

## Towards a business case for legal aid

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## Summary

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This paper looks at the empirical basis for demonstrating a business case for civil legal aid and reviews the evidence base on the economic value of advice. In the context of the current public spending review, this project could not be more urgent, as all Government departments and agencies are required to show that their public expenditure is both necessary and delivers a substantive economic benefit.

The analysis looks at how adverse consequences associated with civil justice problems, and the downstream costs for other public services, can be mitigated by advice. Factors considered include homelessness prevented, poor health outcomes averted, work productivity and client financial gains. Using data from the Civil and Social Justice Survey, and the Legal Services Commission's outcomes data from legal aid work, a suggested model is developed which estimates that:

- For every £1 of legal aid expenditure on housing advice, the state potentially saves £2.34.
- For every £1 of legal aid expenditure on debt advice, the state potentially saves £2.98.
- For every £1 of legal aid expenditure on benefits advice, the state potentially saves £8.80.
- For every £1 of legal aid expenditure on employment advice, the state potentially saves £7.13.

The paper also reviews the supporting evidence that both civil legal aid and advice services more widely can deliver some substantial savings to public services, to the wider economy, and added value to both clients and communities. Finally, there are a range of different approaches for establishing the return on investment by looking at longer term impacts and benefits to clients and communities.

In conclusion, the paper finds that a cost benefit analysis approach to legal aid policymaking demonstrates that there can be substantial economic savings to the public purse and wider economy from public funding for advice, by providing worked examples. It is also noticeable that there is a broad consensus that returns can be demonstrated from investment in advice following positive outcomes, although there is often less consensus on the most appropriate outcome measures to use. There is also a considerable body of primary and secondary research literature which supports the economic case for legal aid. However, Government makes limited use of the information they hold. Outcome measurement frameworks need to be more widely shared and agreed in order to facilitate a bigger picture. The challenge for both researchers and policymakers is to ensure that evidence demonstrating how legal aid "pay for itself" informs best practice in commissioning, and choices in how funding is prioritised.

## Introduction

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1. This paper sets out a proposed approach and methodology for establishing a business case for investing and targeting public expenditure in legal aid. The suggested approach is based on undertaking a cost benefit analysis (CBA) of legal aid funding for existing categories of legal aid expenditure. To establish the context for applying the CBA, the paper draws on extensive research on the costs of unresolved legal problems, the outcomes of successfully obtaining advice, and where appropriate looks at evidence on the “social return” from investment in publicly funded advice and legal services. The analysis then turns to specific outcomes data which could be used to quantify the ratios of the financial benefits of state support for legal aid set against the costs of the legal aid budget, and reviews different methodologies for achieving a ratio measurement between public gains and investment.
2. The purpose of the CBA, and the business case more generally is to make the case for funding legal advice and establish whether some areas of legal aid should be considered higher priority than others in an environment where reductions in public expenditure are required. This element of the business case will therefore focus on categories of legal aid that are lesser priorities in terms of the legal business case as set out in Article 6 of the European Convention on Human Rights. This means that the main focus of the CBA is on civil legal aid/social welfare law categories and specifically on initial advice.
3. Finally, the paper discusses how outcomes data can be constructively designed and used in the policy making process, so that commissioning practice may be better underpinned by a robust business case. Legal aid, like all public services, is likely to be subject to fiscal austerity measures for some time to come – a climate in which resources will have to be carefully prioritised and targeted at where there is most evidence of need, where the greatest difference can be made, and where a “substantial economic benefit” can be delivered.<sup>1</sup> This process in itself cries out for a business case – a tool which can advance the case for the delivery of an “advice premium” in key areas, problem clusters or geographies of need.
4. This paper started life as a joint project between Citizens Advice and the Legal Services Commission (LSC). The analytical parts are therefore highly dependent on data provided by the LSC and LSRC on problem incidence and outcomes of legal aid funded advice work.<sup>2</sup> Other outcomes data for advice work is also reviewed in order to understand the wider impact of advice work. All figures shown are on an annual basis unless otherwise stated.

## Adverse consequences - the cost benefit argument and assumptions made

5. Like all research based arguments there are some assumptions in play. In the context of this paper, the assumptions relate to the existence of a causal relationship between legal problems, advice issues and adverse social indicators. It is not the aim of this paper simply to revisit all the evidence and research literature

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<sup>1</sup> Spending Review Framework, HM Treasury 2010 [http://www.hm-treasury.gov.uk/d/spending\\_review\\_framework\\_080610.pdf](http://www.hm-treasury.gov.uk/d/spending_review_framework_080610.pdf)

<sup>2</sup> Thanks are due to Robert Cross and Iain Willis from LSC for their help and to the LSRC for sharing their data.

that has amassed on the links between civil justice problems and the socio-economic issues and challenges that exist in today's society. The problem that needs to be addressed is one of precise measurement, especially in terms of adverse consequences to individuals, the consequential costs passed on to other parts of the public sector, and the impacts on wider society and the economy. However, a good starting point is to recap on the basic assumptions that underpin the proposed CBA model.

6. It is well known and established that civil justice problems exist in society.<sup>3</sup> Not only is it self-evident that individuals have legal problems, but ever since the methodology established by Hazel Genn's *Paths to Justice*, surveys have consistently extrapolated problem incidence at around one in three of the adult population.<sup>4</sup> The *Civil and social justice survey* (CSJS) for 2001, 2006, and 2007 shows that 36 per cent of survey respondents had one or more civil justice problems over a three and a half year period, compared with 33 per cent in 2004.<sup>5</sup> This paper will attempt to address the impact of legal problems on peoples' lives, public services and society, rather than the number of legal problems.
7. Secondly, there is a well established evidence base that civil justice problems have adverse consequences for individuals and the CSJS includes self-reported details of adverse consequences. The causal role of some civil law problems types in bringing about ill health is readily apparent from existing research sources.<sup>6</sup> For example, domestic violence and negligent acts can result in physical and psychological injuries, whilst other non-violence related family problems such as divorce can cause long-term psychological health problems.<sup>7</sup> The same is true of housing and homelessness, debt, employment and discrimination problems. Likewise the causal role of some civil law problem types in bringing about family breakdown, e.g. housing loss, loss of income/employment is also apparent.<sup>8</sup> Problems involving relationship breakdown all too often lead to housing problems, and loss of income whilst deteriorating home circumstances and relationship breakdown can negatively impact on childrens' educational performance, and contribute to pupil exclusion.<sup>9</sup> Domestic violence has been shown to reduce employee productivity and increase absenteeism.<sup>10</sup> Loss of income can contribute to both relationship breakdown and housing difficulties. Causation links can be found between homelessness and family breakdown, domestic violence, and mental health.<sup>11</sup> Additionally the CSJS indicates that the incidence of adverse consequences is higher amongst those on lower incomes and in receipt of benefits.

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<sup>3</sup> By "civil justice problem" this paper uses Genn's wide definition; problems which could potentially be resolved through legal process issues and present an issues to Citizens Advice Bureaux and other agencies. The key concept is the presenting problem rather than the underlying law.

<sup>4</sup> Genn *Paths to Justice*, Hart, 1999

<sup>5</sup> Pleasence et al *Causes of Action: Civil Law and Social Exclusion*, LSRC 2004

<sup>6</sup> *Civil Law, Social Problems and Mental Health*, LSRC Research Factsheet No. 1, July 2009. Balmer, N.J., Pleasence, P., Buck, A. and Walker, H. *Worried Sick: The Experience of Debt Problems and their Relationship with Health, Illness and Disability*. Social Policy and Society, 2006 , Volume 5, Number 1. Pleasence, P., Balmer, N.J., Buck, A., O'Grady, A. and Genn, H. (2004) *Civil Law Problems and Morbidity*, Journal of Epidemiology and Community Health, 2004, Volume 58

<sup>7</sup> Amato *The Consequences of Divorce for adults and children*, Journal of Marriage and the Family

<sup>8</sup> Pleasence, P. and Balmer, N.J. *Job Loss, Divorce and Family Disputes*. Family Law, 2009, Volume 39,

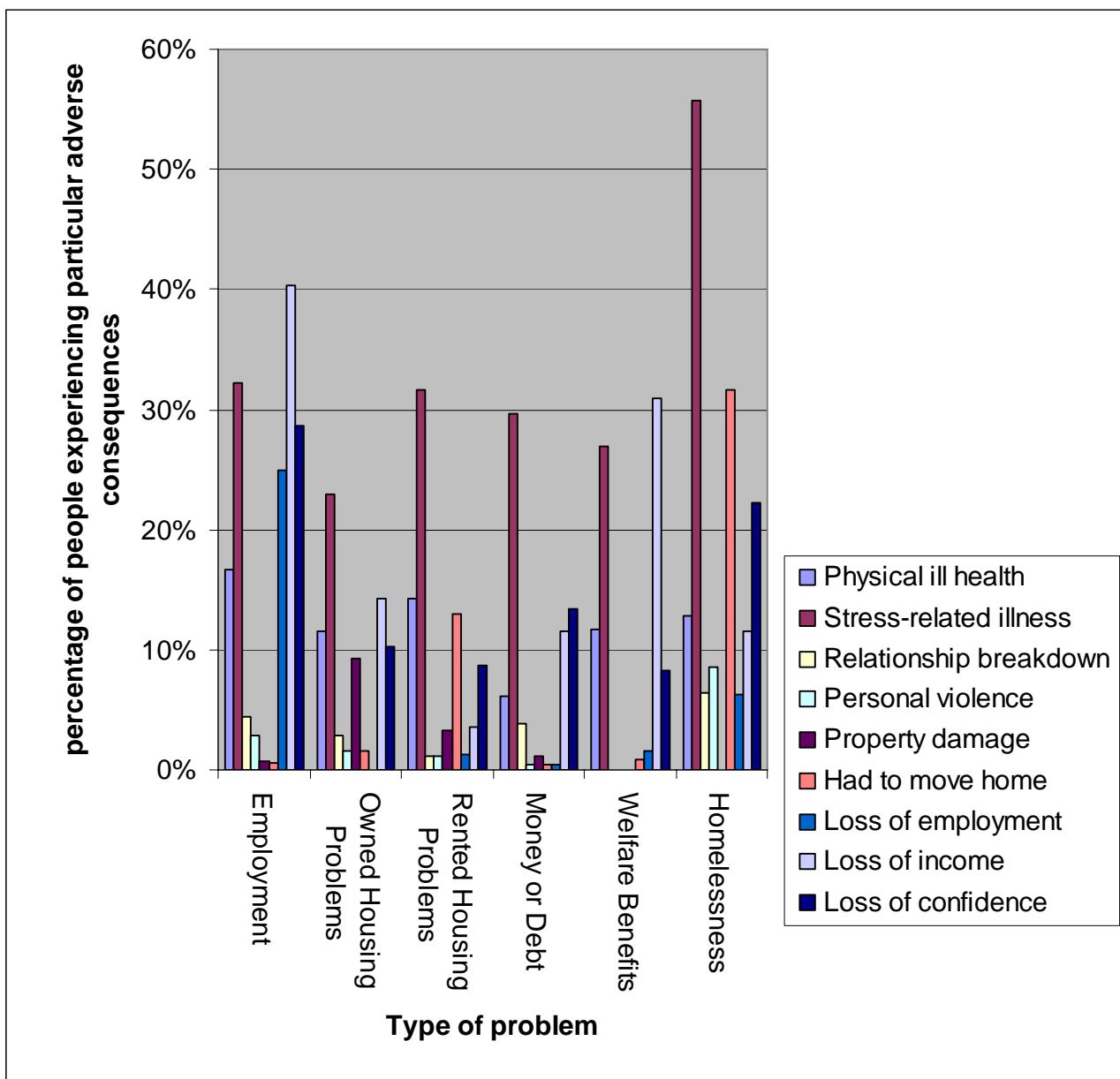
<sup>9</sup> Bennathan M. *The care and education of troubled children Therapeutic Care and Education*, 2002

<sup>10</sup> Bowlus, A. J., & Seitz, S. N. Domestic violence, employment and divorce. *International Economic Review*, 4, 2006

<sup>11</sup> Warnes, A., Crane, M., Whitehead, N. and Fu, R. (2003) *Homelessness Factfile*. London: Crisis

8. It follows from the CSJS evidence that each unresolved problem has a potential or actual cost. The LSRC paper, *Mounting problems*<sup>12</sup>, used the 2004 survey results to quantify the incidence of adverse consequences by category of law, to estimate the economic costs and to deduce some values for the costs to different parts of the state for each adverse consequence. Physical ill health, stress related illness and loss of confidence were consistently identified as being amongst the highest rates of adverse consequences, followed by loss of income, employment or home. The following table shows the adverse consequence incidence from the CSJS in percentage terms.

Table 1: the proportion of people who experience a civil and social justice problem and one or more adverse consequences as a result of the problem



Source: CSJS data 2007

<sup>12</sup> *Mounting Problems: Further Evidence of the Social, Economic and Health Consequences of Civil Justice Problems*, Pascoe Pleasence P, Buck A, Balmer M, Smith M, Patel A, *Transforming Lives: Law and social process*, 2007

9. The resulting costs to public services from the experience of adverse consequences are significant. *Mounting problems* identifies cost proxies per problem such as patient costs to the NHS, benefit costs, homelessness costs to local authorities, and criminal justice system costs, all of which escalate with multiple or clustered problems (See Appendix 1).

10. *Getting earlier, better advice to vulnerable people* research highlighted that as direct result of legal issues and disputes, each year more than:

- 372,000 people lose their jobs, resulting in over £2 billion lost income;
- 1,100,000 people suffer a stress related illness serious enough to seek medical help
- 250,000 relationships break down<sup>13</sup>

11. This report proceeded a step further by making an approximate attempt to arrive at an overall quantum of costs to the state, concluding that, “The resulting costs to public services are significant, and we estimate them to be more than £1.5 billion annually. Loss of employment, physical and stress-related illness and violent behaviour resulting from the stress of problems are the key contributors. Combined with the £2 billion of lost income, this gives a total cost to the economy of over £3.5 billion each year. However, the true figure is likely to be significantly higher as this only includes those costs to individuals and government that can be clearly identified and given a monetary value.”<sup>14</sup>

12. There is also abundant evidence that receiving advice is linked to a high rate of successful resolution. For example the 2008 CSJS reported that for those eligible for legal aid, those who obtain advice fare substantially better than those who try, but fail, to obtain advice. Early legal advice can stop problems escalating. On this basis the cost of legal aid should be considered against the cost impacts on other public services where the client receives no advice and therefore is likely to experience a set of adverse consequences. In terms of legal aid, early advice is made up of “Legal Help” delivered under reported matter starts. The LSC billed cases data includes provider reported information on the outcome for the client. The 2010 civil legal aid contract sets out for civil controlled work what outcomes amount to a “substantive benefit” for the client. A similar logic can be applied to civil representation codes. This analysis assumes that getting a substantive benefit for a client means that the adverse consequences of the civil justice problem are avoided.

