 2023**

|   |       | 2022-23          | 2021-22          |
|---|-------|------------------|------------------|
|   | Notes | £000             | £000             |
| Statutory charge interest                                       |       | (4,353)          | (4,713)          |
| Income under the legal aid schemes                              | 3     | (31,778)         | (29,205)         |
| Other income  |       | –                | (60)             |
| <b>Total operating income</b>                                   |       | <b>(36,131)</b>  | <b>(33,978)</b>  |
| Expenditure under the legal aid schemes                         | 4     | 2,008,576        | 1,823,096        |
| Staff costs   | 5     | 48,765           | 48,042           |
| Other operating expenditure                                     | 5     | 40,438           | 33,301           |
| Depreciation, amortisation and impairment                       | 5     | 6,381            | 9,145            |
| <b>Total operating costs</b>                                    |       | <b>2,104,160</b> | <b>1,913,584</b> |
| <b>Net operating costs</b>                                      |       | <b>2,068,029</b> | <b>1,879,606</b> |
| <b>Other comprehensive expenditure</b>                          |       |                  |                  |
| Net (gain)/loss on revaluation of intangibles                   | 6     | (627)            | 360              |
| Net (gain)/loss on revaluation of property, plant and equipment | 7     | 79               | (13)             |
| Net loss/(gain) on revaluation of right of use asset            | 8     | –                | –                |
| <b>Total comprehensive net expenditure</b>                      |       | <b>2,067,481</b> | <b>1,879,953</b> |

All income and expenditure are derived from continuing operations.

The notes on pages 91-131 form part of these financial statements.

## Legal Aid Agency Statement of Financial Position at 31 March 2023

|  |       | 31 March<br>2023   | 31 March<br>2022 |
|--|-------|--------------------|------------------|
|  | Notes | £000               | £000             |
| <b>Non-current assets</b>                    |       |                    |                  |
| Intangible assets                            | 6     | 23,070             | 26,600           |
| Property, plant and equipment                | 7     | 918                | 1,075            |
| Right-of-use assets                          | 8     | 7,610              | 5,208            |
| Trade and other receivables                  | 10    | 121,365            | 123,553          |
| <b>Total non-current assets</b>              |       | <b>152,963</b>     | <b>156,436</b>   |
| <b>Current assets</b>                        |       |                    |                  |
| Trade and other receivables                  | 10    | 52,751             | 57,720           |
| Cash and cash equivalents                    | 11    | 49,244             | 36,903           |
| <b>Total current assets</b>                  |       | <b>101,995</b>     | <b>94,623</b>    |
| <b>Total assets</b>                          |       | <b>254,958</b>     | <b>251,059</b>   |
| <b>Current liabilities</b>                   |       |                    |                  |
| Trade and other payables                     | 12    | (211,005)          | (202,305)        |
| Other financial liabilities                  | 13    | (928)              | (1,219)          |
| Provisions for liabilities and charges       | 14    | (859,894)          | (736,752)        |
| <b>Total current liabilities</b>             |       | <b>(1,071,827)</b> | <b>(940,276)</b> |
| <b>Total assets less current liabilities</b> |       | <b>(816,869)</b>   | <b>(689,217)</b> |
| <b>Non-current liabilities</b>               |       |                    |                  |
| Other financial liabilities                  | 13    | (6,199)            | (4,190)          |
| Provisions for liabilities and charges       | 14    | (794)              | (971)            |
| <b>Total non-current liabilities</b>         |       | <b>(6,993)</b>     | <b>(5,161)</b>   |
| <b>Total assets less liabilities</b>         |       | <b>(823,862)</b>   | <b>(694,378)</b> |



|                                |       | 31 March<br>2023 | 31 March<br>2022 |
|--------------------------------|-------|------------------|------------------|
|                                | Notes | £000             | £000             |
| <b>Taxpayers' equity</b>       |       |                  |                  |
| Revaluation reserve            |       | 2,775            | 2,625            |
| General reserve                |       | (826,637)        | (697,003)        |
| <b>Total taxpayers' equity</b> |       | <b>(823,862)</b> | <b>(694,378)</b> |

The notes on pages 91-131 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

14 July 2023

**Legal Aid Agency**  
**Statement of Cash Flows**  
**for the year ended 31 March 2023**

|   |       | 2022-23            | 2021-22            |
|---|-------|--------------------|--------------------|
|   | Notes | £000               | £000               |
| <b>Cash flows from operating activities</b>   |       |                    |                    |
| Net operating cost  | 2     | (2,068,029)        | (1,879,606)        |
| Adjustments for notional and non-cash transactions  | 4, 5  | 39,745             | 35,857             |
| Intra-departmental balances settled via general reserves  |       | (1,504)            | (473)              |
| (Increase)/decrease in trade and other receivables  | 10    | 7,158              | (13,380)           |
| Increase/(decrease) in trade and other payables   | 12    | 8,700              | 20,120             |
| Less movement in lease trade payables   |       | –                  | 88                 |
| Increase/(decrease) in financial liabilities  | 14    | 1,719              | 5,409              |
| Less repayments of principal on leases  | 8     | 1,880              | 622                |
| Less lease additions  | 8     | (3,658)            | (3,002)            |
| Less IFRS 16 initial recognition of lease liability   | 8     | –                  | (3,081)            |
| Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure |       | 297                | (420)              |
| Movement in provisions  | 14    | 122,965            | 58,664             |
| <b>Net cash outflow from operating activities</b>   |       | <b>(1,890,727)</b> | <b>(1,779,202)</b> |
| <b>Cash flows from investing activities</b>   |       |                    |                    |
| Purchase of intangible assets   |       | (1)                | (356)              |
| Purchase of property, plant and equipment   |       | (332)              | 362                |
| <b>Net cash outflow from investing activities</b>   |       | <b>(333)</b>       | <b>6</b>           |
| <b>Cash flows from financing activities</b>   |       |                    |                    |
| Supply funding from MOJ: revenue  |       | 1,905,245          | 1,778,912          |
| Supply funding from MOJ: capital  |       | 36                 | 414                |
| Repayments of principal on leases   |       | (1,880)            | (622)              |
| <b>Net cash inflow from financial activities</b>  |       | <b>1,903,401</b>   | <b>1,778,704</b>   |

|   |       | 2022-23       | 2021-22       |
|---|-------|---------------|---------------|
|   | Notes | £000          | £000          |
| Net increase/(decrease)<br>in cash and cash equivalents in year | 11    | 12,341        | (492)         |
| Cash and cash equivalents at the beginning of the year          | 11    | 36,903        | 37,395        |
| <b>Cash and cash equivalents at the end of the year</b>         | 11    | <b>49,244</b> | <b>36,903</b> |

The notes on pages 91-131 form part of these financial statements.

