



LAW · COMMISSION  
TE · AKA · MATUA · O · TE · TURE

2010–2013

# STATEMENT OF INTENT



LAW · COMMISSION  
TE · AKA · MATUA · O · TE · TURE






LAW · COMMISSION  
TE · AKA · MATUA · O · TE · TURE

2010–2013

---

# STATEMENT OF INTENT



Presented to the House of Representatives  
Pursuant to section 149 of the Crown Entities Act 2004  
ISSN 1178-3427 (Print)  
ISSN 1178-3435 (Online)

# Statement of Intent

## 2010–2013

<b>PART 1: OUTLOOK FOR THE LAW COMMISSION OVER THE NEXT THREE YEARS.....</b>	<b>2</b>
President’s overview.....	2
Who we are .....	4
What we do .....	5
Our aims for the medium-term .....	7
The strategic environment in which we work.....	9
What we will do over the next three years.....	11
Our operational focus – law reform.....	13
Our operational focus – quality of legislation .....	16
Our operational focus – law reform implementation .....	17
How we know we are being successful .....	18
How we maintain our organisational health and capability .....	22
<b>PART 2: STATEMENTS OF FORECAST SERVICE PERFORMANCE AND FINANCIAL INFORMATION FOR 2010–2013 .....</b>	<b>27</b>
Statement of responsibility.....	27
Introduction .....	28
Statement of forecast service performance.....	29
Prospective financial statements .....	33
Prospective statement of comprehensive income.....	33
Prospective statement of financial position.....	34
Prospective statement of movements in equity.....	34
Prospective statement of cashflows .....	35
Statement of underlying assumptions .....	36
Statement of accounting policies.....	37
<b>APPENDIX .....</b>	<b>40</b>
Organisation chart .....	40

# PART 1

## Outlook for the Law Commission over the next three years

### President's overview

The next three years will present a range of opportunities and challenges for the Law Commission as we develop a programme of law reform within the most difficult economic environment New Zealand has faced for decades. Law reform can play an important role in creating a confident business and social environment supporting economic growth and the Commission is uniquely placed as an independent agency to facilitate and lead debate on reform initiatives across the statute book.

The Commission needs to respond positively and creatively to the current environment and it will do so through the following initiatives:

First, we will adopt a different and more strategic approach to our work programme. We are committed to developing a 3–5 year rolling law reform programme. This approach will bring a more systematic process to identifying possible areas of the law and specific issues for review. It will include:

- the development of a consultation process involving the judiciary, legal profession, business community, and related interest groups to identify areas of the law that merit review; and
- active monitoring of academic articles, judgments, media comment and legal journals to identify possible areas of reform and to collate issues as they arise.

We envisage this approach will result in a list of indicative projects that can then inform the consultation process between Ministers, ultimately delivering a 3–5 year programme within which the Government has identified its priorities.

Second, we will prioritise our work programme to ensure our resources deliver the most effective impact. This will require revising the format of our reports and papers, and making better use of digital technology.

Third, we will manage our funding in an effective and efficient manner within the reality of the current economic climate, while also developing our project costing model to provide better information in support of our financial planning and reporting.

Fourth, we will continue to implement our information and communications strategy and reduce expenditure in these areas, in particular by taking advantage of opportunities to improve our online consultation and publication processes.

Finally, although we do not provide services directly to the community, we will strengthen how we demonstrate our accountability to Government and to the wider community through improving the definitions, measurement and reporting of progress in relation to our objective and our output performance.

We will also continue to focus on providing high-quality law reform advice with major projects over the three years ahead in areas such as the effective operation of government, through our project on the Official Information Act, legal infrastructure reform with a review of the law of trusts, and improvements in criminal court cases through our project simplifying criminal procedure. We also believe that a proposed new project to review the entire statute book to see what old, unused measures can be repealed would be a timely project in the present climate. A spring clean of the New Zealand statute book would make life simpler for many.

The next few years will be very difficult for New Zealanders and our economy. The Commission will respond to this environment by taking a positive and creative approach to the challenges ahead.



**Geoffrey Palmer**  
President

## Who we are

### *Why we are an independent law reform organisation*

The Commission is an independent Crown entity under the Crown Entities Act 2004. Our statutory purpose (section 3 of the Law Commission Act 1985) is to “*promote the systematic review, reform and development of the law of New Zealand*”. We also have a specific requirement in our legislation to *act independently in performing [our] statutory functions and duties, and exercising [our] statutory powers* (section 5(3)).

The Minister of Justice (the Minister) is our Responsible Minister and the Minister responsible for the appropriation under which we receive funding from the Crown. The Ministry of Justice (the Ministry) is the Minister’s monitoring department.

Although we note that other government departments also provide law reform advice, there remains widespread recognition in New Zealand and internationally of the value of having an independent law reform organisation. We have:

- a unique mandate to take a view across the whole of the statute book;
- access to high quality legal expertise in our Commissioners, employees, and in our relationships with external legal experts and advisers;
- an ability to undertake research and analysis removed from the day to day operational pressures that arise as competing priorities for core government departments; and
- a commitment to public consultation to test our thinking and to lead public debate on the matters under review.

The purpose of ongoing review from a law reform perspective is to maintain the quality of New Zealand law as our communities’ values and attitudes change, developments occur in the technology and business practices that support the commercial life of the country, the domestic and global economic environment changes, technology and other factors change. The law needs to be kept up to date to support the better functioning of our society. The purpose of independent law reform advice is to keep the statute book under constant review by standing back from the ongoing legislative process through which the government of the day seeks, as appropriate, to implement its policy agenda.

Although it is nonetheless critical that we maintain effective relationships with all of our stakeholders, we also however, hold fast to our independence in determining the scope of each project, how we approach each project and the recommendations that we make.



## What we do

The Commission must operate within the scope of the functions and powers conferred on it in legislation, which means we must make choices about how we approach those functions. Our principal statutory functions (section 5(1)) are to:

- take and keep under review the law of New Zealand, in a systematic way;
- make recommendations for the reform and development of the law of New Zealand;
- advise on any aspect of the law of New Zealand reviewed by any Government department or organisation and on proposals made as a result of the review; and
- advise the Minister on ways in which the law of New Zealand can be made more understandable and accessible to all New Zealanders.

In fulfilling these statutory functions, we provide legal advice (supported by policy analysis and advice as required) to the Minister through our three services (outputs):

**Legal Advice: Law Reform** through which we lead and promote debate on, and make recommendations for the reform of current law;

**Legal Advice: Quality of Legislation** through which we promote and support standards in the development of new legislation; and

**Legal Advice: Law Reform Implementation** through which we support the legislative process in the implementation of our law reform recommendations and monitor decisions and actions taken on the basis of, or informed by, our law reform reports, where we have a statutory obligation and where requested by the Minister.

The Commission has a set of specific statutory powers (section 6) that enable us to deliver these three services. We may:

- initiate proposals for the review, reform, or development of any aspect of the law of New Zealand, including considering any such proposals made or referred, usually by Ministers, central government departments, the Courts, the legal profession and interest groups. We discuss the process for developing our work programme in section 3.1 *Our strategic approach*, below;
- initiate, sponsor, and carry out studies and research to support our law reform work, and publicise our work, conduct public hearings, seek comments from the public, and consult with individuals. We have built-in research and consultation activities as standard aspects of our law reform process; and

- provide advice and assistance to any government department or organisation considering the review, reform, or development of any aspect of the law of New Zealand. We may also request information from organisations to assist us in developing our advice. We exercise this power primarily through our second output, *Legal Advice – Quality of Legislation*.

