

Law Society response to the Comprehensive Spending Review

Spend to save, spend to grow

February 2025



Legal services: spend to save, spend to grow

In an increasingly turbulent world, the stability of English law and the success of our legal sector provides the platform for growth across the UK. Legal services enable UK businesses to grow, are a staple of our high streets, keep investment flowing and allow companies and individuals to access justice and enforce their legal rights.

The sector is a national champion, an engine for growth and a partner for achieving the Government's missions. From helping to raise living standards through their economic heft, to supporting our justice system and enabling the 13,000 new police to tackle crime, to reducing the burden on our public services and helping markets move smoothly: **legal services will help achieve the Prime Minister's Plan for Change.**

Legal services directly generate £44 billion in turnover, while contributing £34.2 billion in gross value added (GVA) to the economy – or £1,084 every second. But our sector's economic value goes further – when including the indirect value generated by legal services in our economy, **the sector's total economic contribution comes to £74.4 billion in turnover and £57.8 billion in GVA.**

The sector provides good jobs across the country, helping to break down barriers to opportunity by offering skilled, well-paid employment in every town and every region – not just the big cities. In addition to the 311,000 people the sector employs, it indirectly supports 215,000 people who work in legal occupations outside the legal sector. This adds up to 1.6% of the UK workforce employed by legal services in some capacity.

The success of legal services is built on our world leading justice system; the courts that provide a shop window to our economy and a legal aid system that ensures everyone has a route to justice.

The legal services sector can be an invaluable partner for mission-led government and play an integral role in achieving the Government's ambitions:

- **Secure the highest growth in the G7** – As one of the most productive and fastest growing sectors, as well as a catalyst for growth across our economy, a thriving legal services sector will help secure sustained growth that will help drive up household incomes.
- **Make Britain's streets safe** – In the justice system, solicitors help keep our streets safe by moving cases forward quickly, supporting the work of the police and courts and ensuring justice is both done efficiently and seen to be done by the public.
- **Break down barriers to opportunities** – By offering good, skilled jobs across every town and region – including through the ever more popular solicitor apprenticeship – the legal services sector is a vehicle for social mobility. By working with Government through the CSR, we can help take this work further, so more young people across the country have access to the opportunities the sector offers.
- **Build an NHS for the future** – Solicitors help relieve the pressure on front-line public services like the NHS by supporting people through emerging legal issues like housing disrepair, mould or debt, preventing them from escalating to a crisis point where they require the intervention of the health service, helping to reduce wait times and freeing up resources for where they can be best used. Law Society

research (outlined later in our submission) has demonstrated how helping early legal advice can save the NHS millions of pounds down the line.

The comprehensive spending review is a golden opportunity to boost economic growth through targeted spending and investment in the legal services sector that will unlock further prosperity and enhance living standards across the country.

A **spend to save, spend to grow** approach to the comprehensive spending review (CSR) is how we will get our justice system moving, legal services flourishing and the economy firing.

Spend to save means clearing the court repair backlog, hiring enough staff so cases can be heard quickly and putting legal aid on a sustainable footing. It means spending money today so we can avoid the extensive costs caused by the cases backlogs, wasted court time and shortages of practitioners.

Spend to grow means turbocharging what is already an economic heavyweight sector and national champion for our economy to drive growth. Investing in AI, LawTech and skills and removing the blocks faced by legal businesses today will deliver a roaring economy tomorrow.

The CSR is an opportunity to take a new approach to spending, accepting that the challenges of today require investment to deliver the growth of tomorrow. This submission sets out the roadmap for how we can achieve this together.

Key recommendations

- 1. Invest in our world leading courts to clear the £1.3 billion repairs backlog and invest in court staff, judges and lawyers to address the cases backlog.**
- 2. Put legal aid on a sustainable footing by annually reviewing criminal legal aid rates, rolling out recent increases for housing legal aid to other areas of civil legal aid including early advice, and move ahead with planned reforms to the legal aid means test.**
- 3. Support the Ministry of Justice to modernise the Legal Aid Agency's IT to help remove a roadblock to reform and give the department the resources it needs to implement new legislation, including the Renters Rights Bill and Employment Rights Bill.**
- 4. Maintain the legal sector's talent pipeline by retaining Level 7 Apprenticeship funding for the sector and expanding it to Wales.**
- 5. Support the UK's leading LawTech capability by creating a grant, loan or tax relief scheme for SME law firms looking to acquire LawTech, supporting SME law firms with acquiring skills in AI, and rolling out the Cyber Essentials scheme in Wales with firms in England.**
- 6. Remove barriers to investment by giving legal partnerships access to full expensing and reforming business rates to support SME law firms.**

Recommendations

Supporting our world leading courts

Spend to save on court repairs

The foundation of the legal services sector's success is the quality of our legal infrastructure – our courts.