**Legal Aid Agency**  
**Statement of Changes in Taxpayers' Equity**  
**for the year ended 31 March 2023**

|  |       | Revaluation<br>reserve | General<br>reserve | Total              |
|--|-------|------------------------|--------------------|--------------------|
|  | Notes | £000                   | £000               | £000               |
| <b>Balance at 1 April 2022</b>         |       | <b>2,625</b>           | <b>(697,003)</b>   | <b>(694,378)</b>   |
| <b>Net operating cost for the year</b> | 2     | –                      | <b>(2,068,029)</b> | <b>(2,068,029)</b> |
| Supply funding from MOJ: revenue       |       | –                      | 1,905,245          | 1,905,245          |
| Supply funding from MOJ: capital       |       | –                      | 36                 | 36                 |
| <b>Other comprehensive expenditure</b> |       |                        |                    |                    |
| Net gain on revaluation                | 6,7,8 | 548                    | –                  | 548                |
| <b>Non-cash adjustments</b>            |       |                        |                    |                    |
| Intra-departmental adjustment          |       | –                      | (632)              | (632)              |
| Notional recharge from MOJ             | 5     | –                      | 33,058             | 33,058             |
| Notional external audit fee            | 5     | –                      | 290                | 290                |
| <b>Movement in reserves</b>            |       |                        |                    |                    |
| Transfers from revaluation reserve     |       | (398)                  | 398                | –                  |
| <b>Balance at 31 March 2023</b>        |       | <b>2,775</b>           | <b>(826,637)</b>   | <b>(823,862)</b>   |

|  |         | Revaluation<br>reserve | General<br>reserve | Total              |
|--|---------|------------------------|--------------------|--------------------|
|  | Notes   | £000                   | £000               | £000               |
| <b>Balance at 1 April 2021</b>         |         | <b>3,529</b>           | <b>(623,519)</b>   | <b>(619,990)</b>   |
| <b>Net operating cost for the year</b> | 2       | –                      | <b>(1,879,606)</b> | <b>(1,879,606)</b> |
| Supply funding from MOJ: revenue       |         | –                      | 1,778,912          | 1,778,912          |
| Supply funding from MOJ: capital       |         | –                      | 414                | 414                |
| <b>Other comprehensive expenditure</b> |         |                        |                    |                    |
| Net gain on revaluation                | 6, 7, 8 | (347)                  | –                  | (347)              |
| <b>Non-cash adjustments</b>            |         |                        |                    |                    |
| Intra-departmental adjustment          |         | –                      | (473)              | (473)              |
| Notional recharge from MOJ             | 5       | –                      | 26,462             | 26,462             |
| Notional external audit fee            | 5       | –                      | 250                | 250                |
| <b>Movement in reserves</b>            |         |                        |                    |                    |
| Transfers from revaluation reserve     |         | (557)                  | 557                | –                  |
| <b>Balance at 31 March 2022</b>        |         | <b>2,625</b>           | <b>(697,003)</b>   | <b>(694,378)</b>   |

The notes on pages 91-131 form part of these financial statements.

# Notes to the financial statements for the year ended 31 March 2023

## Note 1 – Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FRoM) 2022-23, under the direction issued by HM Treasury under the Government Resources and Accounts Act 2000. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the circumstances of the LAA for the purpose of giving a true and fair view has been selected. The accounting 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 6), leases (note 1p and note 11), trade and other receivables (note 10) and provisions for liabilities and charges (note 14). These notes contain further information about the nature of the estimates.

### Going concern

The LAA is an Executive Agency of the 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 policies and disclosures

### New and amended standards adopted

There have been no new or amended standards adopted in the financial year beginning 1 April 2022.

### New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2022 and not early adopted

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 HM Treasury. To assess the impact of the standard, the LAA will review contracts that 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) 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:

- transfers of property, plant and equipment
- intercompany purchase and sale transactions

## d) Segmental analysis

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.

## e) 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 PDS
- 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 charges**

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 that 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.

## **f) Expenditure**

Expenditure (notes 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



### **g) Employee benefits**

The LAA accrues for the expected cost of the annual leave entitlement of its employees in accordance with 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.

### **h) Pensions**

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 this 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.

### **i) Notional recharges**

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

The notional audit fee represents the cost of the annual external audit performed by the NAO on behalf of the Comptroller and Auditor General.

### **j) Accounting for Value Added Tax**

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

### **k) Assets under construction**

Assets under construction are valued at historical cost within property, plant and equipment and intangible assets as appropriate, 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.

### **l) 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 criterion is recognised as an expense as incurred.

The useful lives of internally developed software range from one 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. These 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.

### **m) 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.

### **n) 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 – five years
- Furniture and equipment – three to five years
- Information technology – three to five years
- Computer software – three to 15 years
- Right-of-use assets – the life of the lease

### **o) 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.

## p) 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 these 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 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 (0.95 for leases recognised in 2022, 3.51 for those in 2023). 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 LAA remains in occupation 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 IFRS Interpretations Committee 21 Levies. Where the Government Property Agency passes on the cost of VAT payable to a head landlord, but has not opted to tax the property, the VAT cost passed on is not expensed: it is included in the lease liability and right-of-use asset value.

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
- 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 amortisation 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 amortisation 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 other 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. For all other leases rental income is recognised on a straight-line basis.

## 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.

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 in line with 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 that are not individually low value are immaterial. Consequently, no non-property leases have been recognised in these accounts.

### q) 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 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.

### r) Financial instruments – assets

The LAA's financial assets comprise cash and cash equivalents, and trade and other receivables.