As we undertake all of our work and determine and present our recommendations, we specifically focus on fulfilling additional aspects of our statutory role (section 5(2)) by seeking to:

- take into account te ao Māori (the Māori dimension);
- consider the multicultural character of New Zealand society; and
- have regard to the desirability of simplifying the expression and content of the law.

The Commission also has a specific statutory obligation in section 202 of the Evidence Act 2006 to report to the Minister on the operation of the Act.

## Our aims for the medium-term

### *Our objective*

The Commission's focus is on influencing the actions and decisions of the Executive and Parliament in considering proposed new legislation and changes to existing law. We do not provide services directly to the community, which means that we do not have a distinct and demonstrable effect on the state or condition of New Zealand society. Rather, our aim over the medium to long-term is to continue to provide a valued legal advisory service to the Executive, within the activities of government.

We have developed the following objective, which is consistent with and builds on our statutory purpose.

*The objective of the Law Commission is to improve the quality, relevance and effectiveness of New Zealand law, which it seeks to do by informing and supporting discussion on and making recommendations for law reform.*

This new statement of our objective has two critical elements. The first element focuses on the overall purpose of any law reform organisation, to influence improvements in the quality of the prevailing legislation. The second focuses on the quality of our approach and processes we adopt in pursuing that purpose. The two elements are:

- *quality, relevance and effectiveness of New Zealand law* – in considering New Zealand's statute book as a whole, high quality, relevant and effective legislation will:
  - be modern, for instance, in terms of the language and style in which it is drafted, its incorporation of today's (and tomorrow's) telecommunications and technological environments, support of business objectives and recognition of society's contemporary social and cultural expectations and diverse values;
  - be coherent, by avoiding duplication and inconsistencies, for instance, in the relationship between specific statutes and general legislation;
  - be principles-based, consistent with the basic principles of our legal system and constitutional arrangements, enabling the specific context to be considered in its application, wherever appropriate;
  - clearly reflect and facilitate the policy objectives underpinning it;

- provide for appropriate constitutional checks and balances, consistent with acknowledging the Treaty of Waitangi and the New Zealand Bill of Rights Act 1990, and international human rights instruments and other treaties to which New Zealand is a party; and
- meet the needs of the community and enable citizens to have confidence in the integrity of our legal system.
- our approach to *informing and supporting discussion on, and making recommendations for law reform* – we are the public organisation with the most comprehensive mandate for shaping the nature of the discussion aimed at strengthening the quality of New Zealand’s statute book. Our influence over the quality of the law relies on the actions and decisions of others: Parliament; the Executive and individual Ministers; government departments; the legal profession and interest groups; and the public. Our effectiveness in informing and supporting the discussion on, and making recommendations for law reform will therefore be shown through:
  - the confidence that participants (active and potential) have in the openness and accessibility of our processes – through which we seek to inform and support the discussion about law reform;
  - the responses of agencies that ask for our involvement to the analysis, argument, conclusions and recommendations that we make – as we seek to fulfil our role as a principal participant in the law reform process; and
  - the responses of Ministers and ultimately the Parliament in promoting and passing new law or amending or repealing existing law, consistent with our recommendations – as a principal participant in the law reform discussion reflecting the clarity and constructive nature of our recommendations.

Our objective is ambitious and the services we provide are challenging. Nonetheless, we are committed to pursuing the objective (and our statutory purpose), and to monitoring and reporting progress towards it. Over the period covered by this Statement of Intent, we will:

- refine the initial definitions that we have set out above;
- develop and begin to monitor indicators of progress towards the objective, building from the potential indicators we have discussed in the section *How we know we are being successful*, below; and
- adopt a more explicitly systematic approach to determining our medium-term work programme, building on the discussion in the section *Our strategic approach*.

## The strategic environment in which we work

The Commission's strategic approach to law reform takes account of a range of factors, domestic and global, including trends in the law, and economic and social factors that influence the development of legal policy. Rapid changes in social attitudes and values, institutions, practices, and technology have only increased the need for the law to keep pace. This section deals with contextual factors that are relevant to our work over the next three years.

### *Globalisation and technology*

A sound and principles-based approach is not only fundamental to the law reform organisation and the development of our legal system; it is also fundamental to our status as a trading nation and a participant in global affairs. Almost all business processes today occur within a complex and dynamic global context. Increasingly, New Zealand manufacturing businesses are moving abroad. Technological innovations provide real time communication capacity across time zones and the rapid transfer of large quantities of information around the world. These developments along with our obligations under international treaties and conventions have significant implications for legal enforcement and conflicts of laws, as we endeavour to align our regulatory environments with those of our trading partners.

### *Insufficient scrutiny of legislation*

The increasing globalisation of the law and pressures arising from changes in society and in the economy create pressures for law making in New Zealand that can result in insufficient scrutiny of legislation and inadequate consideration of the most appropriate vehicle for giving effect to policy. Such approaches can result in poorly designed or unnecessary legislation and over-regulation, giving rise to a body of law that is incoherent and inaccessible, and that imposes excessive compliance costs.

### *Complex policy environment*

The policy development process in New Zealand has become more complex, with policy now required to be analysed by various techniques, including economic analysis, cost/benefit analysis and analysis of compliance costs that are imposed on businesses and the public by new legislative proposals. Legal reforms must often be supported by empirical research and multi-disciplinary analysis.

### *Relationships with Government and our interest groups*

An important factor in achieving successful law reform lies in maintaining effective relationships with Government and our wider interest groups, and over the past few years we have put a strong emphasis on this.

The most important relationship is that between the Commission and Executive Government. We have been effective in recent years in securing a good level of government engagement in the law reform process and positive responses to the recommendations in our law reform reports. Most Commission projects involve legislation and unless the Government gives priority to these projects or wishes to enact our recommendations, it is unlikely reform will be possible. Accordingly, we recognise the importance of working closely with the Government of the day and the Minister to secure and maintain their confidence in our advice and recommendations. As discussed above (*Why we are an independent law reform organisation*), we also recognise the value of maintaining our independence in determining how we approach our work, our analysis of the issues we consider and the recommendations we make. We seek to maintain a careful balance between an effective working relationship with the Government and our operational independence.

Further, our success in realising our priorities and objectives cannot be measured in isolation from the results and contribution of other agencies. We acknowledge that the quality of our analysis and the likelihood of securing support for reform recommendations, particularly those with significant operational implications, will be greatly enhanced if they are the outcome of a collaborative and consultative working approach. Accordingly, we work closely with officials from departments of state and representatives of other government agencies, professional bodies and sometimes wider interest groups in an environment that is based on mutual trust and good communication.

## What we will do over the next three years

### *Our strategic approach*

#### *Current approach*

Our work programme is currently determined each year through the process outlined in Cabinet Office Circular *Law Commission: Processes for Setting the Work Programme and Government Response to Reports* (CO (09) 1). The Minister “will approve an annual programme of projects for the Law Commission” (paragraph 7), following consultation with other Ministers, “with a view to settling the work programme by the end of June” each year (paragraph 4).