Our criminal courts ensure the innocent are freed, the guilty punished and victims given the justice they deserve.

Our commercial courts are the shop window of the UK economy. Our fair and balanced approach to the law attracted parties from 78 countries to use our commercial courts in 22/23.

Our family courts, county courts, and employment tribunals allow individuals to enforce their legal rights, resolve civil disputes, and help keep our economy moving.

However, while our legal system, judges and practitioners are world-leading, the physical infrastructure that supports them is far from it, sapping growth and creating a drain on public finances. The courts estate across England and Wales is literally crumbling. The Crown Court backlog currently sits at over 71,000 cases and this is being driven in part by repair issues across the courts.

The National Audit Office has identified a repairs backlog of £1.3 billion in the courts, and 4,000 sitting days were lost between 2022 and 2024 in just one court in Birmingham due to a broken fire alarm.¹

The Ministry of Justice meanwhile has confirmed around 2% of Crown Court sitting days are lost each year to planned or unplanned maintenance.² This may be acceptable if this backlog was shrinking and manageable, but it comes at a time when case wait times are increasing, with cases today being listed into 2028.

This matches with research carried out by the Law Society which found examples of regular delays to cases due to basic repair issues, including such serious incidents as air conditioning units falling on people, or closures due to the presence of reinforced autoclaved aerated concrete.

The Government must use the comprehensive spending review, alongside the Industrial Strategy, to give the courts the long-term capital funding they need to clear the repairs backlog and return the shine to courtrooms across England and Wales.

Spending to save on our courts means we can stop losing court time, with the extensive cost this brings to the public finances, to preventable closures caused by repair issues. It means we can get the justice system working properly again to clear the courts backlog and ensure the mission of reducing crime can actually be delivered. While the funding needed is significant, the Government should work with HMCTS to clear a substantial portion of the backlog.

¹ <https://www.nao.org.uk/wp-content/uploads/2025/01/maintaining-public-service-facilities.pdf>

² <https://committees.parliament.uk/oralevidence/15195/pdf/>

The last Government set aside dedicated funding to help clear the court repairs backlog, however the £200m was not enough to make a substantial reduction in the £1.3bn repairs backlog. The Government should provide the funds needed over the next two years to clear the majority of these repair issues so our courts are working at full capacity.

Investing in court staff and judges

Another factor driving the backlog across our courts is a shortage of judges, court staff and practitioners. The latter can be addressed through action on legal aid, but currently courtrooms are sitting empty due to a lack of judges and legal advisers to hear cases, along with the court staff to administer them.

As of 20 January 2025, one estimate suggests the courts have an average non-sitting rate of 10%, and on that day 49 courtrooms were going unused.³ This is likely in part due to a shortage of human capacity.

We are already hearing of magistrates' courts forced to close or cut back on sitting days due to a shortage of legal advisers or other staff. This will only worsen if the Government enhances magistrates' powers following the Leveson review as it will increase demands on magistrates as it moves cases from the Crown Court backlog to the magistrates' court backlog.

His Majesty's Courts and Tribunal Service and the Ministry of Justice need to fund and implement a recruitment plan to ensure there is enough human capacity to match courtroom capacity so we can make the most of sitting days. This should focus as much on retention as on recruiting new staff. By investing in staff, HMCTS can spend to save as it will be able to hold on to experience and knowledge and not be hit by the cost of losing experienced staff.

Uncap sitting days

As well as undertaking court repairs and investing in the court staff and judges to hear cases, the cap on court sitting days should be removed. The backlogs across our courts, from the Crown Court to county court, are extensive. These take a personal toll on victims, witnesses and defendants and place an economic cost on businesses and individuals caught up in disputes.

