

BUDGET SUBMISSION TO THE
COMMONWEALTH GOVERNMENT 2004–2007

Community Legal Centres

– An investment in value
Investing in Community Law

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august 2003





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Uncovering the real situation

The bottom line showing growth in the Commonwealth funding program for community legal centres (CLCs) does not reflect the financial situation of most centres.

For several years, workers on the ground have known that this nominal growth does not tally with their 'lived experience' in the centres. This has been particularly true for the older and more established centres that have been serving their communities for up to 30 years. Although long used to coping with financial restraints, they have been reporting a very noticeable deterioration in their situation and a growing gap between their resources and the true cost of fulfilling their charters and delivering their service.

Faced with this apparent contradiction between growth in program funds and increasing financial constraints in centres, NACLC decided to undertake a thorough analysis of the movements in the Commonwealth funding program since 1990-91, with a particular emphasis on the past five years. A senior economist undertook this work on a pro bono basis in 2002 using funding data provided by the Commonwealth. (The economic modelling is available from NACLC on request in Excel spreadsheet form.)

NACLC also asked its members in mid-2003 to provide some basic information about their actual expenditure on a few key items that are common to the core work of all CLCs. Despite the tight turn-around time, 80 centres provided information for this 'snapshot survey'. Their responses help flesh-out the operational meaning and implications of the more systematic economic analysis.

The findings of these two exercises, when combined with our pre-existing knowledge, constitute a powerful argument for a significant increase in the Commonwealth allocation to community legal centres in the coming triennium (2004-2007).

This paper consolidates the new findings and our lived experience into a series of 'Facts' that accurately reflect the financial situation of the CLC network. It is presented by NACLC to the Commonwealth in the fervent hope that it will shift our dialogue and negotiations around funding levels to a new plane, and that the end-result will be better outcomes for the clients and communities that we both seek to serve.

Almost all of the growth in the total quantum of funds for the Commonwealth CLC program has been directed towards Program enhancements. While conferring benefits on previously poorly-serviced groups and regions, and contributing to better program management, these measures have not increased the capacity of most centres to undertake their core work.

The Program enhancements have included:

- the establishment of new centres (especially in rural and remote areas);
- the establishment of new service initiatives (such as services for Indigenous women or the Regional Law Hotline);
- the introduction of a special 'loading' for high litigation and remote centres;
- specific operational improvements in the program itself (such as the development of services standards and nationally consistent data collection and reporting systems); and
- 'one-off' special purpose or project grants (such as compensation for the cost of compulsory superannuation and a 40% contribution to professional indemnity insurance cost for centres).

These enhancements have delivered significant benefits to some regions (where new centres have been established), some client groups (who received new or improved services), and some types of centres (that received loadings to account for unusual cost structures).

It would be a mistake, however, to interpret these welcome developments as meaning that the day-to-day situation of most centres, especially the more established centres, has improved in terms of the resources available to carry out their core work.

For over a decade, there has been a widely accepted funding formula for CLCs which states that three full-time positions constitutes the minimal staffing level for operational and service delivery viability. This minimum standard continues to be elusive and has not yet been reached in all centres. The funding formula has many flaws. It is not based on the real operating costs of centres, nor does it use salary scales that are comparable to those of Legal Aid or government solicitors. The formula is also rigid, not allowing for the differences between centres in relation to the populations they serve or the legal issues they cover.

The NACLC submits that a new approach to funding community legal centres needs to be adopted that will deliver a minimum level of core recurrent funds to ensure adequate service delivery. This minimum standard should be fully implemented by the end of the coming funding triennium. This paper outlines both the arguments for change and proposes the basis for future funding.

After adjustments for new activities have been made, Commonwealth funding for community legal centres has increased by 2.45% per annum over the five years from 1997 to 2002. During this same period, Average Weekly Earnings rose by 4.5%. This discrepancy translates into 10.25% cumulative shortfall in the already low base line staffing budgets of CLCs.