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

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

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

IFRS 13 applies the consideration of the three hierarchies set under the standard for determining fair value. This is explained in note 9. The practical application of IFRS 13 with reference to the LAA's assets is explained in note 10, including detail regarding key assumptions that 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.

### **s) 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 models used to generate these estimates and the actual impairments against the LAA's receivables is included in note 10 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.

### **t) Cash and cash equivalents**

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

## u) Financial instruments – 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.

### Liabilities measured at fair value

An analysis of fair values of financial instruments and further details of how they are measured is provided in financial risk identification and management (note 9) to these financial statements.

### Offsetting of financial instruments

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

## v) 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 14, 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.

**w) Contingent assets and liabilities**

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.

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.

**x) 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 18) to these financial statements.

**y) 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.



## Note 2 – Segmental analysis

The LAA divides net operating costs into three segments for making operational decisions and reporting to the LAA Board: 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:

|                            | 2022-23          | 2021-22          |
|----------------------------|------------------|------------------|
|                            | £000             | £000             |
| <b>Legal Aid Fund</b>      |                  |                  |
| Civil Representation       | 897,614          | 799,813          |
| Legal Help                 | 104,298          | 101,116          |
| Crime Lower                | 272,728          | 245,276          |
| Crime Higher               | 643,999          | 598,606          |
| Central Funds              | 59,659           | 50,542           |
| Administration             | 89,731           | 84,253           |
| <b>Net operating costs</b> | <b>2,068,029</b> | <b>1,879,606</b> |

**Note 3 – Income under the legal aid schemes**

|   | 2022-23       | 2021-22       |
|---|---------------|---------------|
|   | £000          | £000          |
| <b>Civil Representation</b>                   |               |               |
| Contributions by funded clients               | 3,621         | 4,853         |
| Recoveries from damages and statutory charges | 6,167         | 6,846         |
|   | <b>9,788</b>  | <b>11,699</b> |
| <b>Criminal cases</b>                         |               |               |
| Crown Court recoveries                        | 21,678        | 17,447        |
| Recovery of defence costs                     | –             | 12            |
| Public Defender Service income                | 312           | 47            |
|   | <b>21,990</b> | <b>17,506</b> |
| <b>Total</b>                                  | <b>31,778</b> | <b>29,205</b> |

## Note 4 – Expenditure under the legal aid schemes

|  | 2022-23        | 2021-22        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Civil Representation</b>  |                |                |
| Solicitors' charges, counsel fees and disbursements (provided in year – note 14) |                |                |
| Bills submitted in year  | 837,864        | 798,968        |
| Provision for work in progress movement  | 74,246         | 20,373         |
| Refund of contributions  | 725            | 1,061          |
| Costs of successful unassisted parties   | 796            | 1,142          |
| Movement in fair value reduction for statutory charge secured debt               | (225)          | 2,465          |
| Movement in fair value reduction for statutory charge interest debt              | 1,001          | (5,847)        |
| Debt impairment and write-offs   | (4,156)        | 4,720          |
| Discount of debt   | 1,340          | (6,835)        |
|  | <b>911,591</b> | <b>816,047</b> |
| <b>Legal Help</b>  |                |                |
| Solicitors' charges, counsel fees and disbursements (provided in year – note 14) |                |                |
| Bills submitted in year  | 97,972         | 88,711         |
| Provision for work in progress movement  | 1,772          | 7,198          |
| Direct services  | 4,899          | 4,959          |
| Debt impairment and write-offs   | (718)          | (153)          |
| Discount of debt   | (26)           | (18)           |
|  | <b>103,899</b> | <b>100,697</b> |

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

|  | 2022-23          | 2021-22          |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Crime Lower</b>   |                  |                  |
| Solicitors' charges, counsel fees and disbursements (provided in year – note 14) |                  |                  |
| Bills submitted in year  | 252,654          | 244,977          |
| Provision for work in progress movement  | 14,253           | (5,224)          |
| Direct services and Public Defender Service                                      | 4,195            | 3,628            |
| Debt impairment and write-offs   | (125)            | (14)             |
| Discount of debt   | (3)              | (4)              |
|  | <b>270,974</b>   | <b>243,363</b>   |
| <b>Crime Higher</b>  |                  |                  |
| Solicitors' charges, counsel fees and disbursements (provided in year – note 14) |                  |                  |
| Bills submitted in year  | 617,076          | 583,639          |
| Provision for work in progress movement  | 29,092           | 29,979           |
| Direct services and Public Defender Service                                      | 267              | 152              |
| Debt impairment and write-offs   | 13,841           | 7,443            |
| Discount of debt   | 2,178            | (8,766)          |
|  | <b>662,454</b>   | <b>612,447</b>   |
| <b>Central Funds</b>   |                  |                  |
| Central Fund expenditure (provided in year – note 14)                            |                  |                  |
| Defence cost orders awarded in Crown and magistrates' courts                     | 42,424           | 31,303           |
| Provision for work in progress movement  | 3,268            | 6,948            |
| Interpreters and other   | 13,966           | 12,291           |
|  | <b>59,658</b>    | <b>50,542</b>    |
| Depreciation expense   | 95               | 84               |
| <b>Total</b>   | <b>2,008,671</b> | <b>1,823,180</b> |

## Note 5 – Staff and other costs

|  | 2022-23       | 2021-22       |
|--|---------------|---------------|
|  | £000          | £000          |
| <b>Staff costs</b>                                       |               |               |
| Wages and salaries                                       | 36,030        | 35,537        |
| Social security costs                                    | 3,714         | 3,615         |
| Other pension costs                                      | 9,021         | 8,890         |
|  | <b>48,765</b> | <b>48,042</b> |
| <b>Other operating expenditure</b>                       |               |               |
| Accommodation and related costs                          | 2,216         | 2,423         |
| Property rentals not falling within IFRS 16              | 253           | 1,015         |
| Office, IT and service running costs                     | 1,711         | 1,705         |
| Staff and committee member related costs                 | 736           | 30            |
| Legal and professional costs                             | 1,141         | 1,074         |
| Service level agreements with HMCTS                      | 106           | 100           |
| Lease interest expense                                   | 119           | 34            |
| Other administration costs                               | 539           | 411           |
| <b>Non-cash costs</b>                                    |               |               |
| Notional recharge from MOJ                               | 33,058        | 26,549        |
| Notional external audit fee                              | 290           | 250           |
| Movement in provision for legal costs and dilapidations  | 269           | (290)         |
|  | <b>40,438</b> | <b>33,301</b> |
| <b>Depreciation, amortisation and impairment charges</b> |               |               |
| Amortisation of intangibles                              | 5,028         | 8,252         |
| Depreciation of property, plant and equipment            | 108           | 106           |
| Amortisation of right-of-use assets                      | 1,150         | 703           |
|  | <b>6,286</b>  | <b>9,061</b>  |
| <b>Total</b>   | <b>95,489</b> | <b>90,404</b> |