The last government uncapped sitting days, allowing the courts to sit at maximum capacity and hear as many cases as possible. This Government has since capped sitting days at around 106,000 and we know there is capacity to sit more if this is funded. The Lady Chief Justice has said the courts can sit for up to 113,000 sitting days currently if these are funded.

The Government should use this comprehensive spending review to commit to uncapped sitting days for the coming years so we can get the backlog back down to manageable levels. Combined with addressing repairs and boosting human capacity, we can get through the backlog.

This step is especially important if the Government is to achieve its mission of hiring 13,000 more police officers. We welcome this boost in capacity, but these officers will

³ <https://courtspotlight.uk/>

create a significant amount of pressure on our courts, and that must be managed and responded to through funding for our courts, legal aid system and prisons alike.

Recommendation

- Address the £1.3bn repairs backlog in our courts so they can sit at full capacity to help clear the cases backlog.
- Invest in court staff and judges so there is enough human capacity to hear cases. Implement a recruitment plan to help attract and retain court staff.
- Remove the cap on court sitting days.

A sustainable legal aid system

Legal aid is a public service. It ensures everyone is equal before the law and can sometimes provide the only avenue to justice for the most vulnerable in our society. After decades of cuts, recent investment by the Government has taken a positive step forward for the system.

The comprehensive spending review must continue this progress if we are to ensure our justice system remains accessible for all.

Criminal legal aid

Our criminal legal aid system is under significant pressure. Since 2017, over 26% of criminal duty solicitors, critical to providing representation at the police station and ensuring cases are dealt with quickly, have left the sector. They have been driven out by unsustainably low rates for legal aid work that have been further eroded by inflation.

This adds significant costs to our justice system, as cases are delayed, investigations stall and justice goes undone. Without enough criminal legal aid practitioners, cases are slowed as police interviews may not take place; we have heard anecdotal accounts from the police that this has already begun to happen.

Unrepresented defendants in the magistrates' court can also take up more court time at greater expense to the public. These unnecessary costs can be avoided by taking a spend to save approach to criminal legal aid.

The Ministry of Justice has made welcome progress in recent weeks to reverse this trend. The 12% increase in rates, 6% this year and 6% over the Parliament, on top of the increases announced last year, are a welcome first step forward. The CSR must commit to this spending and ensure it is rolled out as quickly as possible, working with the professions and the Criminal Legal Aid Advisory Board to ensure the money is used effectively.

However, we cannot afford for the system to be allowed to drift into this state again. The Government must commit to annual reviews of criminal legal aid rates to ensure the impact of inflation is taken into account. These reviews would work with firms and practitioners to gauge the impact of inflation on them and adjust rates as required to keep them sustainable.

Failure to do this will guarantee the system continues to decline as practitioners see remuneration drop and are again pushed from the sector. The Government has said it wants to encourage certainty and long-term planning through the comprehensive spending review. Annual reviews of criminal legal aid are one essential way to achieve this.

Alongside regular reviews of fee schemes, the Government should publish a workforce strategy for criminal duty solicitors. Low fee rates mean young people are simply not entering the profession: fewer than 4% of duty solicitors are under 35 years old and the average age of a duty solicitor is 49. A long-term workforce plan would help address this and create a pipeline into the sector, ensuring there is a criminal duty profession for the future.

Civil legal aid

Our civil justice system provides a vital public service, solving problems and providing redress to businesses and individuals across the country. When it works effectively, cases can be dealt with quickly and people and businesses can get back to their day-to-day lives. For many on lower incomes, civil legal aid is their only route to justice.

Properly funded, it can reduce costs to public services and help deliver the Government's wider priorities, on housing, poverty and ending violence against women and girls.

For example, housing disrepair costs the state. 10% of all rental properties have significant disrepair issues. In England, houses with these issues are estimated to cost the NHS £355 million each year. Taking a spend to save approach to housing legal aid would lower this.

Our research has found that if reforms to housing legal aid reduced significant housing disrepair by just 5%, the savings to the NHS could be more than £15 million each year.⁴ The Law Society is currently exploring other areas of legal aid to see what savings they can create for the system, which are likely to be similar.