The detailed economic analysis that has been undertaken makes it possible to 'look behind' the apparent average annual increase of 5.5% in total Program funding and ascertain the true situation. The analysis confirms the fact that most of this increase in total Program funds has been allocated to new initiatives, activities or services. The real situation is that funding for the pre-existing work of already established CLCs has not improved. The table below indicates, only 22.4% of centres received increases over 2% while 54.4% of centres have received an increase of 1% or less.

| Average Funding Increase | No. of Centres | Proportion of centres |
|--------------------------|----------------|-----------------------|
| >2% | 28 | 22.4% |
| 2% | 39 | 31.2% |
| 1% | 58 | 46.4% |
| <1% | 10 | 8% |
| Total | 125 | 100% |

Most importantly, funding has fallen far behind increases in average weekly earnings. The fact that CLC funding has not kept pace with the upward movement in community wage standards is extremely important. Since the beginning of the Program, CLC workers (especially lawyers and other professionals) have known that they do not have wage parity with their counterparts in the private and public sectors. However, the new analysis adds an extra and more worrying dimension to this old problem. It shows that the salary gap is not staying the same but is growing larger. The situation is not getting better; it is going backwards.

This finding has serious implications that go well beyond considerations of wages for individual workers (important as these are). It must be placed in the context that staffing costs constitute a far higher percentage of operating costs in CLCs than in any other form of legal practice. The most recent Australian Bureau of Statistics survey of legal practices and other legal organisations¹ found that labour costs accounted for 65.9% of all expenditure in CLCs, compared to 54.7% in private practices and 34.4% in legal aid authorities. The NACLCL survey of 80 CLCs revealed an even higher figure with the centres

reporting that, on average, staffing costs account for 72% of their total budget.

These figures relate, of course, only to paid staff, yet this is not the whole staffing picture in CLCs. Unlike any other legal practice, CLCs have a large volunteer workforce. The ABS Legal Practices Survey reveals that, in the single month of June 2002, CLCs employed the services of 1,325 volunteer solicitors and barristers and of 2,235 other volunteers. This translates into an average of 2.2 volunteer staff to 1 paid staff.

Given this comparatively high reliance on staff in the operation of the CLC service system, the capacity to pay wages has a major impact on their capacity to fulfil their charter. When funding falls so far behind general community wage increases, there will inevitably be a detrimental impact on the ability of CLCs to offer effective services to their clients and their communities.

This logical proposition is confirmed by the increasing difficulties being experienced by many centres in the area of staff recruitment and retention. They have less and less capacity to meet the remuneration expectations of their existing and potential staff. This is not surprising in the light of the data gathered in the NACLCL survey regarding the salaries being paid to CLC solicitors. In the 70 centres that responded to this question, the average salary paid for full-time solicitors (including principal solicitors) was \$46,229, with the range being \$33,000 to \$70,000. This sits badly with the fact that recent data shows that the private sector is paying solicitors with only a single year's experience \$55,000 to \$65,000 in Sydney, and not much less in other capital cities.² See table opposite.

In terms of non-legal staff, the NACLCL survey revealed that the average wage being paid centre managers of the 80 respondent centres is \$42,147. This is a very low figure for the manager of a service delivery organisation, especially in the new environment of complex management tasks and accountability requirements.

These low average wages go a long way to explaining both why recruitment is so difficult and why many CLC

Comparison of CLC Solicitor Wages to Private Practice

| Private Practice | Sydney | Melbourne | Brisbane |
|---------------------|-----------------|-----------------|----------------|
| 1 year | \$55 – 65,000 | \$48 – 62,000 | \$45 – 60,000 |
| 3 years | \$70 – 85,000 | \$62 – 83,000 | \$55 – 80,000 |
| 5 years | \$90 – 110,000 | \$75– 110,000 | \$65 – 95,000 |
| 6 years | \$110 – 150,000 | \$80 – 130,000 | \$70 – 115,000 |
| Senior Associate | \$130 – 190,000 | \$110 – 180,000 | \$75 – 140,000 |
| CLCs National Range | Highest | Average | Lowest |
| Principal Solicitor | | | |
| 5 years + | \$70,000 | \$46,200 | \$33,000 |

solicitors reach points in their lives where they have no option but to move on to new jobs, even while they are still enjoying their work at the centre.

The end-result is unnecessarily high staff turnover and unnecessarily long periods in which positions stand vacant in CLCs. This has undesirable flow-on effects from the client's point of view (in terms of the continuity and responsiveness of the service they receive) and from the centre's point of view (in terms of the loss of experience and high induction costs).

Finally, it is important to note that the problem of inadequate wages has become even worse in recent

years due to public policy changes around salary packaging in non-profit organisations. Most CLC previously used the legitimate mechanism of salary sacrificing and packaging to compensate their workers for the lower-than-average wages they were forced by their circumstances to pay. The value of this compensatory measure has decreased since the introduction of formal 'caps' on this practice in charitable organisations within the new tax system.