## Note 6 – Intangible assets

|  | Computer software | Assets under construction | Total         |
|--|-------------------|---------------------------|---------------|
|  | £000              | £000                      | £000          |
| <b>Cost or valuation</b>               |                   |                           |               |
| At 1 April 2022                        | 83,549            | 146                       | 83,695        |
| Reclassifications                      | 870               | (870)                     | –             |
| Additions                              | 1                 | –                         | 1             |
| Disposals                              | 80                | –                         | 80            |
| Transfers from MOJ                     | –                 | 870                       | 870           |
| Revaluations                           | 2,376             | –                         | 2,376         |
| <b>At 31 March 2023</b>                | <b>86,876</b>     | <b>146</b>                | <b>87,022</b> |
| <b>Amortisation</b>                    |                   |                           |               |
| At 1 April 2022                        | 57,095            | –                         | 57,095        |
| Charged in year                        | 5,028             | –                         | 5,028         |
| Disposals                              | 80                | –                         | 80            |
| Revaluations                           | 1,749             | –                         | 1,749         |
| <b>At 31 March 2023</b>                | <b>63,952</b>     | <b>–</b>                  | <b>63,952</b> |
| <b>Net book value at 31 March 2023</b> | <b>22,924</b>     | <b>146</b>                | <b>23,070</b> |

The revaluation reserve of £2,775,000 at 31 March 2023 includes £2,148,000 (31 March 2022: £1,919,000) relating to intangible assets.

All intangible assets are owned by the LAA.

## Note 6 – Intangible assets (continued)

|  | Computer software | Assets under construction | Total         |
|--|-------------------|---------------------------|---------------|
|  | £000              | £000                      | £000          |
| <b>Cost or valuation</b>               |                   |                           |               |
| At 1 April 2021                        | 90,771            | 146                       | 90,917        |
| Disposals                              | (6,007)           | –                         | (6,007)       |
| Revaluations                           | (1,215)           | –                         | (1,215)       |
| <b>At 31 March 2022</b>                | <b>83,549</b>     | <b>146</b>                | <b>83,695</b> |
| <b>Amortisation</b>                    |                   |                           |               |
| At 1 April 2021                        | 55,705            | –                         | 55,705        |
| Charged in year                        | 8,252             | –                         | 8,252         |
| Disposals                              | (6,007)           | –                         | (6,007)       |
| Revaluations                           | (855)             | –                         | (855)         |
| <b>At 31 March 2022</b>                | <b>57,095</b>     | <b>–</b>                  | <b>57,095</b> |
| <b>Net book value at 31 March 2022</b> | <b>26,454</b>     | <b>146</b>                | <b>26,600</b> |

## Note 7 – Property, plant and equipment

|  | Information technology | Furniture and equipment | Assets under construction | Total        |
|--|------------------------|-------------------------|---------------------------|--------------|
|  | £000                   | £000                    | £000                      | £000         |
| <b>Cost or valuation</b>               |                        |                         |                           |              |
| At 1 April 2022                        | 7,785                  | 309                     | 787                       | 8,881        |
| Additions                              | –                      | 24                      | 11                        | 35           |
| Reclassifications                      | –                      | 319                     | (319)                     | –            |
| Revaluations                           | 219                    | (73)                    | –                         | 146          |
| <b>At 31 March 2023</b>                | <b>8,004</b>           | <b>579</b>              | <b>479</b>                | <b>9,062</b> |
| <b>Depreciation</b>                    |                        |                         |                           |              |
| At 1 April 2022                        | 7,785                  | 21                      | –                         | 7,806        |
| Charged in year                        | –                      | 113                     | –                         | 113          |
| Revaluations                           | 219                    | 6                       | –                         | 225          |
| <b>At 31 March 2023</b>                | <b>8,004</b>           | <b>140</b>              | <b>–</b>                  | <b>8,144</b> |
| <b>Net book value at 31 March 2023</b> | <b>–</b>               | <b>439</b>              | <b>479</b>                | <b>918</b>   |

Additions include £479,000 of capital accruals at 31 March 2023 (31 March 2022: £776,000).

The revaluation reserve of £2,775,000 at 31 March 2023 includes £627,000 (31 March 2022: £706,000) relating to property, plant and equipment.

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



## Note 7 – Property, plant and equipment (continued)

|  | Information technology | Furniture and equipment | Assets under construction | Total        |
|--|------------------------|-------------------------|---------------------------|--------------|
|  | £000                   | £000                    | £000                      | £000         |
| <b>Cost or valuation</b>               |                        |                         |                           |              |
| At 1 April 2021                        | 7,891                  | 706                     | 1                         | 8,598        |
| Additions                              | –                      | (372)                   | 786                       | 414          |
| Revaluations                           | (106)                  | (25)                    | –                         | (131)        |
| <b>At 31 March 2022</b>                | <b>7,785</b>           | <b>309</b>              | <b>787</b>                | <b>8,881</b> |
| <b>Depreciation</b>                    |                        |                         |                           |              |
| At 1 April 2021                        | 7,847                  | (3)                     | –                         | 7,844        |
| Charged in year                        | 44                     | 62                      | –                         | 106          |
| Revaluations                           | (106)                  | (38)                    | –                         | (144)        |
| <b>At 31 March 2022</b>                | <b>7,785</b>           | <b>21</b>               | <b>–</b>                  | <b>7,806</b> |
| <b>Net book value at 31 March 2022</b> | <b>–</b>               | <b>288</b>              | <b>787</b>                | <b>1,075</b> |