Yet due to historic underfunding the civil legal aid system today is in crisis. The last decade has seen a drop of 77% in new advice cases funded by legal aid. Our legal aid maps show advice deserts have opened up across England and Wales, where there is no local access to civil legal aid. In community care, 71% of people cannot access a local legal aid provider to support them challenge and make decisions about their social care. For education, that figure is 90%.

This decline is in large part due to the fact it is no longer financially viable for providers to offer civil legal aid. Civil legal aid fees have not increased significantly since 1996, representing real terms cut of 49.4% in fees to 2022.

The Government's recent increase in civil legal aid rates for housing and immigration is an important first step, but the wider system needs the same attention.

⁴ <https://www.lawsociety.org.uk/contact-or-visit-us/press-office/press-releases/government-urged-to-rebuild-the-state-by-investing-in-the-civil-justice-system>

We can reverse these trends, end legal aid deserts, and restore access to justice by rolling out the welcome increases the Government is already implementing in housing and immigration in other areas of civil legal aid.

The Law Society has calculated and costed what a 27% increase in civil legal aid rates across the system would look like. The percentage increase is derived from an average of the Ministry of Justice's projected overall increase of 30% for Immigration and Asylum and 24% for Housing and Debt that would result from its fee increase proposals and applying this figure across the other remaining categories.

This would cost around £180m and would help reduce spending on court time and reduce the burden on other public services. (See annex 1 for a detailed breakdown of these costs.)

Such an increase will put civil legal aid on to a sustainable footing and begin to reverse the desertification and exodus of practitioners we have seen in recent years. Spending to save on civil legal aid will allow the Government to divert appropriate cases from the courts and reduce the burden on other public services, like the NHS, the welfare system and local authorities.

Restore early legal advice

The Government should also spend to save by restoring civil legal aid scope for areas that have been cut in recent years. This will enable early advice to be provided which will increase the likelihood of early dispute resolution, preventing minor issues escalating into crises that require intervention from public services and relieving some of the burden on overstretched court resources.

In total, this would cost under £100 million, while reducing the burden on public services, keeping cases out of the courts and helping the Government to achieve its legislative ambitions. (See annex 2 for detailed costings).

Recommendation

- Commit to annual reviews of criminal and civil legal aid rates to ensure they keep pace with inflation.
- Create a workforce strategy for the criminal legal aid profession to attract new talent to the sector.
- Roll out the recent increases to housing and immigration legal aid to all areas of civil legal aid.
- Restore legal aid for early advice that have been cut in recent years.

A 21st Century Justice System - Digital tools and reform

An effective civil justice system helps people to resolve disputes and realise their rights. But right now, it is just not fit for purpose. More and more people and small businesses cannot afford legal advice and cannot resolve their legal issues.

At the same time, more of our justice system is being digitised, becoming accessible online. With an almost infinite amount of information now available online, and no way to discern what is reliable and relevant, creating an online 'solutions explorer' to guide people through the online justice system is a vital component of proposals to increase access to justice for those in the 'justice gap' – on low incomes but not eligible for civil legal aid.

We commissioned Social Finance to run a cost-benefit analysis in accordance with HMT Green Book rules on the impact of an online diagnostic tool on the legal system. Based on evidence from other jurisdictions and qualitative research, this indicates that the reforms will increase the proportion of people identifying that they have a legal claim, increase the proportion of individuals seeking non-court dispute resolution (NCDR) options as opposed to going directly to court/tribunal proceedings and increase the proportion of individuals accepting advice from NCDR and resolving their claim without going to court.

The analysis finds that the online diagnostic tool will save around £72 million in direct costs over a five-year period – split between costs to claimants, defendants and the court. It finds that this will more than offset the costs of developing the online portal, which are estimated to be around £30 million.

The CSR should fund this work to help digitise our justice system, make it more accessible to individuals and SMEs alike, while reducing the pressure on our justice system and public services.

Digital justice and online court reform

The Government must also ensure that the continued development of online court services is properly funded to guarantee there is a robust and reliable digital infrastructure.

The reform programme is formally ending in March 2025; however, services are still in development (i.e. private family online service, video hearings service) and those services which have been mandated (i.e. online probate service, online civil money claims service) are, and will be, subjected to continuous improvement and expansion.

