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Economic analysis reveals depth of legal aid funding crisis

A report by Pricewaterhouse Coopers, released today, demonstrates that the legal aid system is still struggling to recover from funding cuts introduced in 1996-97, and requires a rescue package in this year's Federal Budget.

'This reports shows that Commonwealth funding for legal aid has declined by 12% in real terms from 1996-97 to 2008-09, said Alan Kirkland, Chair of National Legal Aid, which commissioned the report.

'Per capita Commonwealth expenditure on legal aid has decreased by a staggering 27%.

'This is mainly due to funding cuts introduced in 1996-97, from which the legal aid system has never recovered.

'While state and territory governments have made significant increases in their funding, the report shows that legal aid commissions have also become highly dependent on interest from funds held in solicitors' trust accounts. This source of funding has suffered during the global financial crisis and can't be expected to continue to fill the gaps.

'The report indicates that funding of legal aid has enormous economic benefits. Providing legal aid in the family law system delivers a return to the justice system of up to \$2.25 for every dollar spent, through earlier resolution of disputes and avoidance of unnecessary litigation.

'More importantly, legal aid has broader benefits to the community – for example, where it helps to keep families together, and to prevent families from being evicted from their homes.

'Where legal aid helps to keep a child out of the child protection system and to remain living with a grandparent, this can save governments over \$35,000 a year, or over \$580,000 up to the age of 18.

'Where legal aid helps a family in mortgage stress to retain their home, this can save \$63,400 per annum in public housing costs and other welfare expenses.

'These are the very services that are at risk unless the Commonwealth steps in.

'The report shows that even through the global financial crisis, legal aid commissions were forced to cut services for disadvantaged families, due to the lack of adequate funding.

'As we come out of the global financial crisis and interest rates rise, many families are struggling to manage mortgage repayments and credit card bills. We are struggling to help all of those in need and the need for assistance is likely to continue to grow.

Media contact: Alan Kirkland – (02) 9219 5925 or 0418 620094

Legal aid funding in Australia: key facts

- Australia spends only \$22 per capita per annum on legal aid. This compares to \$77 in England and Wales, which have similar legal systems.
- Expenditure on legal aid declined from 0.05% of GDP in 1996-97 to 0.04% in 2007-08.
- Federal expenditure on legal aid has declined from \$176 million in 1996-97 to \$155 million in 2008-09—a real reduction of approximately 12%.
- The proportion of legal aid funding provided by the federal government has declined from 49% in 1996-97 to 32% in 2008-09.
- Across the same period, the proportion of funding provided by State and Territory governments has increased from 28% to 40%.
- As Commonwealth funding has declined, legal aid commissions have relied increasingly on funding from interest on monies held in solicitors' trust accounts but Pricewaterhouse Coopers has found that funding from this source is diminishing.