The following quote is just one that illustrates this situation.

"There are enormous difficulties being experienced by regional centres in attracting solicitors. How can anyone expect a fully qualified senior solicitor to work in the higher-cost-of-living regional centres on somewhere between \$45-50 thousand per year, plus they have to pay their travel costs which are high in WA.

The reality of having the streets lined with willing pro bono lawyers is yet another issue, certainly in Kalgoorlie. Its just not happening. Its not a place where professionals retire, as it is nearly four hundred kilometres from the nearest coast line, and who else is there out here?"

Manager, Golfields (Kalgoorlie) WA

1 Australian Bureau of Statistics: 8667.0 Legal Practices, Australia 2001-02, released 25 June 2003.

2 20 June 2003 Lawyers Weekly

3 Fact Three

The approximately 30% of a CLC's total budget, which remains after labour costs are met, is simply not sufficient to meet its other legitimate operating costs. This is particularly true given there are good reasons why many of these costs are higher in CLCs than in other forms of legal practice.

The charters, values and the operational modes of CLCs mean that they face higher operational costs in many areas than other legal practices. While diverse in terms of their precise aims and character, all CLCs share a common commitment to:

- being accessible to their clients – in terms of affordability, location, opening hours, language and forms of service delivery;
- adopting a holistic approach in their service provision, and providing an integrated range of services that go beyond narrowly defined legal needs;
- emphasising a preventative approach, including through placing a high priority on community legal education;
- involving clients and community groups in defining and resolving their legal problems;
- transferring skills on an individual and group level, and building the capacity of the communities in which they work to effectively address their legal needs;
- tackling the structural causes of legal needs and problems, rather than simply treating the symptoms;
- giving community members the opportunity to participate in the management of the centres, and implementing a variety of mechanisms to ensure they are accountable to their communities.

This approach, which is widely accepted as a valuable one that produces very positive outcomes for clients, communities and the whole social system, imposes significant extra costs. Telephone assistance and the use of 1 800 numbers; travel to client outreach services; the location of 48 centres in regional and remote Australia significantly adds to travel and

communication costs; production of educational materials and information pamphlets; are all examples of the additional costs incurred by CLCs as a result of their community access approach.

This fact is borne out by the ABS Legal Practice Survey that provides some interesting comparisons. See table.

Not surprisingly, the ABS Survey did not canvass the extra costs associated with the unique corporate and management structure of CLCs when compared to the private and public legal sectors. Yet there is a wealth of evidence showing that 'voluntary governance' models impose extra costs on organisations. The last decade's introduction in the human services field of a more 'contractual' environment, and higher performance and accountability demands and expectations, has only served to increase these costs in CLCs. Costs associated with the recruitment, induction and training of volunteers; their supervision and rostering; provision of centre risk management and practice materials; and accommodation of volunteers – are significant costs when added to already limited and over-stretched budgets.

Given the Government recognises and actively promotes the value of voluntary contributions by citizens in the delivery of community services, it is illogical for it not to equally recognise the costs that are integral to this practice.

In every sphere of its endeavours, the Government is also committed to improving the quality of life in rural and regional Australia. In this regard, the already-high operational costs for CLCs soar even higher for centres located outside the metropolitan regions. In rural and remote communities, centres face extra costs in areas such as telephones and postage, air and land travel, inter- and intra-regional communication

Comparative Non-Labour Operating Costs (as a percentage of total expenses)

| Item | CLCs | Legal Aid Authority | Private Practice |
|-----------------------------|------|---------------------|------------------|
| Telecommunications | 2.9 | 0.9 | 2.4 |
| Vehicle expenses | 1.3 | 0.5 | N/A |
| Paper, printing, stationary | 1.8 | 0.7 | 2.1 |
| Travel, accommodation | 2.3 | 0.4 | 1.6 |

3 Fact Three

with professional networks, and staff training and professional development. Recruitment costs are particularly high as remote/rural services will need to pay for relocation costs and remote allowances in order to attract staff. Smaller regional centres also face higher costs associated with dispersed populations and the scale dis-economies of smaller operations and populations.

NACLC appreciates the Commonwealth's recognition that CLCs in rural and remote regions face higher costs and the fact that these centres (together with high litigation centres) receive a special loading. However, the fact still remains that this loading is being applied to an unrealistically low base and this problem needs to be addressed across the whole funding program.