This work programme is limited to ‘government-referred projects’, all of which should meet at least one of the criteria set out at paragraph 8 of the Circular – they should:

- “involve issues that span the interests of a number of government agencies and professional groups;
- require substantial, long term commitment or fundamental review;
- involve extensive public or professional consultation;
- need to be done independently of central government agencies because of the existence of vested interests, or a significant difference of views;
- require independent consideration in order to promote informed public debate on future policy direction; or
- involve technical law reform of what is often called “lawyer’s law” that would be likely otherwise to escape attention.”

A change introduced through April 2009 modifications to the circular is a requirement that portfolio Ministers wishing to advance a law reform project for inclusion in our work programme are to comment on how the project aligns with the Government’s priorities (paragraph 5). This discipline is useful for advancing law reform initiatives, as it provides a ‘short line of sight’ between our work and the priorities of the government of the day.

The Circular also acknowledges our status as an independent law reform organisation and notes that, “It remains open to the Law Commission to initiate projects itself.” In practice however, nearly all of the projects we undertake are referred by the Minister and the work programme approved by the Minister is essentially our full law reform work programme. We nonetheless influence the work programme through discussions with officials and our Minister during this process, as a practical reflection of our recognition of the importance of working closely with the Government of the day (discussed in section 2.2, above). Our influence has however, tended to be somewhat ad hoc, with a year-to-year focus and minimal attention on the medium-longer term.

#### *A more strategic approach*

We wish to provide greater coherence to our consideration of possible areas of the law and specific issues for review and are committed to establishing a more systematic basis for developing and maintaining a 3–5 year indicative law reform work programme. As the result of this, development work may have some cross-over benefits or other implications for the process for government-referred projects, and we intend to work closely with the Ministry and the Cabinet Office during this process.

The approach that we have identified for development has two broad elements, which we will pursue progressively over the period covered by this Statement of Intent:

- identification of issues of concern – through formally seeking the views of the legal profession and actively monitoring independent comments on possible areas of the law that merit review. We envisage involving the New Zealand Law Society, the judiciary, community law centres, the business community through professional bodies and business associations, and academics, probably on a biennial basis. We also anticipate establishing more formal systems for recording and collating issues that arise from academic and media comment, judgments and direct referrals by judges; and
- development of a framework for selecting projects on the basis of relative priorities for reform, from the perspective of the *quality, relevance and effectiveness* of the current law – we will use the criteria for Minister-referred issues as our starting point and explore options for selectively assessing the quality of the law (at an indicative level).

Although our development of a more strategic approach relates most directly to our law reform advisory service, which is the core of our total work programme, it is also likely to assist us in the other areas of our work (quality of legislation and law reform implementation).



## Our operational focus – law reform

### *Managing our law reform work programme*

Our law reform projects are our most significant area of work in terms of Commissioner and staff time and therefore also cost. These projects are usually substantial pieces of legal research and legal and policy analysis involving new concepts and/or fundamental review that government agencies are unable to undertake because of the demands of their day-to-day operational responsibilities. Most law reform projects run for six months to two-three years, with some projects occasionally requiring more time where the area under investigation is large and complex.

Also as discussed above, we are refining our process for identifying issues for law reform review and are looking to move towards a more systematic approach for maintaining a rolling 3–5 year work programme.

As part of that process, we are introducing clear distinctions within the law reform work programme between projects that are:

- *active* – work is currently under way, including consultation processes;
- *pending* – there is some form of external dependency, such as awaiting input on reform proposals by external agencies;
- *on hold* – work has been deferred, generally as a result of a change in relative priority; and
- *potential* – the issues have been identified through our increasingly systematic approach, and will be part of the work programme discussions we have with officials and Ministers each year.

It is also important to acknowledge that new issues will arise and priorities will change during the year. Our work programme is therefore a tool for communicating where we currently intend to focus our law reform work over the medium-term – it is not an unalterable undertaking and we will shift projects between the above categories from time to time during the three years covered by this Statement of Intent, including in the first year.

The major milestones for our law reform projects are the publication of an *Issues Paper*, a major consultation document; a *Report to the House*, the primary form in which we complete law reform projects; and a *Study Paper* or a *Ministerial Briefing*, either of which may be the form in which we complete a project. We may also publish an *Occasional Paper*, during the course of or at the completion of a project, as additional information to inform debate.

We manage the active projects in our work programme using our *Project Management Guide*, which includes the quality criteria we apply to our law reform work.<sup>1</sup> The *Guide* also sets out our approach for developing the scope of each project, defining the stages and timelines, and reporting on progress internally and to the Minister (as appropriate). The President, Deputy President and General Manager meet weekly as a management committee to oversee the conduct and progress of the work programme. The Commission formally considers proposals for amending the scope, timelines and other aspects of projects, as set out in the *Guide*. We anticipate that the timing of major milestones for a number of projects will change to accommodate the scope and timing of milestones for new projects, revise the scope of existing projects and reassess their relative priority.

*Our law reform work programme for the next three years*

We have presented the *active* projects in our law reform work programme in the table over the page, showing estimated completion dates as a particular quarter (Q) in a financial year.

---

<sup>1</sup> The Commission's quality criteria are set out in Part 2 in the statement of forecast service performance.

### Active law reform projects – 2010–2013 work programme

LEGAL ADVICE: LAW REFORM	2009/10	2010/11	2011/12	2012/13
Alternative Pre-trial and Trial Processes			Issues Paper	Report to the House
Civil List Act	Report to the House – Pt1 Q2; Pt 2 Q3			
Crimes Act 1961 – Part 8	Report to the House Q2			
Insanity – release mechanisms		Report to the House Q2		
Invasion of Privacy (Pt 3)	Report to the House Q3			
Land Transfer Act – including draft Bill	Report to the House and draft Bill Q4			
Law of Trusts		Issues Papers Q1 and Q3	Issues Papers (two)	Report to the House
Maximum Penalties		Ministerial Briefing Q3		
Misuse of Drugs	Issues Paper Q3	Report to the House Q2		
Official Information Act	Issues Paper Q4	Report to the House Q3		
Privacy Act (Project 4)	Issues Paper Q3	Report to the House Q2		
Private Schools	Report to the House Q1			
Public Safety and Security		Issues Paper Q3		
Sale and supply of liquor – regulatory framework	Report to the House Q4			
Suppressing Names and Evidence	Report to the House Q2			
War Pensions Act 1954	Final Report Q4			
Victims Compensation		Report to the House Q1		

As this is the first year in which we have sought to present a three-year work programme and we are completing this Statement of Intent ahead of receiving government-referred projects for 2010/11, the information we are showing for the out-years is relatively light. We are likely to make the first changes to the active projects when we receive the 2010/11 government-referred work programme from the Minister in June. We anticipate being able to provide a fuller three-year work programme next year, possibly including an indication of *potential* projects, to provide a more medium-term view of the focus of our law reform work.