13. Research by NEF Consulting, *The Socio-Economic Value of Law Centres*, takes a similar approach, using the concept of ‘deadweight’ to establish the value of the work undertaken by law centres.<sup>15</sup> Deadweight is the estimation of what would have happened if the organisation had not intervened. For this analysis a starting point assumption is made that where the client received legal aid and an outcome with substantive benefit was reported they no longer suffer the adverse consequences associated with the civil justice problem. This means that the cost impacts on other

<sup>13</sup> *Getting earlier, better advice to vulnerable people*, DCA 2006 <http://www.dca.gov.uk/laid/betteradvice.pdf>

<sup>14</sup> *ibid*

<sup>15</sup> *The Socio-Economic Value of Law Centres*, NEF 2009

<http://www.lawcentres.org.uk/uploads/Read the Socio-Economic Benefits of Law Centres here.pdf>

public services are avoided. Therefore 'deadweight' in this analysis is the cost of those adverse consequences to the state.

## Dealing with adverse consequences

14. Whilst there is evidence that receiving advice is linked to a high rate of successful resolution, there is no conclusive evidence to date that obtaining advice will always mean that an individual suffers no adverse consequences as a result of receiving early advice on a civil justice problem. This presents a serious problem for constructing a robust CBA tool as it is impossible to assume that but for legal aid, no adverse consequences or costs would follow. However, there is a significant amount of research about the beneficial impacts of advice on people's lives which can be factored into a CBA at least as 'proxies' for reduced adversity.
15. For example the LSRC's *Impact of Debt Advice Research Project* shows clear evidence of a "positive impact" of receiving advice. The project found that participants' financial circumstances improved to a greater extent than if no advice had been provided.<sup>16</sup> The project indicated that people's levels of anxiety, general health, relationships, and housing stability benefited from advice, although the evidence was not conclusive. The project found that debt advice had a number of positive impacts which might not always be statistically significant, but does support the view that advice helps to reduce or avoid adverse consequences. These positive impacts included:
  - **Perception of circumstances** - Twelve months on, 70 per cent of clients who received advice perceived their circumstances to have changed for the better following advice, and that they had made headway against their debts. Their financial situation improved through better budgeting and improved negotiations with, and therefore more favourable treatment from, creditors.
  - **Ability to cope and outlook** – Following advice a substantial reduction was also seen in the amount of time clients spent worrying about their debt problems. The number of those worrying 'all' or 'most' of the time reduced from 89 per cent at initial advice, to 59 per cent at six months and just 31 per cent at twelve months.
  - **Health** - Following advice, clients generally reported improvements in their health. At both six and twelve-month follow-up, about two thirds of clients stated that their health had improved a little or a lot since the time of initial interview. When asked whether they felt health improvements stemmed from the receipt of advice, the great majority suggested that they had: 75 per cent at six months and 90 per cent at the twelve-month follow-up.
  - **Relationships** - The research also found a small reduction in the likelihood of relationship breakdown: 2.5 per cent of those offered advice reported a relationship breakdown compared to 4.5 per cent for those who did not receive formal advice. Also, whereas nine per cent of those offered advice

<sup>16</sup> Pleasence P, Buck A, Balmer N, Williams K A *Helping Hand: The Impact of Debt advice on peoples lives*, LSRC , 2007 <http://www.lsrc.org.uk/publications/Impact.pdf>

reported going on to start a new relationship or to marry a co-habitee, the figure was five per cent for who did not receive formal advice.

- **Housing** - Just under one-third of clients stated that the advice they received helped them to avoid being evicted, and one-quarter suggested that advice helped them avoid a forced sale of their home.

16. Other research papers have drawn similar conclusions about the benefits of advice in other categories of civil law.<sup>17</sup> So clearly there is evidence demonstrating the positive impacts of advice on peoples' lives. The difficulty with translating this evidence into data for any cost benefit analysis of advice remains quantifying the actual impact of advice – a process that is highly dependent on measuring outcomes and knowing what the inputs have been. In the absence of individual case data, the most reasonable approach is to assume that clients who receive legal advice through legal aid, *and* the case provides a substantive benefit to the client, will avoid adverse consequences associated with a civil justice problem.
17. The CBA approach outlined here has been in part based and built on these assumptions. Another difficulty to factor in is the extent to which problem types are "clustered", following CSJS research that the mean number of reported adverse consequences per respondent was just under two.<sup>18</sup> Just as different types of problems tend to cluster around particular social issues (e.g. family issues, money and employment problems), incidence of adverse consequences likewise tend to clusters together. One report examining cluster problems based on sampling of clients across 12 different legal aid agencies observed how "social and legal problems interrelate and amplify."<sup>19</sup> It concluded that whilst there are obvious dangers in attributing direct causal or consequential relationships between the two, with nearly a third of clients observed experiencing mental health or chronic illness problems and over half of the clients followed up with reporting further problems linked to 'presenting problems', there is evidence of multiple negative impacts across several problem categories.
18. This paper seeks further comments on the approach taken to the business case analysis, asks for suggestions on how one might improve the robustness of its findings, and seeks views and feedback on the best approach and models for undertaking cost-benefit analysis for all categories of civil legal aid. It also raises questions over whether or how more standardised or reconceptualised reporting and outcome frameworks are required to support a CBA approach in policy making. What follows is therefore very much a first stab at demonstrating an intricate level of cost-benefit ratio analysis for legal aid spend could be developed, and as such it comes with a health warning that the findings will be far from perfect.
19. A preliminary aggregate analysis using LSRC data shows that in most categories of civil legal aid expenditure, the costs of adverse consequences far exceed legal aid

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<sup>17</sup> For example, see *The Impact of Legal Counsel on Outcomes for Poor Tenants in New York City's Housing Court*, Seron, Frankel & Ryzin 2001 and *Outcomes of a Longitudinal Study of Citizens Advice Service Clients in Wales*, Bangor University & Citizens Advice Cymru, March 2009

<sup>18</sup> *Mounting Problems: Further Evidence of the Social, Economic and Health Consequences of Civil Justice Problems*, Pascoe Pleasence P, Buck A, Balmer M, Smith M, Patel A, *Transforming Lives: Law and social process*, 2007

<sup>19</sup> Moorhead and Robinson: *A trouble shared legal problems clusters in solicitors' and advice agencies* DCA 2006

costs. On this basis, there is a high probability that a cost-benefit ratio is not only feasible, but will in most cases demonstrate additional value and saving to the state.

Table 2 – Adverse consequence costs and legal aid spend compared

CSJS problem type	Total civil legal aid expenditure	Total adverse consequence costs
Discrimination	£768,528	£3,794,839
Employment	£2,600,682	£39,148,133
Housing – owner occupier	£3,193,367	£2,437,366
Housing – rented	£13,093,267	£39,878,675
Debt	£16,032,638	£19,179,983
Welfare benefits	£16,184,188	£33,163,399
Relationship breakdown	£99,321,813	£100,303,089
Domestic violence	£5,797,917	£24,629,651
Children	£2,260,770	£256,295
Mental health	£24,322,302	£16,836,974
Immigration	£53,106,547	£5,352,317
Consumer	£1,624,458	£213,006
Personal injury	£1,292,204	£2,758,956
Clinical negligence	£1,474,354	£2,022,429
Unfair treatment by the police	£2,687,657	£496,214
Divorce	£19,716,245	£86,516,597
Homelessness	£5,808,765	£37,752,982

Source: data from the CSJS 2007

## The outcomes debate

20. A key challenge in designing the CBA is to relate research findings on the benefits of advice, and avoidance of adverse consequences with the measurement of advice outcomes. The question of outcomes measurement is in itself the subject of a whole debate over which agencies and researchers have sweated, different tools and methodologies have been developed, tested and sometimes disregarded. The aim of this paper in wading into the outcomes debate is to identify those measurable outcomes which may be of greatest assistance in constructing a robust CBA for publically funded advice.
21. The phraseology of “outcomes” and “performance based” service delivery has been writ large over public sector vocabulary and processes in recent years, and owes much of its origin to the “new public management” schools of thought which

developed in the 1990s.<sup>20</sup> From local area agreements (LAAs) to the NHS quality and outcomes framework (QOF) for primary care, there are a variety of outcome based reporting mechanisms by which public services now earn their stripes. For policy makers and funders, it is rarely a question of whether the end product effectiveness of any statutory or non statutory service should be measured, but rather about how this can be measured within the wider social and public policy context – what precisely is being measured and to what end?

22. There has also been a tendency towards different emphases as between statutory and voluntary sector services. For the former, an important insight from a Big Lottery Fund's outcomes project is that outcomes really need to be clearly defined,<sup>21</sup> whilst for Homeless Link, the key defining feature of any outcome measure is describing "changes" achieved within the client base that are measured in a "consistent and standardised" way through integrated IT systems.<sup>22</sup> In the statutory sector outcome measurements tend to be structured around targets such as key performance indicators (KPIs) or linked to public service agreements (PSAs). In terms of the legal aid and advice sector, the system for measuring outcomes straddles these approaches.
23. It is also generally accepted also that the benefits of successful or effective service for clients may extend beyond the immediate practical gains that can be achieved. Sometimes these can be called 'soft' outcomes, both because they relate to personal and individual client circumstances and because they far are more difficult to measure. An alternative term is "consequential" gains as they arise as a result of, or follow, the achievement of practical gains. There are a myriad of ways to describe or classify these consequential gains. The division used by Benson is<sup>23</sup>:
  - **Personal gains** – confidence, self esteem and peace of mind; capacity to cope and take action; support and reassurance. Personal gains such as these can be as much linked to the way a service is provided (customer care) as to the skill with which a practical problem is resolved (quality of advice);
  - **Healthy living** – improved physical and mental health; sleep and relaxation; food, shelter and heat. Health gains can include direct reports of better health as well as factors associated with healthy living such as better food, a warm home, or access to medication;
  - **Quality of life** – independence and security; better family and personal relationships; active in the workplace or community. These are improvements to the ability of an individual to interact with, and gain value from, the world around them.
24. In a further layering of the debate about outcomes, many organisations and service providers place considerable emphasis on wider impacts that may extend beyond a

<sup>20</sup> D Ammons, D. N. *A proper mentality for benchmarking*. Public Administration Review 59(2), 105-109, 1999. R Behn, *Why Measure Performance? Different Purposes Require Different Measures*. Public Administration Review 2003, 63 (5), 586-603.

<sup>21</sup> Cupitt and Ellis *Your project and its outcomes* Charities Evaluation Services, BLF 2009

<sup>22</sup> MacKeith, Graham and Burns: Review of outcomes tools for the homelessness sector <http://www.homelessoutcomes.org.uk/>

<sup>23</sup> A brief enquiry into 'Outcomes' work being done in the Advice and Voluntary Sector Age Concern England & Benson-Waterhouse, 2006

client's immediate needs or problem, but may benefit a client group as a whole such as preventative work (for example public legal education and financial capability) or achieve systems and policy changes. Further extended impacts might also include benefiting the local economy, building referral networks or growing civil society. Recent work on wider impacts has also been looking at different methods for evaluating the gains of soft impacts. For example, AdviceUK's "systems thinking" project<sup>24</sup> has been piloting and early intervention initiative with Nottingham City Council especially at targeted dealing with the 40 per cent of "demand failure" and assessing the service value against client need in terms of achieving systems change.<sup>25</sup> Citizens Advice estimates that up to nine million people were helped by the social policy work of the CAB service in 2008/9.<sup>26</sup> Finally a report by the Council on Social Action (COSA) about the importance of the one-to-one relationship between advice workers and their clients for improving clients capacity to handle future problems on their own, reducing anxiety and increasing their confidence.<sup>27</sup>

25. In general, the softer the outcome, the harder it is to measure and therefore the harder it becomes to measure any adverse consequences avoided. However, it would be a missed opportunity to entirely disregard softer outcome and impact measures for the purpose of understanding the benefits of legal aid and other advice services. Within each field of advice, there is extensive research evidence supporting notions of added value or a premium from achieving softer outcomes, although this may depend also on the method of service delivery. For example, the LSRC's evaluation of money advice outreach projects refers to the "trust transfer" which impacts positively on advice seeking behaviour, client attitudes and general well-being, and links this, at least partially, to advice method and environment.<sup>28</sup> Not all of the research studies and evaluation projects though use anything approximating a standard methodology, or are able to cross reference different data sources with closed case records from LSC reporting systems. This paper therefore includes scoping work on outcomes based evaluation and research literature that can help shape and inform an overall CBA approach.
26. Nevertheless the "hard outcomes" are a good starting point for the actual analysis work. As part of the implementation of the civil fee schemes under the unified contract, the Legal Services Commission (LSC) has developed the reporting requirements for controlled work. These requirements apply to all cases reported from 1st October 2007, and follow a structure of "matter type", "stage reached", and "outcome" codes. Substantive benefit outcomes include:
  - Client housed, re-housed or retains home
  - Client receives financial award from court
  - Settlement with benefit for the client
  - Secured provision of service
27. Some, softer outcomes are also identified including:

<sup>24</sup> *It's the System, Stupid! Radically Rethinking Advice*. ASAUK, 2008 <http://www.adviceuk.org.uk/projects-and-resources/projects/radical/ITSS>

<sup>25</sup> *Radically Re-thinking Advice Services in Nottingham* Interim Report of the Nottingham Systems Thinking Pilot, ASAUK 2009 [http://www.adviceuk.org.uk/\\_uploads/documents/1MicrosoftWord-NottinghamSystemsThinkingPilot-InterimReport.pdf](http://www.adviceuk.org.uk/_uploads/documents/1MicrosoftWord-NottinghamSystemsThinkingPilot-InterimReport.pdf)

<sup>26</sup> *Social Policy Impact Report*, Citizens Advice, 2009

<sup>27</sup> *Time well-spent: The importance of the one-to one relationship between advice workers and their clients*.

