

Te Tauākī Koronga mō ngā Mahi kia Tutuki

Statement of Performance Expectations

1 July 2024 – 30 June 2025



Presented to the House of Representatives pursuant to
section 149 of the Crown Entities Act 2004

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Statement of responsibility

Te Aka Matua o te Ture | Law Commission prepares and presents this Statement of Performance Expectations (SPE) to the House of Representatives under Part 4 of the Crown Entities Act 2004. It should be read together with the Commission's Statement of Intent 1 July 2023 – 30 June 2027.

This SPE sets out forecast financial information for the year 1 July 2024 to 30 June 2025. The financial information has not been audited and should not be relied on for any other purposes.

The Board acknowledges responsibility for the preparation of this document.



Amokura Kawharu

Tumu Whakarae | President

Date: 25/6/2024



Geof Shirtcliffe

Tumu Whakarae Tuarua | Deputy President

Date: 25/6/2024

Purpose and functions

Te Aka Matua o te Ture | Law Commission (the Commission) is an independent Crown entity operating under its own statute, the Law Commission Act 1985 (the Act). We report to the Minister responsible for the Commission, who is currently the Minister of Justice.

The Act's purpose is to "promote the systematic review, reform and development of the law of New Zealand". Our particular statutory functions are to:

- a. take and keep under review in a systematic way the law of New Zealand;
- b. make recommendations for the law's reform and development;
- c. advise on the review of any aspect of the law conducted by any government department or organisation and on proposals made as a result of that review; and
- d. advise the Minister of Justice and the responsible Minister on ways in which the law can be made as understandable and accessible as is practicable.

In making recommendations for reforming the law, we must take into account te ao Māori and give consideration to the multicultural character of New Zealand society. We must act independently in performing our statutory functions.

Total appropriation

The Commission receives funding through an appropriation within Vote Justice for Non-Departmental Output Expenses: Services from the Law Commission. The appropriation is limited to advice on the review, reform and development of all aspects of the law in New Zealand.

Actual	Budget
2023-2024	2024-2025
\$000	\$000
4,205	4,205

To deliver the work programme confirmed for 2023-2024 the Commission will spend more than the \$4,205 million provided.

Revenue has been static for many years apart from a small increase from 2023-2024. The budget for 2023-2024 provided for a surplus of expenditure over revenue of (\$682,444) and anticipated the Commission using reserves to meet the shortfall. Actual expenditure in 2023-2024 is likely to be below budget as outputs were delivered for less than the costs budgeted. (Project budgets are typically approved at an early stage when it is difficult to reliably predict costs.) However, expenditure is still above the appropriation resulting in an estimated shortfall of (\$200,361), which will be met from reserves. Expenditure required to progress the work programme for 2024-2025 is budgeted to be (\$498,362). Budgeted expenditure therefore exceeds the appropriation the Commission will receive for the year. The Commission will again use its reserves to meet the shortfall.

In spending our appropriation, we will act consistently with the Minister's expectation that we continue delivering our programme of work as efficiently and effectively as possible within available resources, including the appropriate use of reserves. With this in mind, where possible, we carefully consider whether expenditure on travel, training, accommodation and contractors is necessary or can be achieved in a more cost-effective manner. We operate with the statutory minimum number of Commissioners and generally seek to fill vacancies from within the existing complement of staff where feasible, rather than recruiting new staff.

The Commission's outputs and strategic intention

In pursuing our law reform purposes, the Commission has one main output and two minor or occasional outputs:

1. Law reform advice and recommendations;
2. Advice to the Minister about priorities for law reform; and
3. Study papers.

These outputs are delivered consistently with our strategic objective as that is described in our Statement of Intent – 1 July 2023 – 30 June 2027, namely to help to sustain confidence that New Zealand's laws support a modern democracy, an efficient economy and a just society. We achieve that objective by approaching each law reform task with an open mind, by undertaking wide-ranging engagement and consultation, and by considering the broader policy context. In each case, we act consistently with our obligation to act independently.

In accordance with the Minister's expectations, in the 2024-2025 year we will also continue our work with the Ministry of Justice to review and refresh the process for setting the Commission's annual work programme. This work is designed to improve coordination between the Commission and the Ministry. The objectives of the review are to ensure that:

Proposals for projects are appropriately informed and scoped and reflect the Commission's value to the government; and

The process for setting the work programme supports the Commission's statutory mandate to provide high quality independent law reform advice over the long-term and across the statute book.