## Our operational focus – quality of legislation

In addition to undertaking our programme of major law reform projects, the Commission provides legal and policy support to the Legislation Advisory Committee (LAC), which operates under terms of reference set by the Attorney-General. The LAC is a committee of experts appointed by the Attorney-General drawn from senior public and private sector lawyers, academics and senior retired and sitting members of the judiciary, as well as senior economists. Under its terms of reference, the Committee's role is to support government departments in improving the quality of law-making by endeavouring to ensure that legislation gives effect to its underlying policy objectives and conforms with the standards LAC has published. The President of the Commission currently chairs the LAC and the Commission supports the Committee by providing reports on the extent to which Bills meet *LAC Guidelines*. Our legal researchers and analysts review almost all Government Bills<sup>2</sup> for compliance with the LAC Guidelines and we report the results of that analysis to the Committee.

The Legislation Design Committee (LDC) is a high level inter-departmental committee that provides a resource for officials seeking advice on the structure and design of legislative and regulatory proposals. The focus of the Committee's work is therefore determined by departments and the issues on which they seek advice during the development phase of new legislation and wish to discuss the legislative framework options. The President of the Commission chairs this Committee, under its terms of reference. The LDC does not become directly involved in policy formulation; its focus is on exploring the legal and constitutional implications of the proposed legislation and its coherence with other statutes. In effect, the LDC seeks to achieve consistency with *LAC Guidelines* at an early stage of the policy process.

We provide administrative and research services to support both committees. From time to time, we also provide specific advice on areas that are not related to our law reform work programme. A current issue is taxation. One of our Commissioners has been providing expert advice to the Finance and Expenditure Select Committee as it considers taxation legislation such as the Taxation (Consequential Rate Alignment and Remedial Matters) Bill.

---

<sup>2</sup> The Commission does not provide a report to the LAC where the Bill is implementing the recommendations of a Commission report. In those situations, the Crown Law Office provides the LAC report.

## Our operational focus – law reform implementation

Increasingly we are also being asked to provide legal and policy advice to Ministers, parliamentary select committees and departments to support the legislative process. Much of this call for advice and support arises in areas where we are currently reviewing the law or on which we have previously provided law reform advice. The Commission also has a specific statutory obligation to monitor and review the implementation of the Evidence Act 2006, following an earlier law reform report (section 202). We must report to the Minister on our findings within a year of the Minister referring the review to us, which the Minister must do as soon as practicable after 1 December 2011. We must then complete a follow-up review each five years after the first report. The Search and Surveillance Bill, which is currently before Select Committee, includes a similar five-year review provision (clause 316), with the report to be completed jointly with the Ministry, and referral from the Minister required by June 2015.

We have presented the major areas in which we are currently undertaking law reform implementation work in the table below.

### Law reform implementation – 2010–2013 work programme

LEGAL ADVICE: IMPLEMENTATION	2009/10	2010/11	2011/12	2012/13
Criminal Procedure – Simplification  Ref: <i>Criminal Pre-Trial Processes</i> (NZLC R89, 2005)	Exposure Bill & commentary (Q2)			
Evidence Act 2006: <ul style="list-style-type: none"> <li>section 35 amendment (Barlien)</li> <li>veracity and propensity</li> </ul> Ref: <i>Evidence Law: Witness Anonymity</i> (NZLC R42; 1997) <i>Evidence</i> (NZLC R55; 1999)	Ministerial Briefing (Q1)  Ministerial Briefing (Q3)	Ongoing monitoring of the Act	Ongoing monitoring of the Act	Report to the House
Search and Surveillance Bill  Ref: <i>Search and Surveillance Powers</i> (NZLC R97, 2005)	Advice to Select Committee	Advice to Select Committee		

We will monitor the trends in this area to determine whether a more substantive and strategic response is required.

## How we know we are being successful

The Commission's statutory functions are broadly stated and effectively speak for themselves. The subject matter is the whole of New Zealand law. The systematic review of the law is about keeping the statute book up to date, which in turn is likely to lead to greater public acceptance of and confidence in the law and the legal system.

'Success' is not easily achieved or measured in the short or even medium-term and it is not within the Commission's capability or resourcing levels to review the full statute book; nor is a comprehensive review of the statute book either expected of us or feasible. All statutes have named administering departments, which have the implicit responsibility to maintain the quality of the legislation. Nevertheless, we have developed a number of potential indicators of progress towards the achievement of the Commission's objective, which are set out below. Over the period of this Statement of Intent, we will refine the definitions of the two elements of our objective and the initial set of potential indicators. We will also develop a monitoring and reporting approach, including consideration of benchmarks or other targets, to enable us to demonstrate progress towards the objective.

Many of the aspects of intended performance or characteristics covered by the indicators will be too subjective or lag in time to a degree that the value of measurement becomes questionable. Further, some aggregate indicators may have limited value due to the variability of the mix of work that we undertake. To address these situations, we will explore indicators and measurement systems at the project as well as aggregate levels as we refine the potential indicators. In some situations, we may need to accept that high value information may not be possible at reasonable cost.

### *Potential indicators of progress towards our objective*

We present the five potential indicators that we have developed for the two parts of our objective, the quality of legislation and our role in the law reform process, separately. Our contribution to each of the indicators may be from any of our three services, with our influence on progress towards the objective being through the quality with which we provide those services.

QUALITY, RELEVANCE AND EFFECTIVENESS	
<b>1</b>	Response to the Commission’s recommendations by the Government, Select Committees and departments:
<b>1.1</b>	<ul style="list-style-type: none"> <li>• <i>Accepted</i> – the Commission’s recommendations are fully or substantially accepted</li> </ul>
<b>1.2</b>	<ul style="list-style-type: none"> <li>• <i>Partially Accepted</i> – the Commission’s recommendations accepted in part</li> </ul>
<b>1.3</b>	<ul style="list-style-type: none"> <li>• <i>Not Accepted</i> – the Commission’s recommendations not accepted</li> </ul>
<b>2</b>	The extent to which the Commission’s work (analysis, advice and recommendations) stimulates law reform activity by other organisations:
<b>2.1</b>	<ul style="list-style-type: none"> <li>• referral of matters for the Commission’s law reform work programme</li> </ul>
<b>2.2</b>	<ul style="list-style-type: none"> <li>• requests for the Commission’s involvement in broader matters relating to the quality of legislation and implementation of new legislation</li> </ul>
<b>2.3</b>	<ul style="list-style-type: none"> <li>• invitations to contribute to the work of overseas law reform bodies</li> </ul>

These indicators consider the frequency and depth of our success in influencing legislative change relating to the issues on which we have reported, and the frequency and range of our potential influence on legislative change in relation to issues on which we have *not* reported.

Some recommendations (and reports) seek fundamental changes to the statute book, others seek updating or amending of a statute, and some of our recommendations do not seek to alter legislation. Consideration of our recommendations occurs within a context of competing government priorities, limited parliamentary time and limited resources to implement reforms. We note therefore that even if accepted, some of our recommendations may not reach the statute book.

We currently track the acceptance of our report recommendations over a rolling five-year period by identifying the number of reports published in the last five years and categorising them as shown above. This approach is not formulaic and requires consideration of each report on its merits to determine its best categorisation, and judgments can differ on the degree to which particular recommendations have been taken up. We will explore extending this approach to include recommendations from our monitoring role in law reform implementation. We will also develop systems to track the facets of the second indicator (above), which focuses on independent recognition of the quality of the Commission’s analysis and advice as a proxy for the likely success of our work in influencing decision-making as to the reform of New Zealand law.