Research by the Law Society has found that rather than supporting the delivery of a more efficient justice system, online portals are associated with delays, with 62% of respondents experiencing delays in court proceedings, which had emotional and financial impacts on clients.⁵ The online portals have also impacted solicitors and their firms in terms of additional fees, time, costs, personal stress and reputation.

Sufficient funding must be set aside to ensure the development and expansion of online court services is user led, with greater and sustained engagement with the relevant stakeholders. If it cannot be demonstrated that the systems are dependable or efficient, they should not be rolled out until they are thoroughly tested, or at the very least piloted on a limited basis until operating problems have been resolved. This process may take longer to develop but will avoid costly errors and rework in the long run.

Recommendation

⁵ <https://www.lawsociety.org.uk/topics/research/online-court-services>

- Fund the creation of an online diagnostic tool to guide people through the online justice system, potentially saving £72 million.
- Put in place sufficient funding to develop and expand online digital court services.

Stop millions being cut off from justice

The legal aid means test, which sets eligibility for civil and criminal legal aid, has not been updated in line with inflation since 2009. Since then, prices have risen by 40%. This means fewer people are eligible for legal aid each year and may be unable to access justice.

The Ministry of Justice previously put forward welcome proposals to update the means test thresholds, which would make at least six million more people eligible for free legal advice, restoring access to justice. However, last year, the previous government delayed these proposals until 2026.

This extensive delay will mean the thresholds will have to be readjusted again by the time the changes come into force. This delay in part came about due to the creaking IT infrastructure that the Legal Aid Agency and Ministry of Justice are dependent on.

Research commissioned by the Law Society shows how this delay will have a devastating impact on the most vulnerable in our society.⁶ The delay means only individuals living in deep poverty – up to 80% below the minimum income standard (MIS) – will be eligible for full legal aid. Many people living on incomes well below the minimum income standard are expected to contribute to their own legal costs, pricing them out of the legal help and advice they are entitled to.

As of this year, a couple with two children will need to be surviving on just £41 a day (£1,234 a month) to qualify for full legal aid: 57% below the minimum income standard. For a single person, it will be less than £9 a day (£268 a month), which is 81% below the minimum income standard. These calculations exclude rent/mortgage payments, council tax and childcare costs.

The Government must implement the proposed changes to the means test, increasing threshold levels from the 2019 figures that the original proposals were based on to today's figures. Universal Credit should also be maintained as a passporting benefit to ensure effective access to justice for those that cannot afford to pay for legal services themselves and to ensure simplicity in the administration of the scheme.

Recommendation

- Implement the proposed changes to the legal aid means test, taking into account the impact of inflation on thresholds since 2019.

A modern Ministry of Justice and Legal Aid Agency (LAA)

The reforms to legal aid we are advocating for will save the Government money in the long-term, reducing spending on the courts backlog and reducing demand on health,

⁶ <https://www.lawsociety.org.uk/topics/research/improving-the-legal-aid-means-test-as-living-costs-rise>

housing and other public services. However, they are being held back due to the archaic state of the LAA's IT infrastructure.

From implementing the legal aid means test, to reforming legal aid structures and understanding how public money is being spent, the LAA's IT is making reform difficult, and in some cases impossible.

The Government has committed to embracing innovation, the latest technology and AI to revolutionise processes and save public money. The LAA's IT is an excellent place to begin this work. The Government should use the comprehensive spending review to invest in and rebuild the LAA's IT system so it can carry out much needed reform of our justice system.

If this step is not taken, it will continue to prevent much needed reform and cause the Government to miss out on much needed savings on the legal aid system.

Recommendation

- Support the Ministry of Justice and Legal Aid Agency to update their IT systems, which have begun to hold back needed reform of the legal aid system.

Spend to grow with legal services

Legal skills and breaking down barriers

Legal services are key to breaking down barriers to opportunity, offering socially mobile careers and skilled, well-paid jobs in every town and region. However, recruitment is a challenge, especially for SME firms, as shown by the Law Society's research. This is likely to worsen if the Government removes Level 7 Apprenticeship funding. Instead, the Government should take a spend to grow approach to legal skills.

The legal profession is a highly regulated profession, and qualifying as a solicitor requires both a degree-level qualification and completion of the Solicitor Qualifying Examination, an assessment which is set at the level of a "day one" solicitor - in other words, above degree level. These are regulatory requirements set by the Solicitors Regulation Authority (SRA).