4 Fact Four

The range of operating costs at centres varies significantly according to location and type of service. All centres have experienced significant increases to operating costs over the last 5 years. However, the 54.4% of centres that have received increases of 1% or less over this period are struggling to meet operational costs. NACLC calculates there has been a cumulative shortfall of around 50% in centre operating costs.

Sampling of centre costs and the range of costs.

| Expense | Range of costs | Note |
|-------------------------------|---------------------|--|
| Rent | \$0 - \$60,000+ | 54% (ABS) increase over last 5 years |
| Communications | \$4,400 - \$48,500 | 12% (ABS) increase over last 5 years |
| IT Maintenance | \$2,000 - \$30,000 | Increasing faster over last 5 years with client data management systems |
| Advertising/ Recruitment | \$0 - \$12,000+ | Varies according to staff turnover |
| Insurances | \$4,000 - \$10,000 | \$5,287 average increase in 2001/2002 40% increase 2002/2003 |
| Travel (to outreach services) | \$2,500 - \$106,000 | Specialist Statewide and remote services incur greatest costs. Major increases with Petrol price rises. |

The introduction of some new practices in CLCs to make service delivery more efficient actually cost the organisation more. For example, many centres are increasing their use of the telephone to provide legal information and advice to clients. This is a more efficient use of staff time and can provide a more responsive and convenient service to many clients, but it also increases financial outlays especially when more and more of the calls are to mobile phones. Another obvious example is the increasing use of electronic communication systems which, while essential for the conduct of a legal practice and greatly improving

overall efficiency, clearly imposes new and high costs in terms of maintenance and upgrades.

Unlike most other community services, CLCs face particular and unavoidable operation costs associated with conducting a legal practice such as practicing certificates, compulsory legal education for their solicitors, establishment and maintenance of legal libraries, and professional indemnity insurance. These impose obligatory costs at prices that are beyond the control of centres.

These deficiencies in the Commonwealth funding program have a compound effect. Cumulatively, they erode the capacity of community legal centres to deliver the services that their clients and communities both need and have learnt to expect.

The cumulative impact of these inadequacies in the current funding program for CLCs has been to reduce the level of service that some centres are able to provide to their clients and their communities. Many centres report reductions in: face-to-face advice services; casework capacity; outreach services; community education activities; and contributions to broader law reform.

This funding situation results in centre managers constantly juggling limited funds, moving money from one section of the budget to assist another which then has flow on effects for service delivery. One recent example was a centre that decided against replacing a solicitors' aged computer, so that they could instead pay for a job advertisement. The old computer failed and then the staff member was limited in their work by lack of easy access to client files and email with consequent impact on service delivery.

As a corollary to this, an increase in funding, to assist with increases in operating costs and to allow centres to pay wages that attract staff, will improve service delivery as staff are freed up to concentrate more on their core business.

The irony of the current funding situation for centres is that it comes at a time of increased demand for services. Centres have anecdotal evidence of this increased demand but the ACOSS survey Living on the Edge 2001/2001 reports a 19% increase in estimated numbers of people seeking but not receiving the service they sought.

The quote below exemplifies the balancing act that centres are facing day-to-day in relation to service delivery.

"QUESTION: we are losing our senior solicitor at the end of the year. If it takes us as long as other regional centres to find a replacement, how do we continue to operate under the terms of our PII insurance. The local legal practice people are adamant that we must have a senior solicitor on board at all times. So how do we maintain our services to our community? How do we say "Sorry we don't have a senior solicitor on board so we can't help you, Go away" Really good for the image! not to mention the 4 years of hard work in building community credibility. And by the way, where do we send the people who need help?

So we get a locum - An example of locum costs which a regional centre was recently forced to pay - a locum solicitor for one month, plus accommodation, plus travel for family members, cost a centre \$10,000. How many months will we have to pay that? What do we take out of the budget? Or do we close our doors for a couple of days a week? Again, where do we send the people who come to us desperate?"

Manager, Goldfields (Kalgoorlie) WA

A new approach to determining funding can reflect the realistic costs of community legal centres, allow for the diversity of CLC's and result in maintenance of CLC capacity to deliver effective community legal services.