<sup>28</sup> Buck, A., Day, L., Collard, S., Smith, M. and Patel, A. *Outreach Advice for Debt Problems: Research and Evaluation of Outreach Services for Financially Excluded People*, LSRC Research Paper No. 26 LSRC 2009, Day, L., Collard, S. and Davies, V. *Money Advice Outreach Evaluation: Qualitative Outcomes for Clients*, London, LSRC 2008

- Client advised and enabled to plan and/or manage their affairs better
- Client secures explanation or apology
- Opponent/other party action benefited person other than client (e.g. a change in policy or procedure)

28. Inevitably though some outcomes are even more indeterminate, such as:

- Outcome not known/client ceased to give instructions
- Matter concluded otherwise
- Client referred to another organisation
- Client advised and taking action themselves or with help of third party
- Client advised and third party action or decision awaited

29. The usefulness of the LSC's outcome codes have themselves been questioned, and indeed whether it is appropriate to label these "end-point codes" as outcomes at all given they are activated/recorded at the point of file closure in a system in which there is inevitable fixed fee pressures to close existing matter start files and open new ones. Under these constraints there is little assurance that these outcomes are coded consistently or accurately. They also provide no measure of whether the particular outcome achieved is a reasonable one given the facts of the case and the aims/needs of the client and the range of objectives that motivate people to seek advice and act to resolve problems.

30. The question for the legal aid system is whether there is a sufficiently standard measurement framework for outcomes that can be applied consistently and accurately across all legal aid categories and generate data that can be used to support a business case based on avoidance of adverse consequences. Using the existing outcomes data, however, it can be seen that on average over 60 per cent of work is reported as having beneficial outcomes.<sup>29</sup>

**Table 3 – Outcomes data on substantive benefits in 2008-9)**

<b>Case outcome</b>	<b>Community Care</b>	<b>Debt</b>	<b>Education</b>	<b>Employment</b>	<b>Housing</b>	<b>Welfare Benefits</b>
% legal help cases with substantive benefit to client	59.59%	76.31%	59.12%	67.44%	67.31%	70.26%

Source: data provided by the Legal Services Commission relating to 2008/9

31. An analysis based purely on these legal aid reporting codes, however, is at best a "snapshot" on outcomes, dependent on the quality of administrative reporting on file closures. By contrast, the majority of outcome based evaluations for advice work tend to rely on a mix of follow up methods from samples to client surveys, although this does not necessarily address the snapshot critique unless research is undertaken on a longitudinal basis. Undertaking outcome evaluation exercises on a sample and survey basis is now well entrenched in advice sector culture. Indeed, all Citizens Advice Bureaux are now routinely encouraged to undertake follow up surveys on the basis of client sampling. Some noticeable examples include:

<sup>29</sup> Data provided by the Legal Services Commission

- Bristol Debt Advice Centre developed an annual client feedback survey in to order to help meet the requirements of the CLS Quality Mark standards. Seventy-four per cent of clients said they had extra money available as a result of the service these clients received - on average an extra £26 per week to spend on essential items.
- A Benson-Waterhouse investigation into the practical outcomes achieved by bureaux for their clients and how such information collection could be incorporated into the within a routine assessment framework. Working with eight bureaux, the project's work involved sending postal questionnaires to the same clients whose cases had been reviewed by a Quality Audit Assessor. Seventy-four per cent of people reported that the problem brought to the CAB was either completely (63 per cent) or partly sorted (11 per cent).
- A research project run by Sale Citizens Advice Bureau and David Settle from Cambridge Education, using their QSM (Quality Service Matters) software, used four methods of collection, including telephone interviews. Overall, results showed that clients had very positive views of the services they receive, the manner in which they receive them and the outcomes.

32. Finally, there are few, but not many, longitudinal studies which underscore longer term advice outcomes as well as the effect of ongoing problems. For example, in a study of CAB clients in Wales statistically significant improvements were found under valid secondary healthcare outcome measurements.<sup>30</sup> There is also research currently ongoing on the long-term impact of debt advice on low income households. Preliminary findings refer to the "escalator" effect of debt over time and impacts on health and wellbeing, but also the positive impact of debt advice not just dealing with immediate crises such as avoiding recovery action and reducing worry, but also in changing life "trajectories" in respect of managing money, reducing credit dependency and improving financial capability."<sup>31</sup>

## Developing the CBA for legal aid

33. The focus in developing a CBA for legal aid is to help make the delivery of early advice; the model adopted therefore focuses on the benefits of "Legal Help" rather than civil representation. The benefit of legal aid for court proceedings is to ensure access to justice is real and effective. However, considering this and the nature of the adverse consequences, it may be assumed that whilst the costs of representation should be included in any cost benefit analysis, the volumes of certificates issued for represented clients do not count towards the overall number of people helped. An assumption can therefore be made that once the cases have gone to court, the opportunity to avert adverse consequences through early advice has been missed. This also means an operating assumption that the average client who receives legally aided representation will have already received legal help. Including representation costs therefore has the effect of increasing the average

<sup>30</sup> The Short Form-36 domains of Social Functioning, Role Emotional and Mental Health, and in the Anxiety and Depression scales (HADS). Bangor University: *Longitudinal Study into Citizens Advice Clients in Wales*

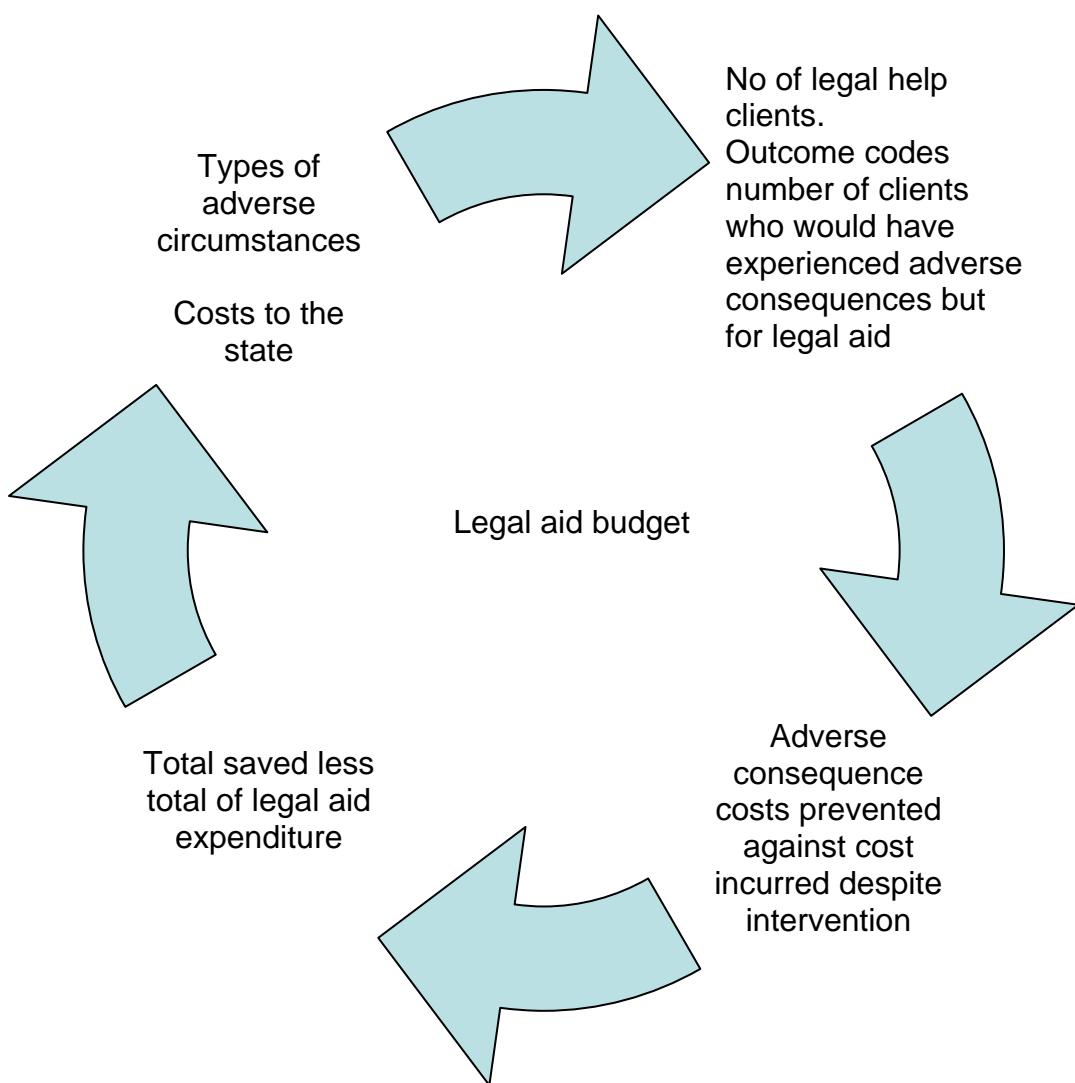
<sup>31</sup> Orton: *The long-term impact of debt advice on low income households*, 2010

<http://www2.warwick.ac.uk/fac/soc/ier/research/current/debt/>

case costs and reducing the volume of people assisted, representing a more cautious approach to the analysis.

34. Additionally the model of analysis proposed has increased the total legal aid costs used in the analysis to include an apportionment of the administrative costs involved in delivering legal aid. This equates to 5p of administrative costs for every £1 of fund spend. This approach ensures that the full financial cost to the public purse of legal aid can be factored into the analysis.

35. Each application of the CBA requires a typology of adverse circumstances, followed by the quantification of adverse circumstances, and calculation of the “on-costs” that follow from adverse circumstances. It also requires the capture of positive outcomes data on problems resolved or avoided on account of advice interventions. The process can be represented diagrammatically as follows.



36. There are three main variables in this analysis:

- The incidence of adverse consequence amongst legal aid clients
- The cost of adverse consequences on other public services

- The link between receiving advice with a positive outcome and avoidance of adverse consequences.

37. Variables A and B can be based on research undertaken by the LSRC and can therefore be considered reliable. However the links between receiving advice with a positive outcome and the avoidance of adverse consequences (Variable C) are rather less certain. The outputs from this analysis are also highly dependant on the assumption that a case that delivers a substantive benefit for a client at legal help means that the adverse consequences associated with a civil justice problem may be avoided. This assumption however is well supported by all the evidence and hard outcome sampling referred to in this paper.

38. Using data from the CSJS on the incidence of adverse consequences, it is possible to estimate - for each problem category - the number of people out of those receiving legal aid who will experience adverse consequences as a result of their problem. It follows looking at the LSC's substantive benefit outcome codes for legally aided clients, that it should be possible to estimate the number of people who would have experienced problems but for the intervention of legal aid. If the values for adverse consequences, taken from *Mounting Problems* (see Appendix 1), are then applied to each category of social welfare law, it is possible to aggregate the costs to the state that may be avoided as a direct consequence of legal aid spend for a particular category. If legal expenditure is then subtracted from this, whatever is left can be assumed to be a potential saving for the state. This is how the results are reached for tables 5 (Housing), 7 (Debt), 8(Benefits) and 9 (Employment). The detailed calculations and modelling for each category can be found in the appendices.

39. The process for constructing this proposed CBA model therefore involves the following steps:

- The CSJS identifies a range of adverse consequences and the percentage of people that will experience those within each category of law.
- For each adverse consequence it is possible to calculate a cost, referenced to *Mounting problems*.
- The LSC have calculated the cost of providing services by outcome codes and data for billed cases for each category of law. Outcome codes are classified into those that result in a client benefit and those that don't. This includes the total cost of providing services for each category of law.

40. For each category of law the model analysis will:

- Show the total number of clients seen by legal help providers
- Multiply clients seen by percentage of adverse consequences
- Analyse those numbers by the percentage that will benefit
- Multiply the numbers for each adverse consequence for the stand costs
- Show the total cost of provision for that category of law
- Sum of the adverse consequence avoided
- Take away cost of provision from cost of consequences avoided
- Express total expenditure as a percentage of costs avoided

41. The summary of results for all the CBA calculations undertaken in the appendices, and using the above method is as follow.

**Table 4 – Summary of CBA results**

	Housing	Debt	Benefits	Employment
Cost of delivering legal aid	£55,178,932	£26,364,307	£24,131,865	£4,746,001
Savings from legal aid interventions	£129,239,152	£78,617,663	£212,412,184	£33,855,093
<b>Net saving</b>	<b>£74,060,219</b>	<b>£52,253,355</b>	<b>£188,280,319</b>	<b>£29,109,091</b>
<b>Saving per £1 of legal aid spend</b>	<b>£2.34</b>	<b>£2.98</b>	<b>£8.80</b>	<b>£7.13</b>

## The case for housing advice

42. Housing advice is a good starting point for road-testing the CBA model as there are some clear adverse consequences that arise from housing problems. For example, mortgage re-possessions have been rising sharply in the last few years from 27,909 in 2007 to 54,013 in 2009.<sup>32</sup> Meanwhile 80,347 landlord possession claims which resulted in a possession order were issued in the county courts of England and Wales in 2009.<sup>33</sup>

43. A good place to start evaluating the costs and benefits of advice on housing is to look at the Citizens Advice service statistics. In 2009/10, bureaux in England and Wales dealt with 468,000 non-debt related housing problems from 278,000 clients, an increase of nine per cent of clients with these problems from last year. In addition, bureaux dealt with 115,000 mortgage and secured loan arrears problems from nearly 67,000 people; 36,600 problems relating to rent arrears to local authorities from nearly 26,000 people; 36,400 problems relating to rent arrears to housing associations from 25,000 people, and nearly 24,600 problems relating to rent arrears to private landlords from 18,000 people. In relation to the non-debt related housing problems, 29 per cent concerned private rented properties, and 17 per cent actual or threatened homelessness. Actual and threatened homelessness are the most extreme and immediate of housing problems and bureaux dealt with more than 81,000 actual and threatened homelessness problems in 2009/10.

