



The funding gap - Free Legal Advice Sector 2023-24

The free legal advice sector is facing a £30 million funding gap this year meaning that nearly 43,000 of the most vulnerable people will go without the advice and assistance they need.

Key Findings

This is our third annual review of the financial health of the free legal advice sector¹ and what is clear is that our grantee charities face greater financial challenges this year than at the outbreak of Covid in March 2020.

The data provided to us by charity leaders suggests that nearly 43,000 people will be unable to get specialist and legal advice in the next year.

That data shows that the sector is heading into the 2023-24 financial year with an 18% hole in their finances. Across the advice sector this 18% funding deficit amounts to over £32million.

Some of this will be met by additional funding becoming available and received in year. Some charities will need to use their reserves (where they have them available). However,

¹ The sector referred to in this paper is comprised of charitable advice agencies that provide specialist and legal casework assistance. This includes Law Centres, Advice UK members, local citi and a large number of other independent advice charities. In November and December 2020, we analysed financial data (including secured income, anticipated expenditure, staff numbers, and cashflow projections) from 179 organisations and in early 2023 we gathered further data from a representative sample of grantees. This analysis enabled the calculation that the cost of specialist advice provision was at least £175 million a year (with the actual figure likely to be significantly higher).

after huge efforts to sustain funding through the Covid crisis, many funders are reconsidering their priorities.

In our discussions, charity leaders made clear that this funding gap is based on sustaining **existing** services. To meet immediate new demand the sector needs at least an additional £15-£20 million. The total funding gap is probably closer to £40 million.

In addition, advice agencies are reporting significant issues recruiting and retaining staff. Some can only manage this funding gap by cutting services and making redundancies. Some have made clear that the lack of long-term core and inflation linked funding means that it is harder and harder to recruit and retain not just casework and advice staff, but the management and other core staff needed to run effective services. Along with everyone else, charities are seeing all of their expenses increase.

Across the board, agencies are highlighting the struggle to build reserves and therefore resilience. Many are having to dip into the reserves they have just to sustain services this year. This means they will deplete their safety net further, if indeed they have one at all.

This year managers we have spoken to have made clear that the prospect of redundancies, the lack of certainty regarding funding and the impact that they know this has on their communities and those that need help is having an impact on their own mental health and general well-being.

What we've done

As in previous years we approached 30 randomly selected Community Justice Fund grantees from across the UK. All were offered anonymity in return for candid data on their financial situation.

Thus far 23 have responded and they report that without further funding, they are looking at a total deficit between them of £2,174,500 as against budgeted expenditure based on current service delivery (current collective budgeted turnover of £12,087,777).

This represents a collective deficit of 18% across all organisations that responded (of which a couple were in surplus but most of the rest were in varying levels of projected deficit / fundraising need of between 2% and 50%).

In 2022-23 we calculated, based on data provided in the context of funding applications, that the likely overall adjusted turnover of the specialist advice sector is around £175 million. Because the Community Justice Fund hasn't asked for updated funding applications this year, we don't have an up-to-date figure. However, we have not seen any significant shift in provider numbers or funding in the last year and we consider it appropriate to continue to use the £175million figure.

Assuming that the random sample of respondents is largely representative of the entire sector, we can estimate that the 18% deficit is likely to apply across the board. This means

that when applied to the total sector turnover of £175 million the likely current deficit amounts to somewhere in the region of £32,000,000.

Our [2021 Pragmatix Research](#) showed that that cost of specialist casework varied between £450 and £1,500 per case, concluding that the average cost was £510. Adjusting for demand and inflation it would be safe to take an average cost of £700 per case. Doing so means that the £30million deficit represents the loss of up to 43,000 potential clients / cases from the advice sector. That same research showed that the average net benefit to the Treasury for each client helped is £8,000. The total cost to society of these lost cases could be well over **£344million**.

To make things worse, most agencies when asked what additional funding they'd need to deliver against all current plans, especially anticipating the increased cost of meeting demand, said that they'd need an average of 15% extra funding on top of that needed to plug the deficit.

Across the entire sector this extra £15% would amount to £26.25million! This is just to meet current demand and deliver current plans. It makes no allowance for the likely increase in demand over the coming years.

Other Challenges

Years of inadequate, unstable and short-term funding means that salaries and working conditions right across the charity sector have fallen well behind both the public and private sectors.

With the current cost of living crisis biting, every charity reported significant problems in recruiting and retaining staff. This was particularly true at mid and senior levels where salaries just can't compete with other sectors but even where market salaries are able to be offered, the short-term nature of funding means charities are not able to offer long or even medium-term job security.

The lack of funding means that advice charities just can't build reserves and therefore resilience. Many lack the core unrestricted funding that they need to pay management costs and to invest in operating costs. Most are struggling to help their staff with cost-of-living pressures.

On a human front this is beginning to prove incredibly hard for managers to cope with. Three of the managers whose organisations are in the worst positions, all made clear that the prospect of having to make staff redundant and the general lack of certainty regarding funding, on top of all of the other challenges, was impacting their own mental health and general well-being.

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The data in this report was gathered during February and March 20223 and is accurate as at 13th March 2023. Respondents were from across England, Scotland, Wales and Northern Ireland and represented Law Centres, Citizens Advice, Advice UK Members and other non-aligned charitable advice services.