**INFORMING AND SUPPORTING DISCUSSION  
AND MAKING RECOMMENDATIONS**

<b>3</b>	Recognition of the Commission as a principal participant informing and supporting the discussion by interest and professional groups and individual experts:	
	<b>3.1</b>	<ul style="list-style-type: none"> <li>the range and number of participants actively engaged in the law reform process (as expert advisers; submitters; and referrers of matters for review)</li> </ul>
	<b>3.2</b>	<ul style="list-style-type: none"> <li>requests for the Commission to participate in public discussions (including conferences and seminars)</li> </ul>
<b>4</b>	Reaching a broader constituency:	
	<b>4.1</b>	<ul style="list-style-type: none"> <li>positive media responses to the release of consultation documents and reports showing an understanding of the Commission's role</li> </ul>
<b>5</b>	Recognition of the Commission as a source of consistently sound recommendations:	
	<b>5.1</b>	<ul style="list-style-type: none"> <li>independent, external assessments of a sample of our reports (a direct link to the quality of our reports and advice)</li> </ul>

These indicators reflect confidence in the: technical competence, openness and accessibility of our processes; the relevance and timeliness of the focus of our work; and the quality of our recommendations.

As a principal law reform organisation, the Commission must not only publish well-researched reform proposals; it must be easy for the audiences we are trying to reach to participate in the discussion, and understand and work with the resultant proposals. It is appropriate that indicators of our ability to inform and support discussion include the level of engagement and participation in our work from interested organisations and stakeholders.



Across our work programme there will always be a number of projects that are concerned with ‘lawyers’ law’, or legal infrastructure reform. Our work in projects of this kind is targeted at legal professionals and legal interest groups – for example, law society committees, judges, legal academics and commentators. The contribution of these individuals and groups to our law reform projects and their willingness to participate in the development of our medium term work programme, are indicators of our credibility as a principal reform organisation. The opportunities offered to us to participate in meetings, conferences and seminar presentations for legal professionals and interest groups on areas of law we have under review are a useful gauge of our standing as a principal participant in law reform.

We also look to engage a much broader constituency in the law reform discussion, hence the indicators focusing on our profile with the media and the public in general. At some level, all feedback can be regarded as progress and we have potential indicators that focus on the extent of media and public comment and discussion of our law reform proposals, rather than the substantive nature of responses. We also focus on our role in informing the law reform discussion and have an indicator that is directed more closely to the media’s familiarity with and correct description of the role of the Commission as an organisation at the forefront of law reform.

## How we maintain our organisational health and capability

Our ability to continue to deliver high quality services depends upon our people, our systems, our relationships with interest groups and our understanding and management of the risks that we face as a small law reform organisation. We discuss each of these areas in this section, except for relationships with interest groups (see earlier discussion of *The strategic environment in which we work*).

### *Our people*

The Commission's most important resource is its people. The Commission's people are its Commissioners, its employees (those who focus on our external services – legal and policy advisers, and those who support the Commission operations), and its access to external experts and advisers, as required. Our work approach is characterised by a free exchange of ideas between staff and Commissioners, by workshops on legal and policy issues and proposals, internal peer review of legal argument and analysis, and high quality supervision.

### *Commissioners – governance and operational roles*

The Commission itself comprises the President, who is also the Chief Executive (under section 13 of the Law Commission Act) and up to five Commissioners. Commissioners are senior members of the legal profession, practitioners and academics, who are recognised as leaders within the profession. The Commissioners are drawn from a range of legal fields, which supports a dynamic approach to projects with the benefits of a cross-fertilisation of ideas and challenges.

The Commission itself, the President and Commissioners, is the Board under the Crown Entities Act 2004 and has overall responsibility for the governance of the Commission as a public organisation. The Commission, with the General Manager in attendance, meets on a monthly basis to fulfil this governance role. As part of providing an effective law reform mechanism, and unlike most other board members in the Crown entities sector, the Commission also has an explicit operational role. The President and Commissioners take an active (and generally full-time) role in the intellectual leadership of the substantive content of our publications, including in the research and analysis stages of projects and formulating recommendations, and writing the law reform reports and other publications.

### *Our staff*

The Commission's employees are legal and policy advisers with high levels of skill and significant experience in areas such as legal research and writing, policy analysis, project management, and relationship management, and who have a good knowledge of the machinery of government and the legislative process. As a good employer, we seek to provide a challenging, collegial and supportive work environment where diversity is valued and people have the opportunity to demonstrate their full range of competencies; we accommodate flexible working arrangements wherever practicable; and we encourage our staff to identify relevant training and development opportunities, for which we make specific provision within our annual budget.

We also seek to support the legal profession generally, in a small way, by actively providing employment opportunities for new graduate lawyers to learn and be part of the profession from a law reform perspective, and supporting them in gaining their legal professional qualifications.

### *Our systems*

Our organisational systems and processes support and enhance the environment in which the Commissioners and our staff work.

### *Law reform – selection and management*

We must focus our law reform effort in the areas that will best contribute to our objective. Implementation of the changes that we are seeking towards a more strategic approach requires us to develop or review our project identification and management systems in a number of ways. We have summarised the work ahead of us, drawn from the earlier discussion, in the table over the page.

### *Organisational capability – performance information*

DEVELOPMENT ACTIONS	2010/11	2011/12	2012/13
Developing a systematic framework for shaping an indicative 3–5 year law reform work programme	Initial stages developed	Reflected in SoI  Ongoing development	Reflected in SoI  Refinement
Extending the recording system that distinguishes active, pending, on hold and potential projects, and developing systems for measuring output performance	Initial stages developed	Reflected in SoI; with some aspects in Annual Report  Ongoing development	Reflected in SoI and Annual Report  Refinement
Developing indicators of progress towards the Commission’s objective, and developing systems for measuring progress	Initial stages developed	Reflected in SoI with some aspects in Annual Report  Ongoing development	Reflected in SoI and Annual Report  Refinement
<i>Project Management Guide</i> – reflection of changes from above development projects	Revisions made	Revisions made	Revisions made

### *Information and knowledge management*

Access to high quality information and technology infrastructure and research resources is essential to the Commission’s ability to provide high quality advice and maximise the capability of our specialist staff. We have a considerable investment in our law library and online databases.

Effective management of information is also a priority. The Commission is implementing the recommendations from a 2007/08 records management review and has a programme of work mapped out over the next three years. In addition, we will continue implementation of our information, technology and communications strategy, which is essential for aligning our infrastructure with our development of the law reform process over the next few years.

### *Financial management*

Over recent years, the Commission has funded operating deficits from its reserves. As a relatively small organisation with 65 percent (2009/10) of total expenditure allocated to personnel costs (including Commissioners), there are limited opportunities for significant savings and we are forecasting operating deficits in the out years as we implement a staged reduction in personnel and project expenditure. By 2012/13 we will have reduced our reserves to a level that will cover approximately two months operations, which is the recommended level for maintaining the sustainability of an organisation such as the Commission.