44. The sharpest adverse consequence, with the highest “on-costs” is therefore undoubtedly actual homelessness. Homelessness can severely affect health and employment prospects. The life expectancy of someone sleeping rough is estimated to be 42 years, half that of the average UK citizen. Crisis found that the cost of homelessness can range from a minimum £4,500 up to £83,000 depending on the individual scenario. These costs were arrived at by considering the cash impact of a failed tenancy (costs borne by landlord), local authority temporary accommodation, support services (e.g. advisers), health services, criminal justice

<sup>32</sup> Council of Mortgage Lenders

<sup>33</sup> Ministry of Justice statistics

system and prisons, potential resettlement costs and lost economic output.<sup>34</sup> The CSJS *Mounting problems* research found that whilst only just over half of those who lose their homes as a result of legal problems were able to move into another home straight away, 46 per cent spend time in temporary accommodation. Further, the cost to government of an unemployed person staying in a hostel is approximately £15,500 per year.<sup>35</sup>

45. A significant amount of research has also been conducted on the effects of homelessness or inadequate accommodation on children. According to Shelter, one in seven children (1.6 million) in Britain are homeless or live in squalid housing that wrecks their health, education and future chances. Other advice and adverse consequences concern housing quality and various legal issues concerning tenancy or ownership. A third of homes in England were classified as non-decent in 2008/9.<sup>36</sup> Three per cent of households live in overcrowded conditions.<sup>37</sup> Overcrowding is four times as prevalent in social rented housing as in owner-occupation. Research by Shelter demonstrates that children living in such conditions can suffer physically and mentally, and are more likely to struggle at school.<sup>38</sup>
46. Looking at wide range of data, including LSC funded casework, there is evidence that some or all of the costs of homelessness can be mitigated by timely, early intervention. Between 2007 and 2009, a representative sample of ten per cent of all Citizens Advice Bureaux in England gathered information on the outcomes of housing advice as part of the National Homelessness Advisory Service (NHAS).<sup>39</sup> The bureaux in the pilot dealt with 30,000 housing enquiries and recorded almost 9,000 housing outcomes. During this period, CAB advice helped 3,400 clients avert or prevent potential homelessness prevented or averted, or obtain settled accommodation.<sup>40</sup>
47. On average, one in every three housing enquiries had an associated a housing outcome (29 per cent). Two out of every five of the 6,000 enquiries about threatened homelessness had a positive outcome. Of the 9,000 outcomes recorded overall:
  - 25 per cent related to prevention of homelessness for the client;
  - 19 per cent concerned financial gains;
  - 14 per cent reported property improvements;
  - 13 per cent related to accommodation secured and 12 per cent homelessness delayed, and
  - the remaining 17 per cent reported a combination of homelessness averted, client re-housed and dispute resolved.

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<sup>34</sup> *How Many, How Much? Single homelessness and the question of numbers and costs*, London Crisis, 2003. Available at: [http://www.crisis.org.uk/downloads.php/121/HowManyHowMuch\\_full.pdf](http://www.crisis.org.uk/downloads.php/121/HowManyHowMuch_full.pdf)

<sup>35</sup> *Impact of Homelessness*, Homeless Link, 2007. Available at: <http://www.homeless.org.uk/policyandinfo/facts/costs>

<sup>36</sup> *English Housing Survey (EHS) Headline Report*, Department for Communities and Local Government, 2010

<sup>37</sup> *ibid*

<sup>38</sup> *Key Statistics*, Shelter, 2007. Available at: <http://media.shelter.org.uk/content/detail.asp?NewsAreaID=29&ReleaseID=111>

<sup>39</sup> Citizens Advice and Shelter work in partnership to provide NHAS - a partnership project funded by the Department of Communities and Local Government which aims to prevent homelessness and remedy other housing problems through increasing public access to high-quality advice.

<sup>40</sup> Bureaux providing specialist housing casework though reported considerably higher outcomes (1,800) for "homelessness prevented" than those providing only generalist casework.

48. The research also followed up over 1,000 clients, after providing housing advice. This was to try to understand softer outcomes such as clients' opinions on the difference that advice had made to their personal well being and circumstances. The result of this survey showed:

- 75 per cent of clients reported that their housing issue was now sorted or partly sorted;
- 81 per cent of clients stated that receiving advice made a positive difference to their understanding of the housing system and 77 per cent reported that advice had made a difference to their ability to help themselves;
- 78 per cent of clients felt that receiving advice had improved their peace of mind, 72 per cent reported it had made a difference to their confidence, 57 per cent felt that receiving advice had improved their health, and 43 per cent of clients reported a positive impact on relationships with friends and family.

49. The value of CAB casework is dealt with here in more detail later on. However, taking the lower estimate of the cost of homelessness at £4,500,<sup>41</sup> an aggregation of the above outcomes sample on homelessness prevented, averted or alternative housing secured, suggests a potential benefit of £15.3 million. The task for modelling a CBA for the legal aid system for housing work is to aggregate outcomes across all legal aid suppliers, and LSC funded casework results to establish the value of legal aid work.

## Modelling a CBA for housing legal aid

50. There is abundant evidence detailed above about the gains from housing advice, and savings to other statutory services. Some of these are captured in the LSC's substantive benefit outcome codes and LSC funded specialist housing casework. Applying the CBA approach to housing legal aid generates the following analysis from extrapolating from just a limited range of data from the CSJS and LSC outcome codes. This is arrived by identifying the client volume of adverse consequences for housing cases, their financial value and the costs of adverse consequences avoided as a result of legal aid spend. The full calculation is found in Appendix 2. The table below gives a summary of the high level results.

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<sup>41</sup> Crisis estimate – see footnote 39

Table 5 – Summary of the costs benefits analysis for housing advice

	<b>Housing legal aid</b>	<b>Costs</b>
A	Clients receiving housing legal aid likely to experience adverse consequences, and costs to state arising	£192,011,425
B	Clients likely to still experience adverse consequences, despite legal aid intervention and costs to state arising	£24,390,620
C	Clients who would have experienced adverse consequences but for legal aid, and total costs saved	£129,239,152 (A – B)
D	Less total housing legal aid expenditure	£26,364,307
	Total net state saving	£52,253,355 (C – D)
	For every £1 legal aid spent, the state saves	£2.34
	Net saving	£1.34

Source: A is based on CSJS data and LSRC's *Mounting Problems* research  
 B is based on LSC data for cases with no substantive benefit outcome  
 C is based on LSC data about substantive benefit outcomes  
 D comes from 2008/9 billed cases data from the LSC

51. On the basis of the above analysis for every £1 spent on housing legal aid the public sector saves an extra £2.34 – an overall saving of £1.34. Using substantive benefit outcomes data to approximate the avoidance of adverse consequences, it is a fair assumption that an estimation can be made of adverse consequence incidence and associated costs can be avoided. On this basis the investment of £55 million of public money into legal aid gives a return of £129 million – saving other areas of the state such as the NHS, local authorities, and the police around £74 million as a result of reduced public service usage.
52. However, if we ignore the outcomes data completely, and look at a range of figures for people who receive legal aid and avoid adverse consequences, this gives the following results for housing legal aid based on a notional percentage of adverse consequences avoided as a result of legal aid intervention.

Table 6 - Scenario analysis for housing legal aid

If X% of cases avoid adverse consequences	For every £1 spent on legal aid the state saves	Net saving
10%	£0.35	-£0.65
20%	£0.70	-£0.30
30%	£1.04	£0.04
40%	£1.39	£0.39
50%	£1.74	£0.74
60%	£2.09	£1.09
70%	£2.44	£1.44
80%	£2.78	£1.78
80%	£3.13	£2.13
100%	£3.48	£2.48

53. So, even if only 1 in 3 acts of assistance means that the client avoids any adverse consequences, the state still saves £1.04 for every £1 spent on housing legal aid, or 4p overall. Although this still assumes that advice can in certain situations prevents the incidence of adverse consequences and the subsequent costs to the state, it is nonetheless a very conservative estimate.

## The case for debt advice

54. The current economic recession has put the consequences of unsustainable debt at the centre of policy debate. The LSRC's evaluation of debt advice states that the average cost per debt problem to the public and in lost economic output to be estimated to be over £1,000 with more serious problems costing many times this amount.<sup>42</sup> The LSRC researchers arrived at the figure of £1,000 per debt by considering a variety of costs to communities, including a £270 cost to local authorities of providing temporary accommodation to people who lose their homes; and the stress caused by 'difficult to solve' debt problems, which costs the NHS around £50 per case. And research also suggests that the "poverty premium" – the total cost borne by low-income families as a result of "financial exclusion" – can amount to more than £1,000 in the course of a year and that this is a major contributor to childhood poverty.<sup>43</sup>

55. Currently, some 75 percent of households have some form of unsecured credit or loan commitments including mortgages and secured loans.<sup>44</sup> For a smaller number of households and individuals these can become unmanageable leading to over-indebtedness and problems. According to the Government's most recent over-indebtedness survey:

<sup>42</sup> Pleasence P, Buck A, Balmer N, Williams K A *Helping Hand: The Impact of Debt advice on peoples lives*, LSRC, 2007. Available at: <http://www.lsrc.org.uk/publications/Impact.pdf>

<sup>43</sup> *The poverty premium: how poor households pay more for essential goods and services*, Save the Children and Family Welfare Association, February 2007

<sup>44</sup> *Over-indebtedness in Britain: second follow up report*, Department of Business, Innovation and Skills, 2010

- Nine per cent of UK households were in “structural arrears” (more than three months behind with payments);
- Twenty eight per cent of households breached two or more over-indebtedness indicators, and
- Fifteen per cent of survey respondents found keeping up with bills and credit commitments to be a “heavy burden” to their household.

56. Data from Citizens Advice Bureaux suggests the problem is growing. The number of clients that bureaux help with debt issues is rising year-on-year. In 2009/10, 583,000 people sought advice from bureaux in England and Wales on 2.4 million debt issues, an increase of 23 per cent on the previous year.<sup>45</sup> The most common issues presented concerned credit cards, store cards and unsecured personal loan debts. Other issues that saw large rises were mortgage and secured loan arrears, fuel, water and telephone debts, rent arrears and overdraft problems.

57. The causes of over-indebtedness are most commonly unforeseen changes in circumstances (such as illness or divorce) or unrealistic repayment expectations on the part of the creditor or the lender.<sup>46</sup> Over-indebtedness can be caused by, and contributes to, social exclusion, financial exclusion and poverty.<sup>47</sup> Low-income groups are three times more likely than the general population to be in arrears with rent, council tax, utility bills or mortgage arrears.<sup>48</sup> Research suggests 35 per cent of low-moderate income families are unable to meet repayments on at least one bill or credit commitment.<sup>49</sup> Health problems that result from problem debt cost not only the NHS but local businesses too, leading in some cases to “...absenteeism and loss of productivity for those in work.”<sup>50</sup>

58. The impacts of problem debt on the individual can be severe. In-depth research conducted by the LSRC suggests that 89 per cent of debt clients worried about their problems most or all of the time.<sup>51</sup> Around 43 per cent of clients felt their health had suffered to some extent, while around 60 per cent said they had received treatment, medication or counselling as a result of their problems. Further, it was identified that problem debt can impact on an individual’s relationships, employment, education and plans for the future.

59. There is also abundant evidence of at least a moderate association between debt and mental health issues, including common mental health problems such as anxiety and depression. A recent review of the evidence on the relationship between debt and mental health concluded that whilst the relationship cannot be described or adduced as “causal” there are nevertheless consequential relationships between debt and mental health.<sup>52</sup> Specifically the review found:

- Indebtedness is a key risk factor for mental disorder

<sup>45</sup> *Client and Advice Statistics: National Issues*, Citizens Advice, 2009

<sup>46</sup> *Tackling Over-Indebtedness*, Dept of Trade & Industry (now BIS), 2005. <http://www.berr.gov.uk/files/file18547.pdf>

<sup>47</sup> *ibid*

<sup>48</sup> *Action on Debt*, Social Exclusion Unit, 2004. <http://archive.cabinetoffice.gov.uk/seu/downloaddoc1967.pdf?id=214>

<sup>49</sup> *Tackling Over-Indebtedness*, Department of Trade & Industry (now BERR), 2005. Available at:

<http://www.berr.gov.uk/files/file18547.pdf>

<sup>50</sup> *Action on Debt*, Social Exclusion Unit, 2004. Available at: <http://archive.cabinetoffice.gov.uk/seu/downloaddoc1967.pdf?id=214>

<sup>51</sup> Pleasence P, Buck A, Balmer N, Williams K *A Helping Hand: The Impact of Debt advice on peoples lives*, LSRC, 2007 <http://www.lsrc.org.uk/publications/Impact.pdf>

<sup>52</sup> Fitch, Hamilton, Basset and Davey *Debt and mental health. What do we know? What should we do?* Also see the report by Mind (2008) *In the red: debt and mental health* London: Mind.

- The more debts people have, the more likely they may be to have a mental disorder
- Debt has indirect effects on household psychological wellbeing over time, by impacting on feelings of economic pressure, parental depression, family conflict, and childrens' potential mental health problems
- Debt can negatively impact on personal identity, understood as a sense of "who we are". It can significantly change how people live their lives, induce feelings of uncertainty about what is going to happen next, as well as engendering feelings of stigma and shame.

## The benefit of debt advice

60. Citizens Advice research and external research demonstrates some clear benefits to the take up of debt advice which is currently largely delivered through a mix of legal aid (LSC) and Financial Inclusion Fund (FIF) support for face to face advice. The FIF is a government initiative to tackle financial exclusion; currently 161 bureaux in England and Wales provide face-to-face debt advice to financially excluded clients as part of the scheme. In 2009/10 they helped 55,586 clients. One in every two clients have had one or more outcomes recorded in this period – a total of 54,934 outcomes. Forty one per cent of these outcomes involved rescheduling the client's debt payments. Of the financial outcomes recorded, £57 million of client debt was written off and £15.3 million of income gain was recorded. Both the NAO and the Treasury have concluded that FIF funded services have achieved good value for money, and that "High quality debt advice reduces the costs of over-indebtedness to the public purse, as well as helping households."<sup>53</sup>

61. Another CAB money advice project reporting favourable outcomes is the Royal British Legion project which provides benefit and debt advice to people serving in the armed forces, veterans and their dependants. Thirty two bureaux in England provide this service; in 2009/10 they helped 7,767 clients with 39,977 issues. An outcome was recorded for one in three clients seen in 2009/10, including £14.32 million of debts written off, and £6.2 million of financial gain. The financial gain includes £1.52 million of charitable grants awarded and £4.72 million of welfare benefits gained. For clients who received a financial gain, the average value was £2,920 gained per client.