As a result of the stringent criteria for qualifying as a solicitor, the only apprenticeship that can lead to qualification is a level 7 apprenticeship. Removing funding for level 7 apprenticeships therefore means removing the only opportunity for solicitor apprenticeships.

Apprenticeships are an important entryway into legal services for many, as well as a vehicle for social mobility by providing an alternative route from university into law. The Government should maintain financial incentives for firms to take on level 7 apprentices and ensure these are accessible for SME law firms. Failure to do this will create new barriers to opportunity and hold back growth.

In Wales, there are devolved challenges on skills for legal services that must also be addressed through the CSR. The Law Society strongly believes that the implementation of a level 7, degree equivalent, legal apprenticeship is a Welsh Government policy decision that is vital to the transformation and sustainability of the legal sector in Wales. The UK

Government should work with the Welsh Government to support the extension of level 7 apprenticeships to Wales.

Another way to help law firms to break down barriers to opportunity is by including training courses useful for legal firms in the new growth and skills levy. The Government should task Skills England, once it has been established, with mapping where skills gaps exist in legal services and support the sector by including legal qualifications and skills in AI and LawTech within Skills England's list of levy eligible training.

Recommendation

- Retain level 7 apprenticeships and roll these out to firms in Wales to avoid creating a blocker to economic growth.
- Task Skills England with mapping skills gaps in the legal sector and include skills in AI and LawTech aimed at the legal services sector within Skills England's list of levy eligible training.

Supporting our leading LawTech edge

The UK is a hub of innovation in legal technologies, known as LawTech. But we face fierce international competition from across the world, including other hubs like Singapore and the United States. If we want to maintain that edge, we need to spend to grow this vibrant sector.

The UK should support SME law firms with the costs of adoption LawTech. This could be done through a loan, grant or tax relief scheme.

The opportunity for economic growth in this area is large: research by LawTech UK has estimated that up to £8.6 billion per year in cost savings could come from SMEs using Lawtech services.⁷

We should emulate similar schemes that have been run in Singapore and Hong Kong, and in support of the AI Opportunities Action Plan, to maximise the potential of emerging technologies as well as attract new talent. Singapore's Ministry of Law and the Law Society of Singapore jointly operated the Tech-celerate for Law scheme which provides grants to SME law firms covering 80% of the first-year costs of adopting LawTech, up to a maximum of S\$30,000 (around £16,500).

The Hong Kong Innovation and Technology Commission has a similar Technology Voucher Programme that aims to support organisations in using technological services and solutions to improve productivity or upgrade their business processes, up to a maximum of HK\$600,000 (around £60,500). The UK could adapt these schemes through a loan or grant scheme to support firms.

Canada also has a specific scheme aimed at SME firms that the UK could emulate. This aims to help the sector to adopt AI. The Regional Artificial Intelligence Initiative (RAII) will

⁷ <https://lawtechuk.io/reports/shaping-the-future-of-law-the-lawtechuk-report-2021/>

invest \$200 million to help bring new AI technologies to market and help accelerate AI adoption by SMEs and sectors across the country.

The legal sector already stands ready to make the most of LawTech. A Law Society survey found that 60% of solicitors intend to use LawTech more frequently in the next 5 years, while over 50% agree that it would increase their productivity.

However, the sector does need support to continue to grow as our global competitors are catching up to the UK, with other governments doing their best to foster innovation through grants and similar schemes, which the UK has not responded to.

Many of the law firms working in this space are small and medium-sized, which means they often do not have the resources their larger counterparts can draw upon to invest in new technologies and drive productivity.

As many of these smaller firms are based in smaller towns and in rural areas, the benefit of this scheme would be most keenly felt in areas outside of our commercial hubs. It could help to support new legal clusters and create more skilled and good jobs in the areas that need them.

Recommendation

- Create a loan, grant or tax relief scheme to help small and medium sized law firms with the cost of investing in productivity enhancing LawTech.

Address the cybersecurity challenge

Technology can boost productivity and help firms to grow, but increasingly, the cybersecurity challenge is becoming an anchor on prosperity. Law firms of all sizes, but especially smaller firms, are particularly vulnerable to cyber threats.