A new funding model is proposed that:

- Bases the rates of pay for CLC's on comparable classifications employed in the Commonwealth public sector
- Allows for flexibility for CLC's to determine the actual composition of staff within each centre
- Addresses the real operating costs of CLC's, including costs that are specific to the operation of community legal services
- Provides for a loading that recognises the additional costs incurred by centres in rural/remote areas
- Introduces the increases over a three-year period.

Staffing mix and costs of CLC's

While each community legal centre will need to determine the actual staffing composition to most effectively service the target group/legal specialty area, core functions of a typical community legal centre will require:

- A **manager/coordinator** with high levels of competency in financial and human resource management, policy and coordination skills in the legal arena and skills in working with voluntary boards of management in relation to governance of the organisation.
- A **senior or principal solicitor** who can provide high level supervision to volunteers and/or less experienced legal officers, determine cases that should be provided with assistance and ensure quality assurance of legal services provided.
- A less **experienced legal officer** who can provide legal advice and assistance on an independent basis in the area of specialty needed.

- A **community development/legal education officer** with high level skills in designing and delivery of community legal education (including use of education technology) and working collaboratively to increase community capacity in legal understanding and knowledge.
- **Experienced finance/administrative worker** who has high level organisational skills that include competencies in data management, bookkeeping, organisational systems and record keeping.
- **Volunteer coordinator/administrative worker** who has high-level skills in customer relations and working with a range of clients and professionals.

To date, the funding to centres has assumed that community legal centres can appropriately base salaries on the Social and Community Services Award. As has already been demonstrated, community legal centres are finding it increasingly difficult to attract and retain staff on this award, which does not acknowledge the specific skills required for the operation of legal centres.

NALCLC proposes that the appropriate comparable salary scale is more closely aligned to the Commonwealth Attorney General's Department Workplace Agreement of 2002, as outlined below. This agreement is proposed as it is national and includes the range of employee classifications that most closely align to a community legal centre's staffing structure. The following table outlines the salary and on-costs for a centre using the proposed core staffing structure, based on the this agreement.³ It provides a basis for a funding formula for calculating equivalent full time salaries across staffing classifications, allowing centres to flexibly determine the actual staffing mix.

| CLC position | AG's equivalent | Salary (mid range) | Total plus on-costs |
|---|---------------------------------|--------------------|---------------------|
| Manager/Coordinator | Executive level 1 or 2 | EL1 \$73,005 | \$90,526 |
| | EL1 \$65,867 to \$80,144 | EL2 \$83,625 | \$103,695 |
| | EL2 \$75,968 to \$91,282 | | |
| Senior Legal Officer | Executive level 1 or 2 | EL1 \$73,005 | \$90,526 |
| | EL1 \$65,867 to \$80,144 | EL2 \$83,625 | \$103,695 |
| | EL2 \$75,968 to \$91,282 | | |
| Legal Officer | APS 3-6 \$38,268 to \$59,022 | \$48,645 | \$60,319 |
| Community Legal Ed/Dev(graduate) | APS 4-6 \$42,651 to \$59,022 | \$50,836 | \$63,036 |
| Finance/Administration (graduate) | APS 3-6 \$42,651 to \$59,022 | \$48,645 | \$60,319 |
| Volunteer/Administration (non-graduate) | APS 3 \$38,268 to \$41,302 | \$39,785 | \$49,333 |

The following table indicates the cost of paying existing centre staff at the above rates.

| TOTAL staff 125 Centres | Full time | Part time |
|----------------------------|-------------------------|-------------------------|
| Solicitors | 217 | 145 |
| Other staff | 208 | 348 |
| Solicitors | \$ 16,919,746.00 | \$ 4,373,127.50 |
| Other staff | \$ 16,322,227.00 | \$ 10,495,506.00 |
| Totals | \$ 33,241,973.00 | \$ 14,868,633.50 |
| Total Cost | \$ 48,110,606.50 | |
| Increase | \$ 18,010,606.50 | |

3 On-costs of 24% include superannuation (9%), workers compensation (1.5%), Long Service Leave (3.5%), annual leave relief (8.5%), annual leave loading (1.5%)

Operating costs for metropolitan centres

Operating costs are more difficult to calculate as there are large variations between CLC's costs depending on location, size and purpose. (Facts 3 & 4 detail these costs) However costs identified by CLC's within the survey undertaken for this paper and by the ABS study of Legal Practices provide an indicative picture of the proportion of funds expended on salaries in comparison to other costs. The ABS study identified a salary component of CLC expenditure of 66%, while the CLC survey identified a figure of 72%.

