



**Financial Health of the
Not-for-Profit Specialist Advice Sector
2022-23**

January 2022

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Summary

Our latest research shows that the not-for-profit specialist advice sector is facing a £17.5 million funding deficit in 2022-23.

This will result in over 36,800 vulnerable people losing access to specialist advice, and as a consequence many of them will fall into crisis.

This latest research builds on work commissioned by the Community Justice Fund (CJF) earlier in 2021, in which Pragmatix, a leading data consultancy demonstrated the beneficial financial impact of appropriate specialist advice, accessed at the appropriate time¹.

Researchers were also able to gather data on the average cost of specialist advice interventions. Cost varies across different areas of law and specialist but even by taking an average cost of £475, this £17.5million funding gap would result in at least 36,842 fewer people being able to access specialist advice.

Depending on the area of law, access to specialist advice can save the Government and public sector in excess of £8,000 per person, which could add a cost to society of well in excess of £295million – for the sake of an investment of just £17.5million.

Even if this deficit is closed, the sector will remain significantly under-resourced and unable to meet the demands for its services. Specialist advice providers are already having to turn away thousands of people each week who are in desperate need of their services, creating a massive cost burden for society and significant harm for those individuals.

This research collected financial data from agencies providing specialist advice across the UK, including Wales, Scotland and Northern Ireland. The respondent agencies include Law Centres, local Citizens Advice and other independent advice agencies of different sizes and covering different areas of law and specialisms.

Although the sample size was limited, the data provided gives a powerful picture of the crisis currently being faced by specialist advice agencies. Research of this kind is critical to our understanding of client and sector need, and is key in demonstrating the value of a strategic approach to funding and investing in sector infrastructure. Our intention is to develop this analysis into a comprehensive longitudinal barometer of organisational financial health.

¹ [Defending the public purse: The economic value of the free legal advice sector September 2021, Pragmatix Advisory Limited and Centre for Economics and Business Research Limited.](#)

Background

In November and December 2020, CJF analysed financial data (including secured income, anticipated expenditure, staff numbers, and cashflow projections) from 179 organisations and carried out detailed interviews with 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).

Based on the data provided by our grantees, we were able to calculate a likely funding gap of up to £26million in 2021-22.

In November and December 2021 we revisited this research drawing upon data from applications to our Wave 2 funding round (over 170 organisations, almost the entire Wave 1 cohort) and re-surveying the sample of grantees who provided data in 2020.

Our Findings

Findings from our updated research are as follows:

- 1) Despite the forecast £26m funding gap in 2021/22 the overall size of the advice sector has not shrunk significantly. This has been the result of a number of factors:
 - a) Prudent financial management across the sector, including the use of Government grants and the furlough scheme.
 - b) Increased emergency funding from trusts and foundations, the Ministry of Justice, the National Lottery Community Fund, and others. The Community Justice Fund alone made £3.4m in grants in its Wave 2 programme.
 - c) Organisations using scarce reserves to maintain services.
- 2) The impact of using reserves to maintain services can be seen in the results of our 2021 analysis. The mean level of unrestricted cash reserves for our respondents (19 organisations) was less than three months of expenditure. Only five organisations had reserves in excess of three months. This puts the sector in an extremely precarious position, where any loss of funding (or even delay in funding) can have immediate and dramatic impact.
- 3) At present, all but two of the respondents are projecting deficits in 2022-23 with the average deficit in excess of 20% of annual expenditure. This deficit equates to more than £35m for the sector as a whole.
- 4) Some of this deficit will be the result of the normal ebb and flow of grant funding, which will be mitigated as agencies secure grant funding across the next couple of months. However, if even 50% of the total deficit remains (and the likely figure is higher) this still reflects a sector funding gap of **£17.5 million** – across a sector which, through lack of available cash reserves, has very little room for manoeuvre.

- 5) Furthermore, respondents are reporting increased demand in a world where many of them are already having to turn potential clients away because they do not have funding or capacity to help them. One respondent reported having to turn away 60-70 potential clients every month. Data suggests that they would need extra funding of at least £370,000 each year to deal with that number of additional clients.

Respondents tell us that they are facing a number of funding pressures in 2022-23. Some are facing (or have already had) local authority funding cuts with some agencies seeing grants reduced mid year. Many agencies are being affected by the re-commissioning of the MaPS money advice funding, which for a number of Law Centres, local Citizens Advice, and independent advice agencies, is leading to the loss of their entire debt advice teams (and all associated funding). Those agencies doing legal aid work, already struggling because of the payment rates and bureaucracy associated with the legal aid scheme, are seeing reduced case completion numbers due to court delays and backlogs. This situation is exacerbated by the fact that the cases clients present with are increasingly complex and often involve multiple issues. Many respondents report clients being in greater distress than ever before with staff close to exhaustion and burnout.

Our respondents have made clear that for most of them, the only way to manage funding shortfalls is through staff redundancies and that means loss of frontline services.

What our grantees are telling us

“It is no exaggeration for me to say that I am fearful for our future if we do not get some funds to cover the projected deficit... Access to free housing casework and advocacy services is in decline. [We are] the only provider of such services in [our borough].”

“We are now more concerned about the medium/longer term impact and structural problems with the sector. This emergency grant assisted us at a crucial time when we did not have the resilience that other sectors may have.

We are thus more concerned now about building that resilience to ensure we are best able to meet the increasing numbers of cases and increasing complexity of cases being presented from the pandemic as well as any other crisis that may occur. Furthermore, the impact on front line staff of providing this service is great. Yet, the sector is unable to offer the same security, conditions and support as other sectors are able to do. Retention of existing specialist staff and recruiting new specialist staff are key problems on the horizon.

Longer term and more secure funding with a view on core costs would greatly assist with having a strong advice sector but also in creating the conditions to have a future advice sector as we work through the impacts of a pandemic that will be felt for years.”

“Our involvement in more complex First Tier Social Security Tribunals saves time and money for the MOJ. Cases are far less likely to be adjourned where we have been involved, leading to time and costs savings.

We also regularly discuss proposed decisions with DWP Decision Makers, meaning that the matter does not need to go to a Tribunal hearing. Again this leads to significant time and costs savings.”

“The phones certainly seem to be busier now. We have three people most days answering phones and it feels as if it is constant. Whilst there has been a reduction in actual files opened, we have dealt with an increase of about 25% in calls and one-off advice provision.

The importance of people being able to get timely advice avoiding a situation reaching a crisis situation cannot be underestimated. Investment in advice at a time of much uncertainty would save the public purse and could prevent multiple services having to provide as much intensive support if early and holistic advice could be provided with a multi-disciplinary approach which law centres and those providing legal advice in the voluntary sector do through partnership working.

The additional matter to highlight is not only the legal expertise but the person centred and partnership approach taken to support those seeking advice from law centres. The demographic has changed in terms of those seeking advice, however vulnerabilities remain the same. There are people who face multiple barriers and are exhausted and there are others who have never found themselves in a position of their jobs and finances being at risk and are equally vulnerable.”

“Demand for our services is growing significantly, partly due to the aftermath of the lockdown and associated issues with Covid/furlough/ban on evictions/ cuts to benefits but mainly down to the austerity measures which have been in place for such a long time. We are now seeing the effects of the changes in the landlord licensing scheme, the problems with re-housing and a system which is not fit for purpose. Alongside these, we have been accepting referrals from other agencies across the city who have either closed down or reduced their services significantly. We are extremely concerned about the effects the new MaPS contract will have across our sector and particularly for those who need access to debt advice.”

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