## Note 8 – Leases

### Right-of-use leased assets

|  | 2022-23      | 2021-22      |
|--|--------------|--------------|
|  | £000         | £000         |
| <b>Cost or valuation</b>                         |              |              |
| At 1 April                                       | 5,995        | –            |
| Initial recognition on implementation of IFRS 16 | –            | 2,993        |
| Additions  | 3,658        | 3,002        |
| Remeasurement                                    | –            | –            |
| <b>At 31 March</b>                               | <b>9,653</b> | <b>5,995</b> |
| <b>Amortisation</b>                              |              |              |
| At 1 April                                       | 787          | –            |
| Charged in year                                  | 1,256        | 787          |
| <b>At 31 March</b>                               | <b>2,043</b> | <b>787</b>   |
| <b>Net book value at 31 March</b>                | <b>7,610</b> | <b>5,208</b> |

LAA's right-of-use leased assets are all building leases.

### Lease liabilities

|   | 31 March<br>2023 | 31 March<br>2022 |
|---|------------------|------------------|
|   | £000             | £000             |
| Not later than one year                           | 928              | 1,260            |
| Later than one year and not later than five years | 3,895            | 2,782            |
| Later than five years                             | 2,548            | 1,544            |
| <b>Gross cash flows</b>                           | <b>7,371</b>     | <b>5,586</b>     |
| Less interest element                             | (244)            | (177)            |
| <b>Present value of obligations</b>               | <b>7,127</b>     | <b>5,409</b>     |

An analysis of discounted cashflows relating to lease liabilities, between current and non-current, is presented in note 13.

## Note 8 – Leases (continued)

### Amounts recognised in the Statement of Comprehensive Net Expenditure

|                                 | 2022-23      | 2021-22      |
|---------------------------------|--------------|--------------|
|                                 | £000         | £000         |
| Depreciation                    | 1,256        | 787          |
| Interest expense                | 122          | 37           |
| Low value and short-term leases | 253          | 1,015        |
| <b>Total</b>                    | <b>1,631</b> | <b>1,839</b> |

### Amounts recognised in the Statement of Cash Flows

|                                  | 2022-23      | 2021-22    |
|----------------------------------|--------------|------------|
|                                  | £000         | £000       |
| Repayment of principal on leases | 1,758        | 585        |
| Interest expense                 | 122          | 37         |
| <b>Total</b>                     | <b>1,880</b> | <b>622</b> |

## Note 9 – 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 MOJ, 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 put in place 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 2023, £94 million (31 March 2022: £93.7 million) 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 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 that 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.

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

An explanation of the treatment of receivables is provided in note 10, trade and other receivables.

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

|   | 31 March<br>2023 | 31 March<br>2022 |
|---|------------------|------------------|
|   | £000             | £000             |
| Cash and cash equivalents                 | 49,244           | 36,903           |
| Trade and other receivables – current     | 52,751           | 57,720           |
| Trade and other receivables – non-current | 121,365          | 123,553          |
| Trade and other payables – current        | (211,005)        | (202,305)        |
| Lease liabilities – current               | (928)            | (1,219)          |
| Lease liabilities – non-current           | (6,199)          | (4,190)          |
| <b>Total</b>                              | <b>5,228</b>     | <b>10,462</b>    |

As at 31 March 2023 there were no financial guarantees or third-party obligations, other than amounts held as damages on deposit and Crown Court means contributions, that increased the credit risk of the financial assets set out above.

## Note 10 – Trade and other receivables

|  | 31 March<br>2023 | 31 March<br>2022 |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Amounts recoverable within one year</b>     |                  |                  |
| Statutory charge                               | 6,338            | 6,925            |
| Statutory charge interest                      | 5,042            | 5,569            |
| Contributions due from funded clients          | 959              | 631              |
| Costs to be recovered                          | 315              | 292              |
| Damages  | 108              | –                |
| Recovery of defence costs                      | 5,081            | 6,894            |
| Amounts due from service providers             | 28,813           | 30,664           |
| Prepayments and accrued income                 | 201              | 152              |
| Intra-departmental debtors                     | 4,877            | 5,261            |
| Other receivables                              | 1,017            | 1,332            |
|  | <b>52,751</b>    | <b>57,720</b>    |
| <b>Amounts recoverable later than one year</b> |                  |                  |
| Statutory charge                               | 43,544           | 44,475           |
| Statutory charge interest                      | 40,782           | 37,993           |
| Contributions due from funded clients          | 4,420            | 4,860            |
| Costs to be recovered                          | 1,088            | 728              |
| Damages  | 254              | –                |
| Recovery of defence costs                      | 31,277           | 35,497           |
|  | <b>121,365</b>   | <b>123,553</b>   |
| <b>Total</b>                                   | <b>174,116</b>   | <b>181,273</b>   |

Under the Legal Aid Act 1974, the Legal Aid Act 1988, the Access to Justice Act 1999 and the LASPO Act 2012, where funded clients have recovered or preserved property rather than obtaining damages, recoverable costs may be secured by a charge against the property. Under the Community Legal Service (Financial) Regulations 2000 as amended by the Community Legal Service (Financial) (Amendment) Regulations 2005 and the Civil Legal Aid (Statutory Charge) Regulations 2013, some of these debts are interest bearing debts that 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 that 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 (31 March 2022: 1.9% nominal and (1.1%) and (0.2%) in excess of RPI real until February 2030 and post February 2030 respectively).