If a midway figure is taken between these two levels of 69% labour cost component, then a typical CLC's metropolitan core funding would result in 31% being spent on operating or overhead costs.

In 2002/2003 the Community Legal Services Program provided \$30.1 million in funding to centres. 31% of this funding could then be estimated as having been allocated to operating overheads at centres. Using the increases to the different types of expenses at centres and including the cumulative impact of actual increases to funding not meeting actual increases in costs, NACLCL calculates a one-off 50% increase to the operating cost component of funding is required.

The actual increase is calculated below:

| | |
|--|-----------------------|
| 31% of current \$30.1m with 50% increment | \$9.331m \$13.995m |
| Increase in operating overheads | \$4.665m |
| Average increase per centre | \$37,320 |

Additional loadings for rural/remote centres

Centres located in rural/remote communities are recognised as having substantially additional costs as

outlined earlier. The survey of 80 CLCs listed these additional & higher than metropolitan costs to include: leasing of cars and running expenses used to service outlying communities; increased recruitment costs – advertising, interviews, relocation etc.; all forms of travel; all goods, particularly IT equipment, in remote locations; and especially, high communications costs. Depending on remoteness of the location, and the communities served, the survey indicated that these costs vary considerably.

NACLCL proposes the introduction of an increase to the loading in recognition of these costs. However, in addition to the increased loading, individual CLC's servicing large/remote areas should have scope to negotiate funds according to identified needs.

This is the approach taken to funding in many services funded by the Commonwealth Department of Family and Community Services. The Reconnect program for instance has a number of services providing assistance to remote Indigenous communities. While there is a basic model for a Reconnect service (including purpose, staffing and anticipated outcomes), this is varied through individual negotiation according to a Reconnect services proposed methods for addressing identified needs.

The following table outlines the average additional loading for a rural/remote CLC

NACLCLCS proposes an additional loading of 50% of metropolitan CLC overhead costs for rural/remote CLC's.

| | |
|--|------------------|
| Average increase to centre overhead costs | \$37,320 |
| Rural remote loading increase | \$18,660 |
| Total cost of rural/remote loading for 48 centres | \$895,680 |

The total funding to Community Legal Centres needs to be increased by \$23.561m over the next three-year period, with funding increases to begin in the 2004/5 year to rural/remote services and to urban services that have lowest funding levels from combined sources. All centres should receive the increases by 2006/7.

Currently the funding of the CLC program is unevenly divided between the Commonwealth and states, with NSW and Victoria contributing the highest levels of funding, whilst WA and Tasmania do not provide a state contribution to the Community Legal Services Program. This has led to inequitable funding levels and access to CLC's across Australia. This is a matter for ongoing discussion between Commonwealth and State/territory governments.

However, it is possible for the Commonwealth to take a lead in addressing the decreasing capacity of CLCs. The total Commonwealth contribution to the Program in 2002/2003 was \$20.4million.

There are currently 125 funded CLC's through national Community Legal Service Program, and of these, 48 are rural/remote services. Calculating the cost of the program based on increasing wages to existing staff at existing centres plus operating costs (and the loading for remote services), this would require a total Commonwealth funding allocation of \$53,671,000. The following table outlines the current funding and

the proposed level of funding required for the total program.

NACLCS recognises that this represents a substantial funding increase to community legal centres and this increased allocation will require both a phasing in over the next triennium and negotiation between the Commonwealth and the states/territories on sharing responsibility for the ongoing funding to the program.

We suggest that funding increases in the first year should be directed to rural/remote services and to urban services that have lowest funding levels from combined sources. In the second and third year of the program, increases should be directed across the rest of the program to provide this level of funding for every service.

Having established realistic base line funding levels, the program allocation should also include ongoing indexation to ensure that capacity is maintained and that CLC's do not slip behind again.

| | 2002 funding allocation | Proposed allocation | Increase required |
|----------------------|-------------------------|---------------------|---------------------|
| Wages | | \$ 48,110,000 | \$18,000,000 |
| Overhead Costs | | \$ 4,665,000 | \$ 4,665,000 |
| Rural/remote 48 CLCs | | \$ 896,000 | \$ 896,000 |
| Total | \$30,100,000 | \$53,671,000 | \$23,561,000 |

Spending funds on CLCs to provide access to legal advice and assistance decreases the social and financial burden to individuals and to the Australian community.