As the National Cyber Security Centre (NCSC) highlighted in its report on the threat to the legal sector, law firms routinely handle large volumes of money and highly sensitive information which can make them a target for cybercriminals.

There is a simple way the Government can support the sector and remove this block on growth. We know from the approach taken by the Welsh Government, which has, in partnership with the Law Society, funded law firms based in Wales to access the Cyber Essentials and Cyber Essentials Plus certification, that this type of support is important and valuable to firms.

Wales has been a trailblazer within the UK on cybersecurity through this scheme and it provides a helpful blueprint that the UK Government could follow to roll out cybersecurity support to smaller law firms across England too. Cybersecurity is already a challenge for the largest firms. SRA research in 2020 found that 75 out of 100 large law firms had been targeted by cyber criminals. For legal SMEs, with far more limited resources, it is an even greater threat.

Recommendation

- Support legal services to address the cybersecurity challenge by implementing the Welsh Government's Cyber Essentials scheme in England.

Growth through tax reform

Full expensing

One significant barrier to investment for legal services, especially the largest law firms, is that the tax system can disincentivise investment and create penalties for firms due to their structures. This is holding back investment, productivity and growth.

Most of the largest law firms were excluded from one of the most generous recent tax incentives for investment: full expensing. Currently, full expensing applies only to companies that pay corporation tax. Many law firms, including most of the largest law firms, operate under the partnership model and partners are taxed individually.

This means they do not pay corporation tax, instead contributing to the tax system individually, and so cannot access the scheme. This creates an odd situation where other companies like an insurance or consultancy company could invest in its IT infrastructure and receive the allowance, but a law firm next door would be unable to.

One firm has told us the extension of full expensing would be worth a £50 million write down over three years based on one project they have undertaken, freeing up this money for further investment.

The Government should use the CSR to rationalise our approach to investment and remove this barrier on the largest law firms by giving them access to full expensing.

Business rates

For smaller legal firms, the most significant barrier to investment is increasing financial pressures. Our 2023 YouGov research highlighted challenges around rising staff costs, managing the increase in interest rates, rising overheads with office upkeep and other business costs.

Our research also shows that these costs tend to be absorbed by firms and not passed on to clients. As a result, increasingly tight margins make further investment unlikely, or even impossible, for many small legal firms, putting their future viability at risk. While the pressures of inflation and the cost-of-living crisis might slowly be easing, there are still business costs that disproportionately impact small law firms and curtail their ability to invest and grow.

Business rates continue to be one of the major business costs for firms with a high street presence, especially legal aid firms. For many law firms, these costs are unavoidable due to a Legal Aid Agency requirement to have offices available to see clients in person. We welcome the Government's commitment to reform business rates, starting with retail and hospitality businesses, however the Government should also consider rates relief for other sectors including legal services, and especially the legal aid sector.

Due to the unique characteristics and challenges faced by small legal firms, such as the high value of prime city centre locations, the Government should consider cutting business rates or creating a relief scheme for small firms that provide legal aid services.

This should apply especially in areas that are legal aid deserts – areas where there is little to no local legal aid provision. These areas should benefit from a greater level of support for legal aid firms through the tax system to encourage and support firms and allow them to continue to operate in these areas.

The Law Society has identified these deserts through a series of maps looking at different areas of civil legal aid provision.

Impact of national insurance on public service providers

Beyond this, the Government should also review the impact of the rise in National Insurance contributions on legal aid firms and how this is damaging the provision of a vital public service.

Firms are paid a fixed cost for legal aid work, however the NICs rise will mean they have to absorb this cost, while being unable to increase their revenue. Firms may have to cut back on staff or close altogether, impacting growth and further diminishing the vital public service they provide.

This simply pushes the cost on to other public services. The Government can address this by creating an exemption or rebate system for firms conducting legal aid work.

Recommendation

- Allow legal partnerships to access the full expensing investment incentive.
- Reform business rates to provide relief on law firms providing a public service through legal aid.
- Support legal aid firms with the cost of the NICs increase so the increase does not impact their ability to provide a public service.

Annex 1 - Civil legal aid fee increase costings

The tables below show a projected increase in civil legal aid expenditure on solicitors' costs by category on the basis of a 27% increase on the figures for the last full financial year of 2023/24.