62. The detailed research on the impact of debt advice by the LSRC provides more "clear evidence of a positive impact of debt advice."<sup>54</sup> The research found that financial improvement is greater when advice is given than when no advice is given at all. Seventy per cent of clients sampled felt they had made headway against their debt at a twelve-month follow up and 33 per cent stated that they owed "a lot less"; in fact, a year after receiving advice, clients owed, on average, £7,585 less. Clients' financial situations were also found to have improved through better budgeting and improved negotiations with creditors. There was also evidence that advice improves people's understanding of their personal finances and, seemingly, helps them to better target 'priority' debts. At a twelve-month follow up, more than 50 per cent of

<sup>53</sup> *Mainstreaming Financial Inclusion. Dealing with financial distress: access to debt advice*, Financial Inclusion Task Force March 2010

<sup>54</sup> Pleasence P, Buck A, Balmer N, Williams K. *A Helping Hand: The Impact of Debt advice on peoples lives*, LSRC , 2007  
<http://www.lsrc.org.uk/publications/Impact.pdf>

clients in the advice agency study (one of the four strands of research undertaken by the LSRC) believed that advice had helped them avoid or curtail legal action.

63. Individual benefits extend beyond purely financial gains. The research found that a year after receiving advice, 90 per cent of clients reported improvements in their health; citing cases in which doctors have “prescribed” debt advice in favour of medication (in the context of a proactive debt initiative), where this has been seen as a more effective route to addressing poor health brought about by debt. The advice agency study also found that advice positively influenced clients’ perception of their ability to cope and their outlook. Eighty four per cent of clients reported feeling more in control of their finances following receipt of advice. The number worrying all or most of the time about their debts reduced from 89 per cent at initial advice to 31 per cent a year after receiving advice. A related outcome was that 70 per cent of improvements in personal relationships were attributed to advice.
64. There is also a growing body of on the wider economic impacts and benefit of debt and money advice. For example, an in-depth analysis of the Leeds Money Advice Project (five debt advice agencies linked together in a partnership) undertaken by the University of Salford highlighted the benefit of money advice for the regional economy with an estimated pay back of £2.70 for every £1 invested in debt advice. This is accounted for because financially excluded clients tend to spend a higher percentage of their income on local services than the more well off.<sup>55</sup>
65. Finally, an important source of data about the benefit of advice about money in general (rather than just debt advice specifically) can be found from the *Thorensean Review of generic financial advice* commissioned by Deloitte to carry out a cost-benefit analysis of establishing a wider money advice service.<sup>56</sup> It identified a potential £16,400 million in benefits to consumers, including bad debt reduction of up to £1,800 million, reduced absenteeism of around £344 million, plus other benefits to individuals including better budgeting management of debt, shopping around, investment in pensions and other savings and purchase insurance products. It also identified gains for HM Treasury, including an estimated £2.6 billion in pension credits and increased VAT receipts of £1,600 million.
66. It can be deduced from all the evidence referenced above that the cost of funding debt advice is considerably less than the cost of dealing with debt problems. The provision of debt advice is estimated at costing between £67 and £454. The Legal Services Commission has valued the cost of face-to-face debt advice at £196.<sup>57</sup> These figures alone suggest that timely debt advice leads to significant longer-term savings to the community.

## Applying the CBA to LSC funded (legal aid) debt advice

67. Given the multiplicity of funders and reporting outcomes for debt advice, any analysis just based on LSC funded work may not provide the whole picture. However there is sufficient outcomes data on legal aid work to attempt a CBA using

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<sup>55</sup> Dayson, Conaty et all, *Financial Inclusion Initiatives Economic impact and regeneration in city economies: The case of Leeds*, 2009 <http://www.communityfinance.salford.ac.uk/pdf/Leeds%20report%20final.pdf>

<sup>56</sup> *Thorensean Review of generic financial advice*, HMT 2008

<sup>57</sup> Figure excludes VAT; accurate as at October 2007. Available at: [http://www.legalservices.gov.uk/docs/main/Focus\\_53\\_-Mar\\_2007.pdf](http://www.legalservices.gov.uk/docs/main/Focus_53_-Mar_2007.pdf)

the same cost proxies on adverse consequence costs identified in *Mounting Problems*. This follows the same method as before. A full analysis can be found in Appendix 3.

**Table 7 – CBA for legal aid debt matters**

	Debt legal aid	Costs
A	Clients receiving legal aid likely to experience adverse consequences, and costs to state arising	£103,008,282
B	Clients likely to still experience adverse consequences, despite legal aid intervention and costs to state arising	£24,390,620
C	Clients who would have experienced adverse consequences but for legal aid, and total costs saved	£78,617,663 (A – B)
D	Less total debt legal aid expenditure	£26,364,307
	Total state saving	£52,253,355 (C – D)
	For every £1 spent on legal aid, the state saves	£2.98
	Net saving	£1.98

Source: A is based on CSJS data and LSRC's *Mounting Problems* research

B is based on LSC data for cases with no substantive benefit outcome

C is based on LSC data about substantive benefit outcomes

D comes from 2008/9 billed cases data from the LSC

## The case for benefits advice

68. The role of benefits advice in the CBA is rather less clear cut at first glance, as supporting benefit take up and appeals against benefit refusal hardly looks like a saving to the state or even the economy, but rather the reverse. Such an assumption, however, requires greater scrutiny and unless challenged robustly has the potential to undermine the cost benefit argument and possible future provision of integrated social welfare law advice. It is also important to understand that at an operational level there is a close relationship between debt and benefit advice issues; research has found that 15 per cent of debt clients reported that advice led to an increased income through take up of benefits.<sup>58</sup>

69. Whether funded by LSC or other public authority, benefit and welfare rights advisers assist clients to understand their eligibility and entitlements for all benefits and tax credits. Eligibility and entitlement to these benefits can be extremely complex, and there is a high degree of error at first tier decision-making. Legal aid plays a key role in enabling people to challenge poor decisions and over 50 per cent of the

<sup>58</sup> Wiggan and Talbot: *The benefits of welfare rights advice: a review of the literature*, National Association of Welfare Rights Advisors, 2006. [http://www.nawra.org/nawra/docs\\_pdf/Benefitsofwelfarerightsadviselitreview.pdf](http://www.nawra.org/nawra/docs_pdf/Benefitsofwelfarerightsadviselitreview.pdf)

appeals supported by representation at tribunal are decided in favour of appellants, so there is a strong argument that early information and advice for applicants reduces the chances of the decision-makers making wrong findings at the outset.

70. The Department for Work and Pensions (DWP) support four key groups: people of working age, pensioners, disabled people and carers, and people with children, and for each of these groups a variety of benefits are available. In 2009/10, bureaux in England and Wales helped 690,000 people, with more than 2.1 million benefits and tax credit issues, a 21 per cent increase in issues compared to 2008/9. The number of problems about jobseekers allowance increased by 61 per cent and significant increases were seen in advice about housing and council tax benefits, pension credit, working and child tax credits, child benefit, and the new employment and support allowance (replacing incapacity benefit).
71. Nearly half of the benefits and tax credit issues dealt with by bureaux related to advice on clients' eligibility and entitlement. The five largest categories of benefit advice provided by bureaux were housing benefit, council tax benefit, disability living allowance, working and child tax credit, and income support. These benefits are claimed by a significant number of people: the DWP reported that in 2008 there were four million recipients of housing benefit, 5.1 million recipients of council tax benefit, 2.6 million claimed incapacity benefits and 2.1 million claimed income support.
72. Take-up of entitlements can make a considerable contribution to improving the financial situation of a household, delivering better living standards and reducing deprivation and poverty experienced. Yet there continues to be a high level of unclaimed benefit. Taking all five income-related benefits together, between £6.3 billion and £10.5 billion was left unclaimed in 2007/8, compared with £35.2 billion claimed.<sup>59</sup>
73. So although welfare policy is now under review, current level of take-up for welfare benefits and tax credits, combined with the complexity of the system and diversity of potential claimant population, suggests there will be strong continuing demand for effective, accurate and authoritative non-governmental welfare rights advice services. Mental health service users in particular tend to find the complexity of the tax and benefits system overwhelming, and provision of benefits advice can enable them to understand their eligibility and entitlements.
74. Financial gains are reported as substantive benefits under LSC outcome codes and are used in the CBA model. Comparable research also highlights financial gain as a positive outcome. For example, the outcomes of one benefits advice project (with the Royal British Legion) show strong financial gains, including £4.1 million of benefits gained and £1.2 million of charitable grants awarded. One in three clients seen in 2009/10 (1,873) achieved a financial gain averaging £2,920 per client.
75. Welfare benefits and tax credits, however, not only represent gains for the individual, but can also be viewed as a part of local economic development. Research conducted at Brighton and Hove Citizens Advice Bureau found that welfare benefits advice had resulted in increase in income of £676,000 to clients.

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<sup>59</sup> [http://research.dwp.gov.uk/asd/income\\_analysis/jun\\_2009/0708\\_Summary.pdf](http://research.dwp.gov.uk/asd/income_analysis/jun_2009/0708_Summary.pdf)

Applying the methods of the New Economics Foundation's local multiplier toolkit (LM3), the study concluded that there was a total value to the local economy of £1,149,000.<sup>60</sup> Research has indicated that a proportion of the higher incomes enjoyed by previously non-claiming recipients are spent on the purchase of goods and services, and research in Glasgow found that income gained for the city's poorer residents was more likely to be spent locally.<sup>61</sup>

76. The interactions between welfare advice, environment, socio-economic status, health and quality of life are complex and multifaceted. However, a growing body of studies suggests that welfare rights advice, through improving take-up of entitlements, has a positive impact on health and social well being. For example an Exeter study reported significant improvements from General Health Questionnaire (GHQ-12) outcome scores.<sup>62</sup> In particular placing advice services in a primary care context is particularly effective for reaching eligible non-recipients. A considerable body of literature has been building about the financial value that welfare rights advice can offer when used in particular locations for specific groups.<sup>63</sup> For example a study conducted into the outcomes of a service providing welfare advice across 30 general practices in Bradford over the initial 24 months of the project showed advice workers saw 2,484 patients.<sup>64</sup> In total, the advisers obtained £2,389,255 for their clients in additional welfare benefits, demonstrating the financial impact welfare rights advice can have.
77. Another in-depth qualitative study of welfare rights advice offered in three general practices serving deprived communities in the North East provides an insight into how even small increases of income in 'hard to reach groups' can make a substantial difference.<sup>65</sup> Interviewing eleven respondents with chronic health problems it was found that seven would not have used the service had it not been situated within the GP surgery and eight had no previous experience of welfare rights services. The reaction of the respondents to their new financial benefits (all related to disability) was very positive.

## Applying the CBA to LSC funded benefits advice

78. Using LSC data in the same way as been done for other social welfare law categories, the following analysis is generated for LSC funded welfare benefits advice. The full calculation can be found in Appendix 4.

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<sup>60</sup> *Eleven plus to one*, University of Brighton, 2003. Available at: <http://www.brightonhovecab.org.uk/pdfs/11to1.pdf>  
*The Money Trail: Measuring your impact on the local economy using LM3*, New Economics Foundation, 2002. Available at: <http://www.neweconomics.org/gen/uploads/The%20Money%20Trail.pdf>

<sup>61</sup> *The Effect of Citizens Advice Bureaux on the Glasgow economy*, Fraser of Allander Institute, 2003.

<sup>62</sup> Campbell and Winder: *Exploring the relationships between provision of welfare benefits advice and the health of elderly people: a longitudinal observational study and discussion of methodological issues*. Health & Social Care in the Community 2007

<sup>63</sup> Galvin, K. Sharples, A. & Jackson, D. 'Citizens Advice Bureaux in general practice: an illuminative evaluation', Health and Social Care in the Community, 2000 pp 277-282, 8 (4), Abbott, S. 'Prescribing welfare benefits advice in primary care: is it a health intervention, and if so, what sort?' Journal of Public Health Medicine, pp 307 -312, 2002 Vol. 24, No. 4.

<sup>64</sup> Greasley, P. and Small, N. *Providing welfare advice in general practice: referrals, issues and outcomes*, Health & Social Care in the Community, 2005 13, 3, 249-258.

<sup>65</sup> Moffatt, S. White, M. Stacy, R. Downey, D. & Hudson, E *The impact of welfare advice in primary care: a qualitative study*, pp 295 - 309, Critical Public Health, .2004 Vol. 14, No. 3

Table 8 – CBA for welfare benefit legal aid matters

	<b>Welfare benefits legal aid</b>	<b>Costs</b>
A	Clients receiving legal aid likely to experience adverse consequences, and costs to state arising	£302,233,957
B	Clients likely to still experience adverse consequences, despite legal aid intervention and costs to state arising	£89,821,773
C	Clients who would have experienced adverse consequences but for legal aid, and total costs saved  <b>(A – B)</b>	£212,412,184
D	Less total benefits legal aid spend (from billed cases data)	£24,131,865
	Total net state saving  <b>(C – D)</b>	<b>£188,280,319</b>
	For every £1 spent on legal aid, the state saves	£8.80
	Net saving	£7.80

Source: A is based on CSJS data and LSRC's *Mounting Problems* research

B is based on LSC data for cases with no substantive benefit outcome

C is based on LSC data about substantive benefit outcomes

D comes from 2008/9 billed cases data from the LSC

## Applying the CBA to employment advice

79. As unemployment increases during recessions, so too has the demand for employment advice. In April 2010, there were 2.47 million people who were unemployed.<sup>66</sup> In 2009/10 Citizens Advice Bureaux in England and Wales helped 286,600 clients with 586,000 employment problems in 2009/10; an increase of six per cent on the previous year. The top categories for employment advice were pay and entitlements, dismissal, redundancy, terms and conditions of employment and dispute resolution.<sup>67</sup>

80. Recorded discrimination problems related to employment increased by 7 per cent in 2009/10 and three-quarters of all discrimination advice recorded by bureaux in 2009/10 related to employment. Discrimination on the grounds of disability (excluding mental health) was the most common form of employment discrimination recorded by bureau (23 per cent of all employment discrimination where the grounds were recorded). This was followed by sex/gender discrimination (19 per cent), race discrimination (16 per cent), pregnancy/childcare (13 per cent) and age (10 per cent).