In line with clear expectations from the Government of financial stewardship, we will be seeking further economies and more efficient and sustainable ways of fulfilling our statutory functions, wherever we are able. In particular, we will further refine our approach to managing the financial aspects of our project planning and reporting systems, focusing on developing a project costing model to support both our annual financial planning, and to provide a base for understanding the total cost of projects, which frequently span multiple financial years.

### *Our risk management approach*

The management of risk is an essential activity to ensure that we achieve our performance goals and results. We have identified our exposure in a number of areas and identified what could go wrong. We monitor these areas closely and have systems, capabilities and strategies in place to minimise both the likelihood and impact of the risk on our performance.

### *Risk management issues and response strategies*

RISK	RESPONSE STRATEGY
Loss of effectiveness in our report recommendations and advice to Government	<p>Our reports and advice to government will be authoritative and robust.</p> <p>We will take opportunities to meet regularly with the Minister and other stakeholders in Government as appropriate.</p>
Slippage in project timelines arising from pressure on staff resources and budget	<p>We will prioritise our work and allocate resources to achieve the greatest impact consistent with Government priorities and intended outcomes.</p> <p>We will monitor project milestones and work programme commitments closely, setting tight, realistic budgets and reprioritising resources to achieve greatest value for money.</p>
We are not valued by stakeholders	We will develop effective working relationships with relevant stakeholders and Government agencies working collaboratively on projects where possible.
We are unable to recruit and retain staff with necessary expertise and experience	We will endeavour to offer an attractive employment package and work with staff to build a challenging and rewarding working environment where skill and experience are valued.
Insufficient annual revenue and working capital to support a critical mass of Commissioners and staff	We will continue to seek economies and efficiency gains, such as implementation of an attrition policy for particular advisory and support positions, and exploring opportunities for sharing services as appropriate.

# PART 2

## Statements of forecast service performance and financial information for 2010–2013

### Statement of responsibility

The information contained in this *Statement of Intent* for the New Zealand Law Commission (the Commission) has been prepared in accordance with section 155 of the Crown Entities Act 2004. The prospective financial statements have been prepared in accordance with NZ IFRS.

The President, as Chief Executive of the Commission, and the Deputy President acknowledge, in signing this statement, their responsibility for the information contained in this *Statement of Intent*.

The performance forecast for each output in the statement of forecast service performance is as agreed with the Minister responsible for Vote: Justice, through which the Commission receives its funding. The financial performance forecast for the Commission in the prospective financial statements, and the statement of forecast service performance, are as agreed with the Minister Responsible for the Law Commission who is the Minister responsible for the financial performance of the Law Commission.

The prospective financial statements have been developed for the purpose of tabling the Commission's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose without the express written permission of the Commission. Actual results are likely to be different from the prospective financial statements and the variation may be material.

The information contained in this *Statement of Intent* is consistent with existing appropriations.



**Sir Geoffrey Palmer**  
President  
20 May 2010



**Dr Warren Young**  
Deputy President  
20 May 2010

## Introduction

The Law Commission is funded within Vote: Justice to provide its services through a non-departmental output expense appropriation:

### ADVICE FROM THE LAW COMMISSION

This appropriation is limited to advice in relation to the review, reform and development of any aspect of the law in New Zealand.

This annual part of the Statement of Intent presents our performance undertakings for the year ahead, through the statement of forecast service performance and the prospective financial statements for 2010/11. These statements set out the three outputs that we provide under this appropriation and the associated performance information and cost for each that we have agreed with the Minister. The statements also demonstrate how our work will be funded.

For the year ending 30 June 2011 (2010), the Commission expects to:

- incur expenses of \$4.700 (\$5.167) million in providing its services;
- which it will fund through expected revenue of \$4.723 (\$4.8) million under the appropriation from the Crown, \$0.048 (\$0.047) million in interest earnings and \$0.015 (\$0.025) million from the sale of its publications.



## Statement of forecast service performance

### *Output 1 – Legal advice: law reform*

This output focuses on providing final legal and policy advice and recommendations to government at the conclusion of law reform projects, in the form of reports to be presented to the House, Ministerial briefing papers and published Study and Occasional Papers. The advice is based on thorough analyses of existing areas of law, informed by consultation with interested parties, legal research and determination of the policy outcomes that the law should be striving to achieve.

**Budgeted total output cost:** \$3,492,011

### *Output performance measures*

The following performance measures replace those used in last year's Statement of Intent and focus on the most critical aspects of our performance in our law reform work.

PERFORMANCE MEASURE	STANDARD (PLANNED FOR 2010/11)	STANDARD (PLANNED FOR 2009/10)	STANDARD (FORECAST ACTUAL)
Legal advice provided is consistent with the quality criteria in the <i>Project Management Guide</i> (see below) – attested by:	–	–	–
• internal peer review processes applied to projects	All	All	All
• independent, external assessment of a sample of our reports	To be determined	N/A <sup>3</sup>	–
Average number of active law reform projects underway	12–15	N/A	17
Law reform projects completed during the year through:	–	–	–
• a report prepared for presentation to the House	3–5	N/A	9–10 <sup>4</sup>
• provision of a Ministerial briefing, publication of a Study /Occasional paper	3–5	N/A	3–4
Provision consistent with Budgeted Total Output Cost	Within +/- 15 %	N/A	–

3 Where a performance measure is new, we have shown “N/A” (not applicable) and we have provided a forecast actual standard for 2009/ 10 where we had the information available.

4 Note that 2009/10 was an unusual year in which we completed a number of reports that had been pending from previous years.

*Commission's quality criteria for law reform reports*

- *Purpose.* The purpose of projects and our legal and policy advice will be clearly identified and focused on remedying the mischief to which it is addressed.
- *Logic.* All argument will be logical and supported by facts, and explain any assumptions made.
- *Accurate research.* Analysis and advice will be supported by research that is thorough, accurate and takes account of all relevant material.
- *Practicality.* All advice and recommendations will consider questions of practicality, especially issues of implementation, technical feasibility, timing and consistency with other Commission reports and advice.
- *Recommendations.* Reports and advice will conclude with clear and constructive recommendations, that flow from and are supported by the analysis and argument, and that take account of the context within which the law is to operate
- *Consultation.* Advice and recommendations will be the result of appropriate consultation with interested parties, and all reasonable objections will be identified. All submissions will be carefully considered before advice is finalised.
- *Peer review.* Where appropriate and practical external experts will review reports and advice.
- *Internal review.* Analysis and advice will be subjected to rigorous and critical review by the Commission.
- *Presentation.* Reports and advice will be written in as clear a manner as the technical nature of the subject matter allows.

We aim to complete all reports within the timeframes set out in the Commission's annual work programme, as agreed with the Responsible Minister and Cabinet at the start of the period. Changes to timeframes are generally required during the year, to reflect decisions to amend the scope of a project based on issues that arise in the course of the work. We discuss and agree significant timing changes with the Minister, usually as part of the four monthly performance reporting process.

### *Output 2 – Legal advice: quality of legislation*

This output focuses on three areas relating to work that is outside the Commission’s law reform work programme: legal and policy advice to the Legislation Advisory Committee, and advice to the Government and its agencies on the development of new high-quality legislation that meets the Committee’s published standards; advice on the structure and design of legislative and regulatory proposals brought before the Legislation Design Committee; and ad hoc legal advice in response to specific requests from Select Committees, Ministers and officials in relation to legislation unrelated to the Commission’s law reform work. The output also involved general advisory and administrative support to both committees.