CLCs are acknowledged as providing cost effective access to the majority of Australians who would otherwise be left without access to legal advice and assistance. CLCs are positioned at the prevention and early intervention end of the legal system, working to reduce the likelihood of litigation, as well as other negative social consequences. Many of the matters that CLCs address will not result in court if advice is not provided. Rather the failure to gain legal advice will deny consumers of legal centres access to services that they are entitled to or result in worsening life circumstances. Few studies have been conducted that demonstrate the savings in these broader social costs as a result of access to timely legal advice.

However, there are some indicators of savings that can be made by funding access to quality CLCs.

Family Law

A recent study of the Columbus Pilot in the family Court of Western Australia has costed intervention through traditional court approaches versus an approach that uses magistrates with family counsellors in entrenched disputes in family court matters. While this alternate approach is not directly comparable to PDR services (in that PDR services are less likely to have such entrenched disputes), the alternate intervention method uses much the same model as PDR.

The initial evaluation has found that the alternate approach has produced more successful outcomes and at a reduced cost than those cases that proceed to trial. The imputed cost of the cases studied in the alternate approach was \$2544 per case in comparison to \$3,000 for trial cases. The cost of legal advice and mediation assistance provided by a CLC would be far lower than the \$2544 identified in the Columbus project (as this included the cost of a magistrate's involvement with the counsellor). Based on the average hours used in this study and the proposed average salary cost for a CLC, a PDR case is calculated to cost under \$500 in comparison to a case proceeding to trial of \$3,000.⁴

The social costs to young people and families of a failure to come to a clear agreement following separation are well documented. In response to these costs governments have funded an increasing number of services directed towards dealing with ameliorating the outcomes of acrimonious family breakdown.

CLCs provide 32% of all advice and assistance per year in relation to family law.

Cost of homelessness

CLCs work extensively in the area of housing and tenancy matters, providing 14% of advice and assistance per year. In addition, CLCs provide 7% of advice around consumer credit and debt. A typical case recently seen by the Consumer Credit Legal Centre (NSW) illustrates the housing and debt related issues that legal centres provide assistance.

Ms P was behind on her mortgage. Her income had unexpectedly reduced due to a relationship breakdown and she was also having difficulties paying her credit cards. She did not owe a lot of money on her credit cards but she could not quite make ends meet. She really started to panic when she was threatened (quite inappropriately) with the forced sale of her home by a debt collector pursuing a credit card debt of less than \$2000.

Ms P saw an advertisement in the newspaper for what sounded like a non-bank lender. The ad said that loans could be obtained for anyone regardless of their credit history. Ms P believed that debt consolidation was her only solution, and having been rejected by her current lender and a major bank, she called the number in the ad.

The entity that placed the ad was not a lender, but a broker. True to their ad they did procure a loan for Ms P – a two-year interest-only loan at an expensive rate of interest. They also required Ms P to sign a false business purposes declaration.

After receiving independent advice, Ms P did not go ahead with the transaction. She did not, however, count on the fact that she had signed a brokerage

⁴ Murphy P and Pike L, *The Columbus Pilot in the family Court of Western Australia: Some early findings from the evaluation*, paper presented at the Eighth Australian Institute of Family Studies Conference, Melbourne 2003.

contract in which she had unwittingly agreed to pay the brokers over \$3000 for arranging a loan. The contract was quite specific about the payment of the broker but rather vague on what would constitute a suitable loan. CCLC (NSW) Inc acted for Ms P to defend the Local Court action for fees. The matter was settled on the basis that no fees would be paid and each party would pay their own costs of the legal action. In this case legal advice was timely and prevented Ms P from having the forced sale of her home.

The costs of homelessness are high. A recent US study on the public intervention costs of homelessness found that the annual average cost per family that became homeless was \$77,200⁵.

Volunteer Contribution

NACLC has calculated that the 3560 volunteers who provided services at centres last year made an in-kind contribution of \$21.5m to the program. This figure is calculated using the wage rate of Legal Officer. In practice, many of the volunteers at centres are senior lawyers whose price would be far in excess of this wage level if the government were required to pay the real cost.

While NACLC is unable to calculate the actual savings to the community and other government budgets through the work of community legal centres, these case studies indicate that the work of CLCs is not merely a cost to government, but in practice produces savings in other areas. The \$21.5m in-kind contribution of volunteers shows that the provision of funds to community legal centres is an investment in value, and a valuable investment in the assets of community law.