The percentage increase is derived from an average of the Ministry of Justice's projected overall increase of 30% for Immigration and Asylum and 24% for Housing and Debt that would result from its fee increase proposals, and applying this figure across the other remaining categories shown.

The costs shown include both Controlled Work (Legal Help and CLR) and Civil Representation expenditure on solicitors costs, but exclude counsels' fees and disbursements. The actual expenditure figures are taken from the Ministry of Justice /LAA Power BI [Legal Aid Provider Dashboards](#)

All Categories	2023/24	Plus 27%
Legal Help/CLR	£85,539,541	£23,095,676
Civil Representation	£584,588,660	£157,838,938
Total	£670,128,201	£180,934,614

Family	2023/24	Plus 27%
Legal Help	£8,799,227	£2,375,791
Civil Representation	£526,195,954	£142,072,908
Total	£534,995,181	£144,448,699

Area*	2022/23 ⁸	Plus 27%
Private family	£160 million	£43.2 million

*To note this figure is from a different source. <https://www.gov.uk/government/calls-for-evidence/review-of-civil-legal-aid-call-for-evidence/review-of-civil-legal-aid-call-for-evidence#AnnexC> - the figure is for 2022/23 as this is the most recent year the figure is available for.

Community Care	2023/24	Plus 27%
Legal Help	£1,306,625	£352,789
Civil Representation	£21,107,219	£5,698,949
Total	£22,413,844	£6,051,738

Mental Health	2023/24	Plus 27%
Legal Help/CLR	£26,871,706	£7,255,361
Civil Representation	£16,361,617	£4,417,637
Total	£43,233,323	£11,672,998

⁸ <https://www.gov.uk/government/calls-for-evidence/review-of-civil-legal-aid-call-for-evidence/review-of-civil-legal-aid-call-for-evidence#AnnexC> - the figure is for 2022/23 as this is the most recent year the figure is available for.

Education	2023/24	Plus 27%
Legal Help/CLR	£438,381	£118,363
Civil Representation	£186,022	£50,226
Community Legal Advice (telephone line)	£2,034,058	£549,196
Total	£2,658,461	£717,785

Actions against public authorities	2023/24	Plus 27%
Legal Help/CLR	£3,002,277	£810,614
Civil Representation	£1,849,551	£499,378
Total	£4,851,828	£1,309,992

Debt	2023/24	Plus 27%
Legal Help/CLR	£16,863	£4,553
Civil Representation	£68,487	£18,491
CLA (telephone advice)	£33,756	£9,114

Total	£119,106	£32,158
-------	----------	---------

Discrimination	2023/24	Plus 27%
Legal Help/CLR	£243,128	£65,644
Civil Representation	£72,719	£19,634
CLA (telephone advice)	£1,212,285	£327,317
Total	£1,528,132	£412,595

Public Law	2023/24	Plus 27%
Legal Help/CLR	£2,145,970	£579,412
Civil Representation	£3,112,831	£840,464
Total	£5,258,801	£1,419,876

Welfare Benefits	2023/24	Plus 27%
Legal Help/CLR	£14,996	£4,049
Civil Representation	£33,588	£9,069

Total	£48,584	£13,118
-------	---------	---------

Clinical Negligence	2023/24	Plus 27%
Legal Help/CLR	£1,173	£317
Civil Representation	£1,041,118	£281,102
Total	£1,042,291	£281,419

Annex 2 - Restoration of scope costings

The figures shown below are taken from [The Westminster Commission Report on Legal Aid \(October 2021\)](#).

Category	Main purpose	Cost
Housing	Enable early advice and currently excluded disrepair cases.	£10 million including £3 million for disrepair cases
Welfare benefits	Restore early advice to challenge Benefits Agency decisions and assist with 1 st Tier Tribunal appeals	£26 million
Debt	Restore scope to enable early advice and dispute resolution beyond existing limited scope.	£17 million
Employment	Restore scope to provide early advice. Currently only	£4 million

	in scope for discrimination claims.	
Immigration	Restore scope for non asylum advice including refugee family reunion claims	£10 million
Private law Family	Currently limited to cases where domestic abuse evidenced. Restore scope and provide advice for private law children disputes and matrimonial finance issues.	£31 million