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 that 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<br>2023 | 31 March<br>2022 |
|---|------------------|------------------|
|   | £000             | £000             |
| <b>Current</b>  |                  |                  |
| Gross debt  | 138,704          | 149,098          |
| Provision for impairment and cumulative fair value losses | (85,953)         | (91,378)         |
|   | <b>52,751</b>    | <b>57,720</b>    |
| <b>Non-current</b>  |                  |                  |
| Gross debt  | 283,223          | 278,746          |
| Provision for impairment and cumulative fair value losses | (161,858)        | (155,193)        |
|   | <b>121,365</b>   | <b>123,553</b>   |
| <b>Total</b>  | <b>174,116</b>   | <b>181,273</b>   |



## Note 10 – Trade and other receivables (continued)

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

|   | 31 March 2023     |   |                   | 31 March 2022     |
|---|-------------------|---|-------------------|-------------------|
|   | Gross receivables | Provision for impairment and cumulative fair value losses | Total receivables | Total receivables |
|   | £000              | £000  | £000              | £000              |
| <b>Fair value through the profit and loss</b> |                   |   |                   |                   |
| Statutory charge (secured)                    | 74,205            | (26,035)  | 48,170            | 50,165            |
| Statutory charge interest                     | 60,943            | (15,119)  | 45,824            | 43,562            |
| <b>Amortised cost</b>                         |                   |   |                   |                   |
| Statutory charge (unsecured)                  | 4,277             | (2,565)   | 1,712             | 1,235             |
| Contributions due from funded clients         | 34,775            | (29,396)  | 5,379             | 5,491             |
| Costs to be recovered                         | 5,279             | (3,876)   | 1,403             | 1,020             |
| Damages                                       | 2,445             | (2,083)   | 362               | –                 |
| Recovery of defence costs                     | 166,914           | (130,556)   | 36,358            | 42,391            |
| Amounts due from service providers            | 66,994            | (38,181)  | 28,813            | 30,664            |
| Prepayments and secured income                | 201               | –   | 201               | 152               |
| Intra-departmental debtors                    | 4,877             | –   | 4,877             | 5,261             |
| Other receivables                             | 1,017             | –   | 1,017             | 1,332             |
| <b>Total</b>                                  | <b>421,927</b>    | <b>(247,811)</b>  | <b>174,116</b>    | <b>181,273</b>    |

## Note 10 – Trade and other receivables (continued)

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

|   | Held at<br>amortised<br>cost | Held at<br>fair value<br>through the<br>profit and<br>loss | Total          |
|---|------------------------------|--|----------------|
|   | £000                         | £000   | £000           |
| <b>At 1 April 2022 (reclassified*)</b>  | <b>87,546</b>                | <b>93,727</b>  | <b>181,273</b> |
| Repayment of gross fund debt  | (61,845)                     | (10,073)   | (71,918)       |
| New gross fund debt   | 64,487                       | 5,168  | 69,655         |
| Fair value adjustment of fund debt through<br>Statement of Comprehensive net income                 | –                            | 5,172  | 5,172          |
| Increase in impairment of fund debt through<br>Statement of Comprehensive Net Expenditure           | (9,420)                      | –  | (9,420)        |
| Movement in prepayments, accrued income,<br>intra-departmental receivables and other<br>receivables | (646)                        | –  | (646)          |
| <b>At 31 March 2023</b>   | <b>80,122</b>                | <b>93,994</b>  | <b>174,116</b> |

\*The 1 April 2022 figures include a reclassification of £11.9m between amortised cost and fair value.

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 that total £247.8 million (31 March 2022: £246.6 million).

The majority of the LAA's trade and other receivables are the result of a statutory charge: £94 million (31 March 2022: £93.7 million) out of a total receivables balance after impairment of £174.1 million (31 March 2022: £181.3 million).

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 that 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 2023.

Past payment profiles used in the estimation of the receivables impairment have been adjusted to ignore variations in repayment profiles seen during the COVID-19 pandemic, since the LAA do not believe that repayment behaviour from this period is representative of likely behaviour going forwards.

There is no additional adjustment in the impairment of the LAA's receivables at 31 March 2023 to reflect the potential future impact of current levels of inflation. 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 that result in the repayment of the debt.

The impact of a 10% reduction in cash receipts across both secured and unsecured debt is shown below, 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 -1.3% and -0.2% in excess of RPI real until February 2030 and post February 2030 respectively (2021-22: 1.9% nominal and -0.2% 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 10 – Trade and other receivables (continued)

|  |                         | 31 March<br>2023                               | 31 March<br>2022 |
|--|-------------------------|--|------------------|
|  |                         | Increase/(decrease) in<br>net financial assets |                  |
| Assumptions tested   | Assumption              | £m   | £m               |
| Income received  | Evenly through the year | 2.4  | 1.7              |
| Expected cash inflows based on historic repayment profiles | +10%                    | 9.7  | 14.6             |
| Expected cash inflows based on historic repayment profiles | -10%                    | (10.3)   | (14.7)           |
| Discount rate  | +1%                     | (9.1)  | (8.4)            |
| Discount rate  | -1%                     | 10.5   | 9.4              |
| <b>Highest change</b>                                      |                         | <b>22.6</b>                                    | <b>25.7</b>      |
| <b>Lowest change</b>                                       |                         | <b>(19.3)</b>                                  | <b>(23.1)</b>    |

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

## Note 11 – Cash and cash equivalents

|                        | 2022-23       | 2021-22       |
|------------------------|---------------|---------------|
|                        | £000          | £000          |
| At 1 April             | 36,903        | 37,395        |
| Net change in balances | 12,341        | (492)         |
| <b>At 31 March</b>     | <b>49,244</b> | <b>36,903</b> |

The balances were held at:

|                            | 31 March<br>2023 | 31 March<br>2022 |
|----------------------------|------------------|------------------|
|                            | £000             | £000             |
| Government Banking Service | 37,031           | 26,792           |
| Commercial banks           | 12,213           | 10,111           |
| <b>Total</b>               | <b>49,244</b>    | <b>36,903</b>    |

## Note 12 – Trade and other payables

|  | 31 March<br>2023 | 31 March<br>2022 |
|--|------------------|------------------|
|  | £000             | £000             |
| Amounts due to solicitors, counsel and advice agencies | 70,841           | 59,638           |
| Contribution refunds due to funded clients             | 2,048            | 1,284            |
| Taxation and social security costs                     | 842              | 1,224            |
| Intra-departmental creditors                           | 8,582            | 6,357            |
| Other payables   | 7,831            | 8,667            |
| Accruals for solicitors, counsel and advice agencies   | 120,861          | 125,135          |
| <b>Total</b>   | <b>211,005</b>   | <b>202,305</b>   |

All trade and other payables fall due within one year.