<sup>66</sup> Labour market statistics, June 2010, Office for National Statistics

<sup>67</sup> Analysis of Advice Issues and Client Profile: England and Wales, Citizens Advice, 2009

81. Loss of employment as a result of problems can result in direct costs to the public purse through benefit claims. For respondents to the CSJS claiming unemployment related benefits following job loss, an average of 19 weeks was claimed, making the average costs of job loss £1,057.16.<sup>68</sup> In addition to these costs, loss of employment caused a net social cost measured in terms of lost output. The value of output foregone measured using GDP per head; given the average spell of unemployment reported among respondents who lost their job as a consequence of a problem, the average value of lost output amounted to £8,140.17. Other evidence supports findings of a high level of negative outcomes, for example the recent Marmot report on health inequalities has demonstrated the links between unemployment and a multiplicity of elevated health risks.<sup>69</sup>

82. Employee stress impacts the individuals concerned, the workplaces and the wider community. About one in five people say that they find their work either very or extremely stressful. Over half a million people report experiencing work-related stress at a level they believe has actually made them ill.<sup>70</sup> Each case of stress-related ill health leads to an average of 29 working days lost. A total of 13.4 million working days were lost to stress, depression and anxiety in 2001. Work-related stress costs society between £3.7 billion and £3.8 billion a year.

83. Timely advice can reduce stress and mitigate the economic cost and some or all of the personal negative impacts of employment problems and related impacts can be eased by good advice. As a result of bureau advice, clients with employment problems can retain their job, protect their terms and conditions, or, where it is not appropriate for them to return to their job, Citizens Advice Bureaux can help them financial compensation through tribunals.

84. The LSC fund specialist employment advice at 33 Citizens Advice Bureaux. In 2009/10, one in four outcomes from the employment advice given by LSC-funded bureaux were financial gains. Over three-quarters of these financial gains (78 per cent) related to financial settlements for clients out of court. Just over one in three clients outcomes were that they were enabled to better understand, access or manage their employment rights.

## Applying the CBA to LSC funded employment advice

85. The same method as used previously is applied again to LSC employment funded casework.

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<sup>68</sup> Mounting Problems: Further Evidence of the Social, Economic and Health Consequences of Civil Justice Problems, Pascoe Pleasence P, Buck A, Balmer M, Smith M, Patel A, Transforming Lives: Law and social process, 2007

<sup>69</sup> Fair Society, Healthy Lives Marmot review of Health Inequalities, UCL 2009

<sup>70</sup> Tackling Stress: the management standards approach, Health and Safety Executive, 2007. Available at: <http://www.hse.gov.uk/pubns/indg406.pdf>

Table 9 – CBA for employment law matters

	<b>Employment legal aid</b>	<b>Costs</b>
A	Clients receiving legal aid likely to experience adverse consequences, and costs to state arising (Based on CSJS data and Mounting Problems Research)	£50,090,848
B	Clients likely to still experience adverse consequences, despite legal aid intervention and costs to state arising (Based on data for cases with no substantive benefit outcome)	£16,235,756
C	Clients who would have experienced adverse consequences but for legal aid, and total costs saved (based on substantive benefit outcomes)	£33,855,093 (A – B)
D	Less total employment legal aid expenditure (from 2008-2009 billed cases data)	£4,746,001
	Total net state saving	£29,109,091 (C – D)
	For every £1 spent on legal aid, the state saves	£7.13
	Net saving	£6.13

Source: A is based on CSJS data and LSRC's *Mounting Problems* research

B is based on LSC data for cases with no substantive benefit outcome

C is based on LSC data about substantive benefit outcomes

D comes from 2008/9 billed cases data from the LSC

## Family

86. Family legal aid work remains the most costly areas for the civil legal aid budget and covers contentious issues of child welfare and protection as well divorce, property and relationship breakdown issues, so this paper will not attempt a full CBA on family law costs. However, family law issues rarely occur in isolation from other problems. There is ample evidence that job loss, financial difficulties and loss of income can bring about family breakup. Some economists have specifically argued that the risk of divorce increases on the realisation of unfavourable changes in individuals' economic circumstances.<sup>71</sup> Findings from respondents to the CSJS revealed that those who had become unemployed during the survey's three-year 'reference period' were much more likely than others, including those who were simply unemployed, to report having experienced family law problems.<sup>72</sup> The same

<sup>71</sup> Becker *An Economic Analysis of Marital Instability*, 1977, *Journal of Political Economy*

<sup>72</sup> Pleasence, P. and Balmer, N.J. (2009) *Job Loss, Divorce and Family Disputes*. *Family Law*, Volume 39

was true of those who had experienced a problematic redundancy/sacking. In fact, those who had become unemployed reported 1.3 problems on average, compared with 0.6 problems for others (and 1.0 problems for those who were simply unemployed). Those who had experienced a problematic redundancy/sacking reported 2.3 problems on average, though all of them had by definition reported a problem around their redundancy/sacking.

87. An obvious level of family work where the CBA could be applied is in relation to obtaining domestic violence injunctions or other family law remedies. Obtaining accurate statistics on the scale of domestic violence is difficult, as it is known to be widely under-reported. Analysis of the British Crime Survey show between 23 per cent and 35 per cent of incidents are reported to the police.<sup>73</sup> The total annual cost of domestic violence estimated to be £40.1 billion per year.<sup>74</sup> Domestic violence against women can be said to be both a consequence and a cause of gender inequality. Among adult female victims of intimate violence, 33 per cent experienced more than one type of abuse, most commonly partner abuse and sexual assault (18 per cent).<sup>75</sup>

88. The Home Office have developed a “ready reckoner tool” for local practitioners and for commissioners involved in comprehensive area assessments and planning for local services in order to assist in providing an estimate for justifiable service levels needs.<sup>76</sup> It starts by looking at levels of domestic abuse, (as well as other violence against women issues such as sexual assault and stalking) in individual areas using British Crime Survey (BCS) data, and bases commissioning guidance around costs and consequences. As an example, for a total population of 110,000 people in the West Midlands region the ready reckoner estimates that:

- 3,865 women and girls between the age of 16-59 may have been a victim of domestic abuse in the past year;
- 1,540 women and girls between the age of 16-59 may have been a victim of sexual assault in the past year;
- 4,382 women and girls between the age of 16-59 may have been a victim of stalking in the past year.

89. The ready reckoner then provides a tool for estimating the impact and costs to services of domestic violence and sexual violence. Again, taking a population of 110,000 people in the West Midlands the costs are estimated to be:

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<sup>73</sup> Walby, S. and Allen, J. (2004), *Domestic violence, sexual assault and stalking: Findings from the British Crime Survey* (London: Home Office)

<sup>74</sup> Home Office

<sup>75</sup> Home Office

<sup>76</sup> *Mainstreaming the Commissioning of Local Services to Address Violence against Women and Girls*, Home Office 2009

Total costs	Physical and mental health costs	Criminal justice costs	Social services costs	Other costs (including housing and legal costs)	Human and emotional costs
£10,506,540	£2,264,010	£1,426,022	£268,548	£6,547,960	£33,545,248

Source: Mainstreaming the Commissioning of local services to address violence against women, Home Office

## The Citizens Advice perspective

90. For the past six years the Citizens Advice service has been monitoring outcomes of advice via an electronic case recording system. As well as the value of this data in understanding advice agencies' client base, it enables advice services to better demonstrate their financial value, and the value of advice in different casework categories.<sup>77</sup>
91. Citizens Advice receives a grant in aid from the Department of Business Innovation and Skills (BIS), the grant being £21.47 million in 2009/10 but is expected to decrease to £20.82 million for 2010/11. Citizens Advice also receives project funding of approximately £35 million per annum and generates £5 million from other sources. The total income of the network of bureaux is £148 million, including £68 million from local authorities and £19 million from the Legal Services Commission for undertaking legal aid work. The total cost of delivering the service across England and Wales is approximately £178 million.
92. The CAB service has a strong brand recognition amongst the public,<sup>78</sup> and dealt with 2.3 million clients in 2009/10.<sup>79</sup> The main areas of advice work were in debt, benefits, housing and employment. In some cases, given the limits of existing CASE outcomes data, it is not possible to quantify the financial benefit to either government or clients. However the different outcome codes and known proxies for adverse costs do make it possible to make very some rough and ready calculations using 2008/9 outcomes data.<sup>80</sup> Costs, client value and government savings have been estimated for the value of advice work carried out over 2008/9; these are by no means empirically certain, so they fall instead within a value range. Using the minimum value estimates within the range, the results can of this project can be summarised as follows:

### Housing

93. As reported under the section on housing outcomes, 3,400 clients had their homelessness prevented or averted, or settled accommodation was secured for

<sup>77</sup> See [http://www.citizensadvice.org.uk/index/aboutus/outcomes\\_of\\_advice.htm](http://www.citizensadvice.org.uk/index/aboutus/outcomes_of_advice.htm)

<sup>78</sup> Unmet demand for Citizens Advice Bureaux Mori 2004

<sup>79</sup> Citizens Advice Annual report and accounts 2009

<sup>80</sup> Gibbons: *Our Contribution to Society*, Citizens Advice 2010

them. Taking the lower estimate of the cost of homelessness at £4,500<sup>81</sup>, this is a potential benefit of £15.3 million, if this is applied this to all of these client interactions. The estimated value can also be used as a proxy for an the estimated Government savings.

**Clients seen in 2008/9:** 265,000 about 410,000 issues

**Government saving:** £15.3 million

**Client value:** £15.3 million

## Debt

94. Of the financial outcomes recorded under FIF projects, £57 million worth of client debt was written off and £15.3 million of income gains were recorded. Together, the average financial benefit was £1,300 per outcome. Using this average across all the recorded casework undertaken for CAB clients, estimated saving to clients may be estimated at £281m, although the LSRC figures on advice gains from debt advice suggest that the real savings figure could be much larger. A £219 saving to Government from debt casework can be estimated on the basis of the average cost per debt problem in terms lost economic output which has been estimated at £1,000;<sup>82</sup> this is excluding the economic impact of stress related illness which would take the estimated saving higher. So under this analysis the return of investment on FIF expenditure alone (£16.8 million) can therefore be estimated at 1:4.

**Clients seen in 2008/9:** 575,000 on 1.93 million issues and 216,000 casework

**Government saving:** £216 million

**Client value:** £281 million

## Benefits

95. Several different CAB benefit advice services and projects have reported positive outcomes. For example, the Royal British Legion project includes £4.1 million of benefits gained and £1.2m of charitable grants awarded – for one in three clients seen in 2008/9 (1,873) the bureau achieved a financial gain with an average value of £3,500 gained per client. Estimated government savings can also be made on the basis on 'avoidable contact' i.e. cases which otherwise would have had to have been dealt with by the DWP or the local authority. This is based on the number of issues requiring advice, taking half an hour to resolve at an estimated cost of £20 per hour including on-costs and overheads

**Clients seen in 2008/9:** 663,000 on 1.71 million issues

**Government saving:** £13.8 million (estimate)

**Client value:** £367 million

## Employment

96. Of the 293,000 clients seen with employment problems, bureaux dealt with approximately 16,000 employment cases at generalist and specialist level. As well

<sup>81</sup> Crisis – see para 42 for discussion

<sup>82</sup> A Helping Hand: the Impact of Debt Advice on People's Lives. Legal Services Research Centre, 2007. Available at: <http://www.lsrc.org.uk/publications/Impact.pdf>

as tribunal gains, settlement and conciliation is the usual outcome for employment advice clients. An ACAS study estimates that employees gain just under £17 million from conciliation.<sup>83</sup> If the ACAS figures are used as a proxy proportionate to the volume of CAB clients, based on the average saving from conciliation this leads to an estimated client saving of £1.9 million. A potential Government saving can also be estimated using the average cost of work-related stress (£9,524), and based on sessions requiring casework.

**Clients seen in 2008/9:** 293,000 on 555,000 issues  
**Government saving:** £155 million (estimate)  
**Client value:** £1.9 million

## Conclusion

97. A final factor to consider in estimating the value of CAB services, is the added value of volunteers to community based services. Across CAB services, there are 21,335 volunteers who add the value of service delivery.<sup>84</sup> The value of this volunteer base can be estimated at £86 million, based on ONS statistics on average wages.<sup>85</sup>
98. So in the four main areas of information and advice (employment, debt, benefits, and housing) and including the estimated value of CAB volunteers, it can be estimated that the CAB service currently saves society in the region of £1 billion at a the lowest range of indicators. If this minimum base is an accurate one, then on the basis of this method of undertaking a cost benefit analysis, the minimum return on investment in the service (£178 million), is around 1:6.

**Table 10 – Summary of the CAB service’s contribution**

<b>Advice area</b>	<b>Government saving</b>	<b>Client value</b>	<b>Grand total</b>
Debt	£216,000,000	£281,000,000	
Benefits	£14,000,000	£367,000,000	
Employment	£155,000,000	£2,000,000	
Housing	£15,000,000	£15,000,000	
Volunteers	£86,000,000	-	
<b>Total</b>	<b>£486,000,000</b>	<b>£665,000,000</b>	<b>£1,151,000,000</b>

## Is there a “social return” on investment in legal aid?

99. An alternative approach to looking at the value of publicly funded advice, is to put down cost benefit markers on social value. Social Return on Investment (SROI) is a framework for measuring social value, or what in today’s language we might call a contribution to the “big society”. Since the Cabinet Office’s report on *Measuring Social Value*,<sup>86</sup> SROI has increasingly been referenced for its potential to be used as a tool for understanding and improving services to the public – especially those

<sup>83</sup> [http://www.acas.org.uk/media/pdf/j/a/NIESR\\_Economic\\_Impact\\_of\\_Acas\\_Final.pdf](http://www.acas.org.uk/media/pdf/j/a/NIESR_Economic_Impact_of_Acas_Final.pdf), p.5

<sup>84</sup> 2008/09 Citizens Advice Bureaux Information Survey

<sup>85</sup> Calculations using figures from the Annual Survey of Hours and Earnings, 2008,

[http://www.statistics.gov.uk/downloads/theme\\_labour/ASHE\\_2008/tabc2\\_5a.xls](http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2008/tabc2_5a.xls)

<sup>86</sup> *Measuring and Communicating Social Value*, Cabinet Office, 2009

delivered by not for profit agencies and charities. However as a nascent tool, it continues to be held back by the low levels of evidence. Could the SROI model be used to build on a cost benefit analysis for legal aid and advice services?