**Budgeted total output cost:** \$297,448

#### *Output performance measures*

The following performance measures replace those used in last year’s Statement of Intent and focus on the most critical aspects of our performance in our work on the quality of legislation.

PERFORMANCE MEASURE	STANDARD (PLANNED FOR 2010/11)	STANDARD (PLANNED FOR 2009/10)	STANDARD (FORECAST ACTUAL)
Legal advice provided is consistent with the quality criteria in the Project Management and Quality Guide – attested by:	-	-	-
• internal peer review processes applied to projects	All	All	All
Timeliness of legal advice:	-	-	-
• reports to LAC – prepared for consideration at the next meeting, where agreed	95 % <sup>5</sup>	N/A	95 %
• advisory work (major projects) – provided within agreed timeframes	95 %	N/A	95 %

Note that, due to the low cost of this output, in absolute terms and relative to *Output 1 – Legal Advice: Law Reform*, we have not set a performance measure relating to budgeted total output costs. We will keep this position under review.

<sup>5</sup> The Committee meets monthly although issues may be referred to it at any time.

### *Output 3 – Legal advice: law reform implementation*

This output focuses on supporting implementation of the recommendations from law reform projects in two areas. First participating in the development of draft legislation, with the administering department and providing ad hoc legal advice in response to specific requests from Select Committees, Ministers and officials. Second, monitoring the implementation of government decisions in response to earlier Commission reports and other publications, including follow-up analyses and reports on the issues, changes in practices after completion of the report, and formally reviewing the implementation process.

**Budgeted total output cost: \$909,230**

#### *Output performance measures*

The following performance measures replace those used in last year’s Statement of Intent and focus on the most critical aspects of our performance in our law reform implementation work.

PERFORMANCE MEASURE	STANDARD (PLANNED FOR 2010/11)	STANDARD (PLANNED FOR 2009/10)	STANDARD (FORECAST ACTUAL)
Legal advice provided is consistent with the quality criteria in the Project Management and Quality Guide – attested by:	-	-	-
<ul style="list-style-type: none"> <li>internal peer review processes applied to all projects</li> </ul>	All	All	All
Timeliness of legal advice (major projects): provided within agreed timeframes	95 %	N/A	-

The budgeted total cost of this output is a preliminary estimate only as the output is new and, for this first year, we have not set a performance measure relating to costs for this output. We will be strengthening our project and output costing system during the year and anticipate introducing an output cost performance measure in 2011/12.

## Prospective financial statements

### Prospective statement of comprehensive income

	ESTIMATE	FORECAST	FORECAST	FORECAST
	2009/10	2010/11	2011/12	2012/13
	\$000's	\$000's	\$000's	\$000's
<b>Income</b>				
Revenue from Crown	4,800	4,723	3,842	3,842
Interest income	48	47	38	38
Publication sales	25	15	15	15
<b>Total</b>	<b>4,873</b>	<b>4,785</b>	<b>3,895</b>	<b>3,895</b>
<b>Expenditure</b>				
Personnel	3,319	3,114	2,834	2,539
Direct project costs	559	310	230	190
Library	120	118	118	118
Occupancy	636	637	648	709
Amortisation	14	38	36	30
Depreciation	246	205	194	194
Audit	25	25	25	25
Other operating	248	253	253	253
<b>Total</b>	<b>5,167</b>	<b>4,700</b>	<b>4,338</b>	<b>4,058</b>
<b>Surplus/Deficit</b>	<b>(294)</b>	<b>85</b>	<b>(443)</b>	<b>(163)</b>
Capital Expenditure	263	164	155	168

## Prospective statement of financial position

	ESTIMATE	FORECAST	FORECAST	FORECAST
	2009/10	2010/11	2011/12	2012/13
	\$000's	\$000's	\$000's	\$000's
General Funds	1,186	1,271	828	665
Asset Revaluation Reserves	277	277	277	277
<b>Total Public Equity</b>	<b>1,463</b>	<b>1,548</b>	<b>1,105</b>	<b>942</b>
<b>Assets</b>				
Cash	734	907	526	404
Receivables / Prepayments	95	90	84	82
Fixed Assets	1,000	921	846	789
	<b>1,829</b>	<b>1,918</b>	<b>1,456</b>	<b>1,275</b>
<b>Liabilities</b>				
Accounts Payable and Accruals	366	370	351	333
	<b>366</b>	<b>370</b>	<b>351</b>	<b>333</b>
<b>Net Assets</b>	<b>1,463</b>	<b>1,548</b>	<b>1,105</b>	<b>942</b>

## Prospective statement of movements in equity

	ESTIMATE	FORECAST	FORECAST	FORECAST
	2009/10	2010/11	2011/12	2012/13
	\$000's	\$000's	\$000's	\$000's
Increase (Decrease) in Revaluation Reserves	-	-	-	-
Net surplus (deficit) for period	(294)	85	(443)	(163)
Net Increase / (Decrease)	(294)	85	(443)	(163)
Equity at beginning of period	1,757	1,463	1,548	1,105
<b>Equity at end of period</b>	<b>1,463</b>	<b>1,548</b>	<b>1,105</b>	<b>942</b>

## Prospective statement of cashflows

	ESTIMATE	FORECAST	FORECAST	FORECAST
	2009/10 \$000's	2010/11 \$000's	2011/12 \$000's	2012/13 \$000's
<b>Operating Cash Inflows</b>				
Government Funding	4,800	4,723	3,842	3,842
Financing Cash Inflows (Interest)	48	47	38	38
Sale of Publications	25	15	15	15
<b>Total</b>	<b>4,873</b>	<b>4,785</b>	<b>3,895</b>	<b>3,895</b>
<b>Operating Cash Outflows</b>				
Operating Expenditure	4,899	4,448	4,121	3,849
Net Operating Cash Flow	( 26)	337	(226)	46
Investing Cash Outflows (Capital Expenditure)	(263)	(164)	(155)	(168)
Net Cash Movement for Period	(289)	173	(381)	(122)
Cash Balance at Start of Period	1,023	734	907	526
<b>Cash Balance at End of Period</b>	<b>734</b>	<b>907</b>	<b>526</b>	<b>404</b>

## Statement of underlying assumptions

Under the Crown entities Act 2004, the Commission must include prospective financial statements in its statement of intent as part of promoting public accountability.

The purpose for which these financial statements have been prepared is to indicate the likely financial impact of the implementation of the Commission's longer term strategic direction. The information disclosed is indicative only and may not be appropriate for any other purpose. These financial statements are not audited.

The statements have been prepared on the assumption that current government policies and appropriations remain in place and that government funding will be adequate to cover operating costs and capital purchases. The statements contain the best estimates and assumptions as to future events that are expected to occur. As the statements are prospective, inherently actual results are likely to vary from the information presented. We will disclose all material variations in the subsequent annual report.

We have based the 2009/10 estimated actual position on management's judgements, estimates and assumptions for the final 2009/10 outcome and have used these figures as the opening position for the 2010/11 forecasts.

We have based our occupancy and administration costs on our historical experience. We have included all known or reasonably estimated increases or decreases in any expense category.