## Note 13 – Other financial liabilities

|                                 | 31 March<br>2023 | 31 March<br>2022 |
|---------------------------------|------------------|------------------|
|                                 | £000             | £000             |
| Lease liabilities – current     | 928              | 1,219            |
| Lease liabilities – non-current | 6,199            | 4,190            |
| <b>Total</b>                    | <b>7,127</b>     | <b>5,409</b>     |

Further information on lease liabilities and the related right-of-use assets is provided in note 8.

## Note 14 – Provisions for liabilities and charges

|                               | Funded cases   | Central Funds | Legal costs | Dilapidations | Total          |
|-------------------------------|----------------|---------------|-------------|---------------|----------------|
|                               | £000           | £000          | £000        | £000          | £000           |
| At 1 April 2022               | 710,947        | 25,463        | 107         | 1,206         | 737,723        |
| Provided in year              | 1,924,930      | 45,692        | 281         | 252           | 1,971,155      |
| Utilised in year              | (1,805,566)    | (42,424)      | (35)        | (165)         | (1,848,190)    |
| Not required and written back | –              | –             | –           | –             | –              |
| <b>At 31 March 2023</b>       | <b>830,311</b> | <b>28,731</b> | <b>353</b>  | <b>1,293</b>  | <b>860,688</b> |
| 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      |
| Utilised in year              | (1,716,295)    | (31,303)      | (292)       | (118)         | (1,748,008)    |
| Not required and written back | –              | –             | (36)        | (364)         | (400)          |
| <b>At 31 March 2022</b>       | <b>710,947</b> | <b>25,463</b> | <b>107</b>  | <b>1,206</b>  | <b>737,723</b> |

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 2022         | 224,643              | 45,687        | 32,043        | 408,574        | 710,947        |
| Provided in year        | 912,112              | 99,745        | 266,907       | 646,166        | 1,924,930      |
| Utilised in year        | (837,864)            | (97,972)      | (252,654)     | (617,076)      | (1,805,566)    |
| <b>At 31 March 2023</b> | <b>298,891</b>       | <b>47,460</b> | <b>46,296</b> | <b>437,664</b> | <b>830,311</b> |
| 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      |
| Utilised in year        | (798,968)            | (88,711)      | (244,977)     | (583,639)      | (1,716,295)    |
| <b>At 31 March 2022</b> | <b>224,643</b>       | <b>45,687</b> | <b>32,043</b> | <b>408,574</b> | <b>710,947</b> |

## Note 14 – Provisions for liabilities and charges (continued)

The expected timings of discounted cash flows are as follows:

|   | Funded cases   | Central Funds | Legal costs | Dilapidations | Total          |
|---|----------------|---------------|-------------|---------------|----------------|
|   | £000           | £000          | £000        | £000          | £000           |
| Not later than one year                           | 830,311        | 28,731        | 353         | 499           | 859,894        |
| Later than one year and not later than five years | –              | –             | –           | 584           | 584            |
| Later than five years                             | –              | –             | –           | 210           | 210            |
| <b>At 31 March 2023</b>                           | <b>830,311</b> | <b>28,731</b> | <b>353</b>  | <b>1,293</b>  | <b>860,688</b> |
| 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            |
| Later than five years                             | –              | –             | –           | 209           | 209            |
| <b>At 31 March 2022</b>                           | <b>710,947</b> | <b>25,463</b> | <b>107</b>  | <b>1,206</b>  | <b>737,723</b> |

### Funded cases

The LAA funds legal aid across four main schemes: Civil Representation, Legal Help, Crime Higher and Crime Lower. At any point in time there will be unbilled costs for each of these schemes, pertaining to live cases. The value of unbilled work and costs is estimated each year using complex models and based on the latest data available. The resulting work in progress (WIP) provisions are estimates of the expenditure required to settle any obligation in existence at the end of the reporting period. As per IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', WIP liabilities are recognised as provisions, rather than as payables, due to the measurement 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 that would have been used 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 that 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 before 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:

- **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.
- **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.
- **Average bill value:** The model implicitly assumes that recent historical bill values are an indicator of future bill values for equivalent workstreams.

Provider COVID-19 billing behaviour: the COVID-19 pandemic prompted significant changes in the pattern of provider billing, with more frequent claims throughout the lifetime of cases. In addition to this, the cost of cases for work in the family courts has increased at an accelerated rate. These two relatively sudden changes would not ordinarily have been picked up through the model's consideration of historical billing patterns, so an adjustment has been applied to the model to amend the billing profiles to reflect these more recent developments. This adjustment is applied through assessing the extent to which billing frequency and price have varied before and after the COVID-19 pandemic and adjusting the profiles that are generated based on pre-pandemic data to account for this movement. The effect of this is to assume that liabilities for work in progress tend to be held for less time due to the increased billing frequency, but for higher values due to increased case costs.



### 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 in net financial liability |      | (Decrease) in net financial liability |        |
|--------------------------------------|-------------------------------------|------|---------------------------------------|--------|
|                                      | Assumption                          | £m   | Assumption                            | £m     |
| Duration profile <sup>14</sup>       | Max duration + 1 year               | 25.6 | Max duration + 1 year                 | (25.6) |
| Final billing duration <sup>15</sup> | +15 days                            | 0.2  | -15 days                              | (0.2)  |
| Average final bill value             | +15%                                | 46.4 | -15%                                  | (46.4) |
| Profile variance <sup>16</sup>       | -15%                                | 21.9 | +15%                                  | (34.9) |

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2023 could be higher by up to +22.3% (£94.1 million) or lower by up to -25.4% (-£107.1 million).

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.

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- 14 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 one year. We have assumed this degree of variance can be seen in either direction. We have assumed this degree of variance can be seen in either direction.
- 15 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.
- 16 Profile variance: In estimating the provision, we have made an adjustment to calculated billing profiles to account for recent changes in value and billing duration. These adjustments are based on emerging trends and therefore are subject to some uncertainty, which this variance represents.