100. At one level, SROI can be seen as a type of economic analysis rooted in a cost-benefit analysis paradigm.<sup>87</sup> The six stages that a typical SROI assessment might follow can be summarised as:
  - Establishing scope and identifying key stakeholders (e.g. funders and other agencies working with the client group);
  - Mapping outcomes through engaging with stakeholders and developing an impact map to show the relationship between inputs, outputs and outcomes;
  - Evidencing outcomes and giving them a value by sourcing data to show whether outcomes have happened and then giving them a monetary value;
  - Establishing impact by differentiating those aspects of change that would have happened anyway or are a result of other factors are taken out of the analysis;
  - Calculating the SROI by adding up all the benefits, subtracting any negatives and comparing the result with the investment;
  - Reporting, using and embedding - involves verification of the report, sharing findings with stakeholders and responding to them, and embedding good outcomes processes.
101. This analysis results in a financial value being placed on results, whilst allowing organisations to understand their key outcomes and involve stakeholders along the way. In practical terms, this allows charities to add together the values of all of their outcomes and to compare the total value created for stakeholders to the money required to achieve those results. This is summed up in the SROI ratio, usually expressed as '*for every pound spent, organisation A creates Y pounds of social value*'.<sup>88</sup>
102. To an economist, SROI looks a lot like cost-benefit analysis but using a very different theoretical framework. However, it is important to recognise that cost-benefit analysis itself can engage a very broad range of approaches. The functionality of any CBA tool is about comparing the costs of some particular action with its benefits and expressing both costs and benefits in financial terms. SROI can be seen as a particular approach to cost-benefit analysis, with an emphasis on stakeholder involvement.
103. A clear attempt to apply the SROI to legal aid work has been conducted in relation to law centres. NEF's analysis attempts to captures "social value" by translating social outcomes into financial values.<sup>89</sup> The methodology follows an 'impact map' for clients and government as respective stakeholders, and includes the likely socio-economic benefits arising from prevention of problems such as evictions. Following the course of a particular homelessness case, the socio-economic benefit to cost ratio is shown to be in excess of ten-to-one.

<sup>87</sup> Social Return on Investment Position paper, NPC April 2010

<sup>88</sup> Guide to Social Return on Investment, the Cabinet Office (2009).

<sup>89</sup> The Socio-Economic Value of Law Centres, NEF 2009

[http://www.lawcentres.org.uk/uploads/Read\\_the\\_Socio-Economic\\_Benefits\\_of\\_Law\\_Centres\\_here.pdf](http://www.lawcentres.org.uk/uploads/Read_the_Socio-Economic_Benefits_of_Law_Centres_here.pdf)

Table 11 – A possible SROI model for law centres

Stakeholder	Input	Outcome	Financial measure/proxies
Client	Time spent on case	Roof over head, independent living, improved health and diet, employment prospects, increased self reported well-being	Rent, income,
Government	Funding for service or use of other public service	Cost avoidance: fewer homeless, reduced health costs,	Costs avoided to public services, tax receipts etc

Source: using ideas from NEF's report, *The socio-economic value of law centres*

104. The report concludes that for every £1 invested in a law centre, a further £15 of “social value” is generated. This method of CBA is in rudimentary development at this stage, but increasingly there is discussion about how social value can be better captured in the way legal aid is procured and delivered. Social value indicators may have potential to be used within a commissioning framework. In Citizens Advice's submission to the *Local Legal Advice review*, we recommended that agencies seeking legal aid funding for advice services should be assessed not only on what they can deliver in terms of efficient and quality advice, and price, but what they can also deliver in the form of a community premium – ie added value.<sup>90</sup> This could include a range of factors which should be fully taken into account in the competitive process, for example:

- **Longer term client outcomes** – these could include clients feeling more confident and knowledgeable about their rights and responsibilities and more capable of resolving their problems themselves in future. Agencies which can deliver such client outcomes should be regarded as offering a community premium.;
- **Reach** - where suppliers have high levels of public awareness and trust and are able to and have a track record in providing enhanced access for clients and deliver services in a way that reached those people most in need – e.g. through promotional activities, partnership working and outreach networks;
- **Proximity to complementary services** – agencies that can offer complementary services – such as public legal education and financial capability services alongside local legal advice should be regarded as delivering a community premium;
- **Community capital** – those organisations which design and deliver their services in such a way that the fabric of the community is strengthened because volunteers are involved in leading the service or delivering the service should be regarded as delivering a community premium. For private

<sup>90</sup> *Citizens Advice submission to local legal advice review*

law firms their role in providing or supporting pro-bono services should be taken into account here;

- **Strategic action** – agencies which have a track record of and commitment to contributing to problem prevention, long term, by contributing to policy and service improvement to benefit clients bring a community premium;
- **Attracting other investment** – agencies which have other funds and resources to deliver services alongside local legal advice services should be regarded as offering a community premium because they work to bring in additional investment from other sources which the LSC and local councils are unlikely to be able to secure themselves.

105. The value of “complementary work” was specifically recognised in the final report of the local legal advice study and recommended that there should be a funding mechanism to support this. “Providers of legal advice services also carry out a range of other activity in their communities... they form an important part of the activities of many of the ... [not-for-profit] organisations providing legal advice services, and may provide direct benefits in terms of reducing both social exclusion more generally, and the incidence of legal problems.”<sup>91</sup>

### Towards an “advice premium”

106. Drawing together the research and evidence base on the practical benefits of accessing advice itself provides powerful data to demonstrate that there is clear business case for supporting investment in legal aid. If the suggested findings in this paper and other similar research projects stand up, a question surely arises as to why so little of this research gets acted on policy makers? This is in part a political question and goes beyond a research remit, however it is very much a joint challenge for researchers and policy makers to develop a formula which can enable legal aid funding and delivery to be understood in real value for money terms. The LSC’s aborted attempt at redirecting funding to higher needs areas through an “indicative spend” formula, and the move towards systems of ‘outcome based’ commissioning for integrated social welfare law services shows that it is increasingly understood that process of funding allocations need to be evidence driven, both in terms of prevention, prioritisation of resources, and achievable outcomes.

107. So commensurate with the general utility of a CBA as a policy tool, is its potential usefulness as a tool in assisting local funding allocations and the question of whether there needs to be not just a community premium in delivery, but rather an “advice premium” in areas of deprivation and undersupply, that can be evidenced on a CBA basis. Work on unmet need mapping in relation to geographies of need, access patterns and publicly funded legal advice supply has in the past given rise to questions about whether there are “advice deserts” – ie areas of chronic need and undersupply of accessible advice services.<sup>92</sup> The added value of a CBA tool would be to help determine the return on any additional investment in local services and frame the priorities for directing funding at deprived areas.

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<sup>91</sup> *Study of Legal Advice at Local Level* Ministry of Justice 2009 <http://www.justice.gov.uk/legal-advice-local-level.pdf>

<sup>92</sup> *No Time to Retire: Legal Aid at 60*, Citizens Advice, 2009 [http://www.citizensadvice.org.uk/no\\_time\\_to\\_retire](http://www.citizensadvice.org.uk/no_time_to_retire)

## What further work needs to be done?

108. With so much compelling data to show the business case for civil legal aid's value to the public purse, one might ask why is this case not being seen by government? Is this simply because of inadequate or insufficient "salesmanship" of the legal aid business case in Treasury corridors, or is it because existing research is not identifying concrete benefits that policymakers and public service managers are interested in? Or does the explanation lie in public services just not seeing the return in terms of real lower costs of their services – for example the capacity within the NHS for reducing visits to GPs because of intervention with debt problems. The challenge to the legal aid and advice research community is to make a better case, and ensure that the relevant research can actually influence decisions instead of sitting on shelves.
109. There is much work to be done here in both research and advocacy, and this paper only scratches the surface. This paper has not, for example, looked at the immigration and asylum system. Yet around 73 per cent of claims for asylum are rejected at "first instance" (i.e. the decision made by the Home Office), whilst 23 per cent of appeals to the Independent Asylum and Immigration Tribunal (AIT) go on to be successful with this process taking many months and incurring a range of additional costs to the public purse. A CBA approach would suggest that more investment in legal advice and discussion at the initial stage would shorten the time taken for decision-making in asylum cases and lead to greater justice at far lower costs to the New Asylum Model, especially if all asylum seekers under the were given access to independent accredited legal representatives before the initial decision-making interview with the Home Office case-owner.
110. The CBA approach also has potential application to the criminal justice system and specifically the Criminal Defence Service, the Crown Prosecution Service and offender support services, given high rates of re-offending and the links between crime and civil problems. Recent estimates put the cost of crime to the UK at over £75 billion annually.<sup>93</sup> The CBI has estimated that reducing the re-offending rate of ex-prisoners by just ten per cent could save over £1 billion for the UK economy.<sup>94</sup> Re-offending by released prisoners alone may costs more than £10 billion annually, with around half of adult prisoners reoffending within one year of release.<sup>95</sup> Various risk factors have been identified in relation to offending and re-offending behaviour, problems going right back to early childhood - though uncertainty remains around the extent to which some are "indicators", rather than causes, of behaviour.<sup>96</sup> However, key factors identified as increasing the risk of prisoners' reoffending include difficulties finding and retaining employment, financial problems, homelessness and family breakdown. Each of these can involve legal issues at the heart of the civil legal aid scheme. These civil legal issues can also exacerbate mental illness, another risk factor for offending/re-offending.

<sup>93</sup> Dubourg, R., Hamed, J. and Thorns, J. *The Economic and Social Costs of Crime*; (2005)

<sup>94</sup> *Getting back on the straight and narrow: A better criminal justice system for all*. (April, 2008) CBI and Centre for Criminal justice (2009)

<sup>95</sup> *Reducing Reoffending by Ex-Prisoners* Social Exclusion Unit (2002).

<sup>96</sup> Farrington, D.P. *Childhood Risk Factors and Risk Focused Prevention*, in Maguire, M., Morgan, R. and Reiner, R. (eds.) *The Oxford Handbook of Criminology*; (2007)

111. In *Locked Out* in 2007, Citizens Advice outlined a business case for extending CAB prison advice projects to serve the whole UK prison population, amounting to as little as £319 per prisoner per year, compared to the costs of £35,000 per year keeping them in jail if they return, and based on the evidence of the value of advice prisoners in sorting out money and housing issues which are major risk factors for re-offending.<sup>97</sup> The basis of this approach for analysing the cost benefit of interventions and resource allocation across the criminal justice system has now been endorsed by the Justice Select Committee.<sup>98</sup> And evaluations of individual projects such St Giles Trust 'Through the Gates,' also demonstrate the economic merits of offender advice and support services. 'Through the Gates' provides accommodation support and re-integration programmes for offenders, the evaluation by frontier economics shows substantial positive net benefits to society, with a cost-benefit ratio of at least 10:1.<sup>99</sup>

112. Further work is also needed to demonstrate the extent to which civil legal aid can tackle health and socio-economic inequalities at a structural level. Two large scale recent evidence reviews have identified the sheer scale of the challenge, the National Equality Panel's report<sup>100</sup> and the Marmot review of health inequalities.<sup>101</sup> Key findings from these reports include:-

- A steep "social gradient" in health and health outcomes relating to local environment; (Those in poorer areas die on average seven years earlier than wealthy area, and will experience 17 years more of their life with disabilities).
- The cost of health inequalities is measurable in both human and economic terms, e.g. inequality in illness accounts for £31 - £33 billion in lost productivity.
- Inequalities in earnings and incomes are high in Britain, both compared with other industrialised countries, and compared with thirty years ago. Over the most recent decade, earnings inequality has narrowed a little and income inequality has stabilised, but big inequality growth between the late 1970s and early 1990s has not been reversed.
- Well-being should be ranked equally important as economic growth, emphasising early childhood development and environmental quality in communities.
- Inequality growth of the last 40 years is attributable to growing gaps within and between social groups; there remain deep-seated and systematic differences in economic outcomes between social groups across several dimensions including gender, ethnicity, social class and geographies.
- Differences, especially socio-economic ones, accumulate across the life cycle. However, 'equality of opportunity' is a universal aspiration for all but held back by systemic discrimination and wide group differences between access to resources to help people fulfil their potential.

<sup>97</sup> *Locked Out: CAB evidence on prisoners and ex-offenders*, Citizens Advice 2007 [http://www.citizensadvice.org.uk/locked\\_out](http://www.citizensadvice.org.uk/locked_out)

<sup>98</sup> *Cutting crime: the case for justice reinvestment*, Justice Select Committee, 2009 <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmjust/94/94i.pdf>

<sup>99</sup> *Through the Gates, an analysis of economic impact*, Frontier Economics, 2009

<sup>100</sup> *An Anatomy of Economic Inequality in the UK: Report of the National Equality Panel*, 2010 <http://www.equalities.gov.uk/pdf/NEP%20Report%20bookmarkedfinal.pdf>

<sup>101</sup> *Fair Society, Healthy Lives Marmot review of Health Inequalities*, UCL 2009 <http://www.marmot-review.org.uk/>

113. There is much within this evidence base that supports the case for wider access, not only to legal aid, but to advice services more widely in the community. Evidence of associations between social problems and morbidity supports a broad approach to service provision in general practice and some social problems linked with morbidity involve people's rights. Given the evidence on the extent to which social problems can be mitigated through the provision of advice about peoples' rights, advice and support services that go well beyond the biomedical are being increasingly mainstreamed in general practice. Citizens Advice bureaux were first placed in GP practices in the early 1990s. The results of this pilot projects were published in the BMJ in 1993 which concluded that placing CAB sessions in general practices is 'an effective way of providing advice on life problems to patients with health problems'.<sup>102</sup> Thirty seven per cent of regular outreach projects in Citizens Advice Bureaux are situated in healthcare settings, funded by NHS providers and commissioners. According to Derbyshire NHS's evaluation of PCT funded services, for every £1 invested by the project secures £6.50 in additional income for clients and helps them to manage £7.40 of their debts.

114. It has recently been announced by the coalition Government that there is to be a "fundamental review of legal aid." This has been clearly linked to the new Spending Review framework.<sup>103</sup> So within the review discussion may be expected about whether there should be any scope or entitlement changes for different areas of law, for example where there could be market solutions for all or most of those eligible for legal aid, or different more cost effective methods of delivery. In other words would a market based solution - as has grown in the area of debt management - help more people than the current legal aid system does? Evaluation such policy options will also require a business case analysis based on empirical data.