We have not made any allowance for revaluation of fixed assets in these statements. Depreciation and amortisation costs are based on the assumption that the Commission will replace assets including software as required.

We assume that the Commission will continue in its current form for the foreseeable future and expect current staffing levels to remain constant.

We assume that there will be no changes to the accounting policies that would materially affect the figures represented at this time.



## Statement of accounting policies

### *Reporting entity*

The Law Commission is a Crown Entity under the Crown Entities Act 2004. The Commission was established by the Law Commission Act 1985 and is domiciled in New Zealand. As such, the Commission's ultimate parent is the New Zealand Crown.

The Commission's functions and responsibilities are set out in the Law Commission Act. The Commission's statutory purpose is to undertake the systematic review, reform and development of the law of New Zealand. The Commission undertakes to provide high quality legal advice and services to the Government and does not have specific objective of making a financial return to the Crown. Accordingly, the Commission has designated itself as a public benefit entity for the purposes of New Zealand International Financial Reporting Standards (NZ IFRS).

### *Basis of preparation*

The prospective financial statements have been adapted to comply with New Zealand International Financial Reporting Standards. The preparation of prospective financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure.

The prospective financial statements have been prepared on the historical cost basis, modified by the revaluation of library collections, furniture and fittings, and office equipment. The Commission has complied with FRS42 in the preparation of these prospective financial statements and they have been prepared pursuant to the requirements of the Public Finance Act 1989, as amended.

### *Accounting policies*

The following accounting policies, which materially affect the measurement of financial performance and financial position, have been applied. These accounting policies have been applied consistently to all periods presented in these prospective financial statements.

### *Revenue*

The Commission derives revenue from the provision of outputs to the Crown, the sale of its publications to third parties, provision of specialist services, and income from investments. Government grant is recognised as revenue in the year in which it is appropriated and is recognised on a straight-line basis. Other revenue is recognised in the period in which it is earned.

### *Goods and Services Tax (GST)*

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated with GST included.

### *Taxation*

The Law Commission is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from income tax.

### *Foreign currency*

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction.

### *Fixed assets*

All fixed assets are initially recorded at cost. Library collections, furniture and fittings and office equipment are stated at fair value. Fair value is determined using market-based evidence. Additions between revaluations are recorded at cost.

Changes in revaluation are charged to the asset revaluation account. When this results in a debit balance in the revaluation reserve account, the balance is expensed to the prospective statement of comprehensive income.

### *Depreciation*

Depreciation is provided on a straight line basis on all fixed assets at a rate that will write off the cost or valuation) of the assets over their useful lives.

The useful lives and associated depreciation rates of major classes have been estimated as follows:

ASSET CLASS	ESTIMATED USEFUL LIFE (YEARS)	RATE OF DEPRECIATION (%)
Computer Equipment	3	33.3
Furniture and Fittings	10	10
Office Equipment	5	20
Library Collections	5	20

## *Intangible assets*

### *Software*

Software that is not integral to the operation of the hardware is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over a period of three years.

### *Operating leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

### *Cost allocation policy*

Direct costs identifiable against specific projects are charged directly to those projects. Indirect costs are recorded against the generic cost and allocated at a later stage against projects on an hours spent basis.

### *Financial instruments*

The Law Commission is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the prospective statement of financial position and all revenue and expenses in relation to financial instruments are recognised in the prospective statement of comprehensive income. All financial instruments are shown at their estimated fair value.

### *Accounts receivable*

Accounts receivable are stated at their estimated realisable value after providing for doubtful and un-collectable debts.

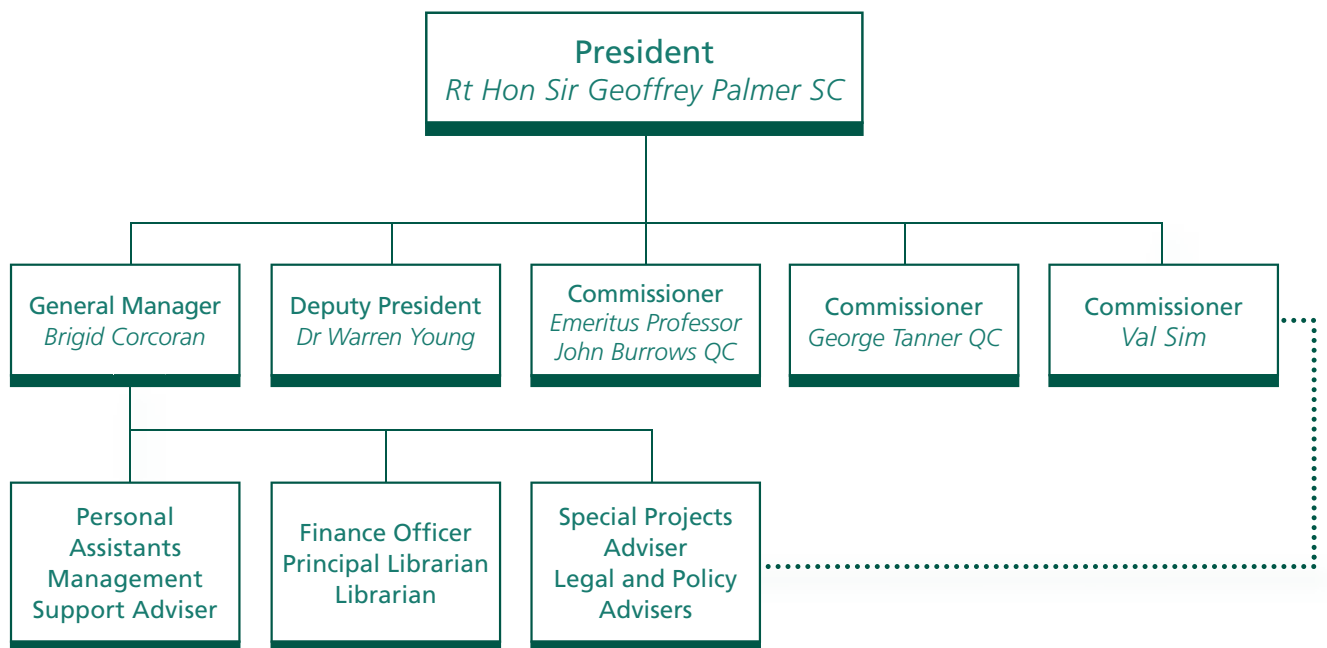
### *Employee entitlements*

Provision is made in respect of employee's annual leave. It is calculated on current rates of pay and expected to be settled within 12 months of reporting date (or approval gained to carry forward leave) and is measured at nominal values on an actual entitlement basis at current rate of pay. These amounts are included within accounts payable.

Provision is made for sick leave entitlement in accordance with NZ IAS 19.11,14. The Law Commission does not provide long service leave or retirement leave.

# APPENDIX

## Organisation chart







This document was printed on Novatech Paper. This is an environmentally friendly stock that originates from sustainable well managed forests. Produced at Nordland Papier paper mill, which holds both FSC and PEFC chain of custody certificates. (Reg. No. SGS-COC-2249) ISO 14001 environmental management systems certified. The mill is registered under the EU Eco-management and Audit Scheme EMAS. (Reg. No.D – 162 – 00007). The paper bleaching process is Elemental Chlorine Free, and Acid Free.