### Legal Help: valuation methodology

Legal Help relates to initial advice and assistance provided for civil legal issues and 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 that 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 on 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:

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

### Legal Help: COVID-19 adjustments

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

- **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 that 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 on 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:

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

### **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 MOJ 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.

### **Crime Higher non-Graduated Fee Scheme work: valuation methodology**

There is a small element of expenditure within Crime Higher that is not remunerated via the Crown Court graduated fee schemes. This includes work in Higher Courts (Supreme Court and Court of Appeal), Higher Court Discretionary Costs and Very High Cost Cases.

In these areas, the provision is calculated through working backwards from a forecast of expenditure in the relevant areas. These forecasts are maintained by the MOJ and are subject to robust routine governance. Historical billing information for these areas is used to determine profiles denoting the average length of time that passes between the start of a case and the bill being submitted to the LAA. These profiles are then used to determine the level of unbilled costs that would be required to result in the forecast level of expenditure in future periods.

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

| Assumptions tested           | Increase in net financial liability |      | (Decrease) in net financial liability |        |
|------------------------------|-------------------------------------|------|---------------------------------------|--------|
|                              | Assumption                          | £m   | Assumption                            | £m     |
| Forecast spend <sup>17</sup> | 1.6%                                | 1.0  | -11.1%                                | (7.2)  |
| Case durations <sup>18</sup> | 11.9%                               | 18.6 | -13.1%                                | (20.5) |
| Price profiles <sup>19</sup> | 5.9%                                | 4.1  | -4.1%                                 | (2.8)  |

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2023 could be higher by up to +13.8% (£23.7 million) or lower by up to -17.8% (£30.5 million).

### 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:

- **Duration profile:** the model implicitly assumes that recent case duration profiles are an indicator of future case duration profiles for equivalent workstreams.
- **Completion rates:** the model implicitly assumes that historical representation order completion rates are indicative of future completion rates.
- **Interim completions:** the model implicitly assumes that the proportion of cases that have received an interim bill that later go on to have further bills remains consistent over time.
- **Average bill value:** the model implicitly assumes that recent historical bill values are an indicator of future bill values for equivalent workstreams.

17 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.

18 Case 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.

19 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.

Since the start of the COVID-19 pandemic, model profiles have been constructed entirely from data relating to cases that finished prior to March 2020, with any adjustments deemed necessary due to ongoing pandemic-driven effects overlaid. Beyond March 2020 the impacts of the pandemic on levels of demand and court activity created various effects in the data that it was deemed were not representative of likely behaviour going forwards, and so did not form a reliable profile baseline. In 2022-23, activity in the Crown Court has sufficiently stabilised that the LAA now have a sufficient baseline of post-pandemic data to construct profiles driven entirely by these more recent data, and so profiles have been updated on this basis.

The Crime Higher graduated fee schemes allow for Legal Aid providers to claim disbursements for incidental and third-party costs. Where the value of these disbursements exceeds £100, providers can claim on an interim basis as and when the expense arises. On this basis, in prior years our provision for unbilled work did not account for disbursement costs. Recent analysis suggests that a majority of disbursements are not claimed on an interim basis, and the decision has therefore been taken that providing for those costs that do not take advantage of interim billing is appropriate. However, sufficient information to be able to profile the billing behaviour of these costs does not exist. The liability for these costs has therefore been estimated using billing behaviour profiles derived from the core graduated fee scheme costs.

### Crime Higher: sensitivity analysis

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

| Assumptions tested             | Increase in net financial liability |    | (Decrease) in net financial liability |        |
|--------------------------------|-------------------------------------|----|---------------------------------------|--------|
|                                | Assumption                          | £m | Assumption                            | £m     |
| Price profiles <sup>20</sup>   | +10%                                | 41 | -10%                                  | (41.0) |
| Completion rates <sup>21</sup> | +2.5%                               | 39 | -2.5%                                 | (35.2) |
| Case durations <sup>22</sup>   | +10%                                | 30 | +10%                                  | (31.6) |

- 20 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.
- 21 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.
- 22 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.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2023 could be higher by up to +25.1% (£110 million) or lower by up to -24.6% (£107.8 million).

### 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 2023 and 2029 as each lease expires.

## Note 15 – Commitments

|   | 2022-23   | 2021-22      |
|---|-----------|--------------|
|   | £000      | £000         |
| Not later than one year                           | 32        | 1,421        |
| Later than one year and not later than five years | –         | 428          |
| Later than five years                             | –         | –            |
| <b>Total</b>                                      | <b>32</b> | <b>1,849</b> |

Commitments include property rentals not falling within IFRS 16 and other non-property contracts.

## Note 16 – Contingent assets and liabilities

At 31 March 2023, the LAA has two contingent assets in relation to costs orders from legal proceedings with a total value of £29 million (31 March 2022: two with a total value of £29 million).

## Note 17 – Related party transactions

The LAA is an Executive Agency of the MOJ, which is regarded as a related party. During the year the LAA had various material transactions with the MOJ. The LAA has also had various material transactions 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 HMRC and PCSPS.

During 2022-23 no board members or other related parties have undertaken any transactions with the LAA (2021-22: no transactions). Compensation paid to management, including taxable benefits, is disclosed in the Remuneration and Staff Report.

## Note 18 – Third-party assets

The LAA holds awards for damages and Crown Court Means Test contributions on behalf of funded clients (see note 1x).

The total third-party assets held as cash by the LAA are summarised below:

|                                      | 31 March<br>2022 | Gross<br>inflows | Gross<br>outflows | 31 March<br>2023 |
|--------------------------------------|------------------|------------------|-------------------|------------------|
|                                      | £000             | £000             | £000              | £000             |
| Damages <sup>23</sup>                | 2,233            | 901              | (1,476)           | 1,658            |
| Crown Court Means Test <sup>24</sup> | 14,783           | 14,509           | (10,896)          | 18,396           |
| <b>Total</b>                         | <b>17,016</b>    | <b>15,410</b>    | <b>(12,372)</b>   | <b>20,054</b>    |

## Note 19 – Events after the reporting period

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

There are no subsequent events to report.

23 The LAA receives awarded damages awaiting the final settlement of a case and contributions from clients towards legal costs.

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

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