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## Conclusion

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115. The starting point of this paper has been a review of attempted methodologies to estimate the negative costs of legal advice problems to individuals and government that can be clearly identified and given a monetary value, and analyse these as a set off against public expenditure invested in the system. One potential silver lining of the recession may be that it presents opportunities for the real social value of public funded legal services to be demonstrated and appreciated far beyond the ranks of those working in the field. In a culture of fiscal retrenchment, however, the business case needs to be more clearly articulated and modelled using hard numbers. Indeed, the key criteria under the new Spending Review Framework is whether any publicly funded activity will provide "substantial economic value", targeted to those most in need and deliverable at the lowest cost by non-state providers to be funded on the basis of the "results they achieve".<sup>104</sup>

116. However, there is little consistency in the conceptualisation and measurement of costs versus gains/results for clients and government from existing research literature, or any mechanism within the legal aid system itself for evaluating in

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<sup>102</sup> Paris, J.A.G. & Player, D. *Citizen's advice in general practice*, British Medical Journal, 306(6891) 1993

<sup>103</sup> Spending Review Framework, HM Treasury 2010 [http://www.hm-treasury.gov.uk/d/spending\\_review\\_framework\\_080610.pdf](http://www.hm-treasury.gov.uk/d/spending_review_framework_080610.pdf)

<sup>104</sup> *Ibid*

monetary terms the benefits and economic value that publicly funded advice bring. Government itself does not appear make use of cost-benefit analysis mechanisms in determining legal aid spend priorities, and existing modelling on the economic case for legal aid undertaken at Ministry of Justice and Legal Services Commission level has not been sufficiently robust to be put into the public sphere. Instead there is a welter of persuasive, though often disconnected, qualitative evidence for the economic case for civil legal aid, supported empirically by the detailed data from the CSJS findings.

117. This paper has attempted to supplement the existing research by identifying and discussing three rather broad approaches to undertaking cost benefit analysis ratios, and in has attempted worked examples for social welfare law categories using available data. The three approaches studied can be summarised as follows:

#### **Developing a CBA matrix whereby the Legal Services Commission's substantive benefit codes can be used to estimate adverse consequences avoided for legal help clients.**

118. Using standardised unit costs for adverse consequences such as homelessness, health service treatment for common ill-health consequences, physical and property damage costs, criminal justice service, social costs measured in terms of lost output etc it is possible to construct a model to evaluate the public value of legal aid spend against the outcomes it delivers. However, the LSC's outcomes measurement framework may not provide the whole picture. The CBA results calculated in discussed in this paper for example highlight a significant CBA ratio differences between different categories of social welfare law. The highest investment returns are for the debt and benefit categories, this is accounted for by higher levels of substantive benefit outcomes.

#### **Working from an aggregate of different outcome measures**

119. From hard to soft outcomes, it is possible to undertake a simple offset analysis against the known costs of adverse consequences arising from civil justice problems. However this type of analysis is highly dependent on choice of proxies, and uses assumptions and estimates that may lead to unreliable results. As part of their outcomes project, Citizens Advice has attempted some estimates over one year (2008/9), for the value of advice work undertaken.

#### **Developing the “social return” model which identifies added value and longer term impacts and benefits for clients**

120. This method has been pioneered by the NEF as a basis for cost benefit analysis generally, and also applied the model to the work of law centres. The shortcomings of this method, however, can be in obtaining sufficient data, and divergent methodologies for assessing benefits to clients in the longer term. Longitudinal studies tend to be the most useful for measuring long-term impact, but these are few and far between.

121. Pursuing any three of these approaches will also inevitably carry forward an unavoidable set of assumptions which may be open to robust challenge. Also costings for social problems and adverse consequences can never be a precise science as it involves a choice of proxy measurements. So depending on the CBA methodology adopted, one inevitably arrives at a range of different potential ratios. Each method is robust in terms of identifying advice benefits, but this does not solve the “but for” problem (ie dependence on assumptions that without advice x, y, z of costs would have automatically accrued) and the extent to which it is possible to evaluate the relationship between problems, adverse consequences and advice solutions in causative terms. However, whilst the results of these different methods, as they apply to different categories of advice cannot be directly compared, the value of each approach is self-evident from the higher ratio of advice gains to advice spend. Indeed, reduced to purely cost-benefit terms for public expenditure, the value of advice work more than pays for itself, whatever the funding mechanism.
122. Development of the above options will also be affected by any future policy changes for the delivery of legal aid, for example, if the Government decides to go ahead with recommendations from the recent review into legal aid delivery by Sir Ian Magee for streamlining administration and pooling budgets.<sup>105</sup> But despite being a moving target, it is urgent work for the community of socio-legal researchers and economists to engage in empirical work on cost-benefit analysis, and for policy-makers to ensure that research findings on the relationship between expenditure on advice and cost saving outcomes can find their way into informing practice, funding priorities and policies on service commissioning.

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<sup>105</sup> Sir Ian Magee's review into the delivery of legal aid, Ministry of Justice, 2010 <http://www.justice.gov.uk/publications/docs/legal-aid-delivery.pdf>

## Appendix 1: costs of adverse consequences

Adverse consequence	Cost to state
Physical ill health	£650 <sup>106</sup>
Stress-related illness	£30 <sup>107</sup>
Relationship breakdown	Unknown
Personal violence	£255
Property damage	£126 <sup>108</sup>
Costs of moving home, including local authority costs	£5,640 <sup>109</sup>
Loss of employment – benefits cost to the state	£1,057.16 <sup>110</sup>
Loss of employment as GDP loss	£8,140.17 <sup>111</sup>
Loss of income and lost taxes for the state	Unknown

Source: *Mounting problems*, LSRC (2006)

<sup>106</sup> Follow-up interview data to the CSJS survey indicated that of those who reported physical ill health, 80 percent visited a general practitioner, hospital, or other healthcare worker (66, 43, and 13 percent, respectively). Average costs for visits to GPs were estimated to be £113, although the maximum cost was as much as £954.11 for those regularly visiting GPs over a long period. Visits to other healthcare workers resulted in average costs of £319.12. Hospital visits also resulted from justiciable problems (11 percent reported spending time in the hospital as an inpatient), although this was more likely where the primary civil justice problem was personal injury or clinical negligence. When including such problems, average total costs of visits to hospital as an out-patient amounted to £1,842, but even where they were excluded, the average costs of such visits were £528.13. All based on NHS reference costs using median values, <http://www.pssru.ac.uk/uc/uc.htm>

<sup>107</sup> Of those who reported stress-related ill health in the CSJS, 26 percent received treatment from a general practitioner, counsellor, community psychiatric nurse, or other health-care worker (22 percent, 4 percent, 2 percent, and 2 percent, respectively). Using the health costs above this averages at £30 per respondent.

<sup>108</sup> Physical assault and property damage was a consequence of many justiciable problems. LSRC estimated that the resultant criminal justice costs following from these events were £255 where respondents reported being physically assaulted and £126 where property was damaged. Based on Douborg and Hamed: *Estimates of the economic and social costs of crime in England and Wales*, 2005,

<sup>109</sup> Whilst more than half of those who lost their home as a consequence of a problem were able to move into another home straight away, 46 per cent had to spend time in temporary accommodation. Average costs of temporary accommodation provided by a local authority were £5,640, (based on average cost per week for local authority temporary accommodation and average length of stay) while the average for the two respondents who moved to a shelter or refuge was £6,400.18.

<sup>110</sup> An average of 19 weeks of Jobseeker Allowance

<sup>111</sup> Loss of employment can cause a net social cost measured in terms of lost output. The value of output foregone was measured using GDP per head; given the average spell of unemployment reported among CSJS respondents who lost their job as a consequence of a problem, the average value of lost output amounted to £8,140.17

## Appendix 2 – Housing CBA calculation

Type of adverse consequence	No of people out of those receiving legal aid who will experience adverse consequences <sup>112</sup>	No of people who would have experienced problems but for legal aid <sup>113</sup>
Physical ill health	13,686	9,212
Stress-related illness	39,174	26,367
Relationship breakdown	3,733	2,512
Personal violence	4,017	2,704
Property damage	4,444	2,991
Moving home	16,388	11,030
Loss of employment and benefit costs to state	2,702	1,818
Loss of employment as GDP loss	10,451	7,034
Loss of income plus lost taxes for the state	14,646	9,858
Type of adverse consequence & average cost to state <sup>114</sup>	The cost to the state for those people receiving legal aid who will experience adverse consequences	The cost of prevented adverse consequences for those people who would have experienced problems but for legal aid
Physical ill health	£8,895,887	£5,987,648
Stress-related illness	£1,175,217	£791,016
Relationship breakdown	£0	£0
Personal violence	£1,024,316	£689,447
Property damage	£559,881	£376,845
Had to move home, include LA housing costs	£92,426,222	£62,210,290
Loss of employment and benefit costs to state	£2,856,074	£1,922,368
Loss of employment as GDP loss	£85,073,828	£57,261,537
Loss of income plus lost taxes for the state	£0	£0
<b>Total saved</b>		£129,386,205
<b>Less total legal aid spend in 2008/9 on housing</b>		£55,178,932
<b>Net saving</b>		£74,207,272
<b>For every £1 spent on legal aid, the state saves</b>		£2.34

<sup>112</sup> This is estimated on the basis of the percentages of respondents to the CSJS survey 2007 who reported particular adverse consequences. See Appendix 1 for figures used.

<sup>113</sup> All figures in this column have been calculated using the percentage of recipients of legal aid for housing who had a positive outcome, reported under the LSC's outcome codes (67%)

<sup>114</sup> Based on statistics in the LSRC's research paper, *Mounting problems*

## Appendix 3 - Debt CBA Calculation

Type of adverse consequence	No of people out of those receiving legal aid who will experience adverse consequences <sup>115</sup>	No of people who would have experienced problems but for legal aid <sup>116</sup>
Physical ill health	6,148	4,692
Stress-related illness	29,831	22,767
Relationship breakdown	3,830	2,923
Personal violence	403	308
Property damage	1,209	923
Moving home	403	308
Loss of employment and benefit costs to state	403	308
Loss of employment as GDP loss	11,690	8,922
Loss of income plus lost taxes for the state	13,505	9,858
Type of adverse consequence & average cost to state <sup>117</sup>	The cost to the state for those people receiving legal aid who will experience adverse consequences	The cost of prevented adverse consequences for those people who would have experienced problems but for legal aid
Physical ill health	£3,995,927	£3,049,759
Stress-related illness	£894,926	£683,023
Relationship breakdown	£0	£0
Personal violence	£102,796	£78,455
Property damage	£152,379	£116,299
Had to move home, include LA housing costs	£2,273,597	£1,735,248
Loss of employment and benefit costs to state	£426,162	£325,254
Loss of employment as GDP loss	£95,162,495	£72,629,625
Loss of income plus lost taxes for the state	£0	£0
<b>Total saved</b>		£78,617,663
<b>Less total legal aid spend in 2008/9 on debt</b>		£26,364,307
<b>Net saving</b>		£52,253,355
<b>For every £1 spent on legal aid, the state saves</b>		£2.98

<sup>115</sup> This is estimated on the basis of the percentages of respondents to the CSJS survey 2007 who reported particular adverse consequences. See Appendix 1 for figures used.

<sup>116</sup> All figures in this column have been calculated using the percentage of recipients of legal aid for debt who had a positive outcome, reported under the LSC's outcome codes (76%)

<sup>117</sup> Based on statistics in the LSRC's research paper, *Mounting problems*

## Appendix 4 - Benefits CBA Calculation

Type of adverse consequence	No of people out of those receiving legal aid who will experience adverse consequences <sup>118</sup>	No of people who would have experienced problems but for legal aid <sup>119</sup>
Physical ill health	13,292	9,341
Stress-related illness	30,673	21,557
Relationship breakdown	0	0
Personal violence	0	0
Property damage	0	0
Moving home	909	639
Loss of employment and benefit costs to state	1,704	1,198
Loss of employment as GDP loss	35,103	24,671
Loss of income plus lost taxes for the state	9,315	6,547
Type of adverse consequence & average cost to state <sup>120</sup>	The cost to the state for those people receiving legal aid who will experience adverse consequences	The cost of prevented adverse consequences for those people who would have experienced problems but for legal aid
Physical ill health	£8,639,508	£6,071,908
Stress-related illness	£920,184	£646,712
Relationship breakdown	£0	£0
Personal violence	£0	£0
Property damage	£0	£0
Had to move home, include LA housing costs	£5,125,767	£3,602,426
Loss of employment and benefit costs to state	£1,801,448	£1,266,071
Loss of employment as GDP loss	£285,747,049	£200,825,068
Loss of income plus lost taxes for the state	£0	£0
<b>Total saved</b>		£212,412,184
<b>Less total legal aid spend in 2008/9 on benefits</b>		£24,131,865
<b>Net saving</b>		£188,280,319
<b>For every £1 spent on legal aid, the state saves</b>		£8.80

<sup>118</sup> This is estimated on the basis of the percentages of respondents to the CSJS survey 2007 who reported particular adverse consequences. See Appendix 1 for figures used.

<sup>119</sup> All figures in this column have been calculated using the percentage of recipients of legal aid for benefits who had a positive outcome, reported under the LSC's outcome codes (70%)

<sup>120</sup> Based on statistics in the LSRC's research paper, *Mounting problems*

## Appendix 5 - Employment CBA Calculation

Type of adverse consequence	People receiving legal aid who will experience adverse consequences <sup>121</sup>	People who would have experienced problems but for legal aid <sup>122</sup>
Physical ill health	2,255	1,524
Stress-related illness	4,348	2,939
Relationship breakdown	594	402
Personal violence	392	265
Property damage	95	64
Moving home	81	55
Loss of employment and benefit costs to state	3,430	2,318
Loss of employment as GDP loss	5,442	3,678
Loss of income plus lost taxes	3,862	2,610
Type of adverse consequence & average cost to state <sup>123</sup>	The cost to the state for those people receiving legal aid who will experience adverse consequences	The cost of prevented adverse consequences for people whose problems had been averted by legal aid
Physical ill health	£1,465,859	£990,736
Stress-related illness	£130,449	£88,167
Relationship breakdown	£0	£0
Personal violence	£99,862	£67,494
Property damage	£11,911	£8,050
Moving home	£456,975	£308,858
Loss of employment and benefit costs to state	£3,626,076	£2,450,770
Loss of employment as GDP loss	£44,299,717	£29,941,019
Loss of income plus lost taxes	£0	£0
<b>Total saved</b>		£33,855,093
<b>Less total legal aid spend in 2008/9 on employment</b>		£4,746,001
<b>Net saving</b>		£29,109,091
<b>For every £1 spent on legal aid, the state saves</b>		£7.13

<sup>121</sup> This is estimated on the basis of the percentages of respondents to the CSJS survey 2007 who reported particular adverse consequences. See Appendix 1 for figures used.

<sup>122</sup> All figures in this column have been calculated using the percentage of recipients of legal aid for employment who had a positive outcome, reported under the LSC's outcome codes (68%)

<sup>123</sup> Based on statistics in the LSRC's research paper, *Mounting problems*