In 2024-2025, we will continue work on four existing projects, three of which are expected to be completed in that year. We will also begin work on one new project (a review of directors' duties and liabilities). It is expected that we will have capacity to begin one or two new projects towards the end of the 2024-2025 year. The Minister will likely approve one or two new projects for commencement in that timeframe.

As at the date of this SPE our work programme and planned and anticipated outputs for the next three years are as set out in the table below.

SUMMARY OF WORK PROGRAMME

Project	2023-2024 (actual)	2024-2025 (planned)	2025-2026 (anticipated)	2026-2027 (anticipated)
Ngā Huarahi Whakatau: Review of the law relating to adult decision-making capacity (commenced 2020- 2021)	Issues paper published. Final report was due to be published June 2024, deferred to 2024-2025	Final report published and project completed		
Preventive Detention (commenced 2021- 2022)	Issues paper was due to be published May 2024, deferred to 2024-2025	Issues paper and final report published and project completed		
Sex, Gender and Discrimination (commenced 2022- 2023)	Terms of reference and Issues paper published	Final report published and project completed		
Hate Crime (commenced 2023- 2024)	Project commenced	Terms of reference published	tbc	tbc
Directors' Duties and Liabilities		Project commences	tbc	tbc
New Reference 1 (to be commenced once resources become available)		tbc	tbc	tbc
New reference 2 (to be commenced once resources become available)		tbc	tbc	tbc

How performance will be measured

The Commission performs its functions consistently with our strategic objective of sustaining confidence that New Zealand’s laws support a modern democracy, an efficient economy and a just society.

In producing our law reform advice, we aim to produce practical and implementable recommendations that inform and influence government decision-making. To have this impact, we must be skilled communicators who are trusted by both the government and broader New Zealand society to produce high quality law reform recommendations.

To assess this performance, we use a combination of quantitative and qualitative measures of both our outputs and our impact.

MEASURING OUTPUT PERFORMANCE

Output 1 - Law reform advice and recommendations

This output fulfils our functions of making recommendations for the reform and development of the law of New Zealand and of advising the Minister of Justice and the responsible Minister on ways in which the law of New Zealand can be made as understandable and accessible as is practicable. We must also review any aspect of the law the Minister may request the Commission to examine.

For each project we will typically publish terms of reference, one or more issues papers for consultation and a final report.

Our performance on this output is measured in the following ways:

- **Publication and timeframes**
 - The number of key documents produced; and
 - The percentage of law reform reports produced in the targeted timeframe.
- **Engagement**
 - Whether the targeted number of submissions were received; and
 - Whether the targeted number of consultation meetings were held.
- **Quality of analysis – Whether final reports use:**
 - High quality evidence-based legal and policy analysis;
 - Clear and understandable issues papers, reports and other advice;
 - Independent and practicable recommendations; and
 - Recognition of te ao Māori.

The following factors should be considered when assessing our output performance:

- Most of our projects result in one primary output - law reform advice and recommendations, which are delivered in reports to the government.
- Each report is the culmination of months or years of research, engagement and analysis, so we may deliver only one or two reports each year.
- Whether our recommendations for reform are implemented by the government is influenced by many factors outside our control, in particular, other government priorities for legislative reform.

1.1 Publication and timeframes

Measure	How	Actual 2022-2023	Expected 2023-2024	Planned 2024-2025
The number of published terms of reference, issues papers and final reports or other advice	The total number	5 in total, comprising: 2 terms of reference 3 issues papers	4 in total, comprising: 1 terms of reference, 2 issues papers 1 final report	5 in total, comprising: 1 terms of reference 1 issues paper 3 final reports
Publication timeframes	Percentage of targeted timeframes achieved	N/A	50%	100%

In 2024-2025 we plan to publish:

- One terms of reference for the Hate Crime review;
- One issues paper for Preventive Detention; and
- Three final reports, one in each of Preventive Detention, Ngā Huarahi Whakatau and Sex, Gender and Discrimination.

1.2 Engagement

Measure	How	Actual 2022-2023	Expected 2023-2024	Planned 2024-2025
The number of submissions for each issues paper	The target number is met	All targets met (3 out of 3)	Most targets met (2 out of 3) See below	All targets met (1 out of 1)
The number of consultation meetings for the project	The target number is met	Not applicable	Not achieved	All targets met (3 out of 3)

The targeted number for submissions received for each issues paper is set by the Board before the commencement of formal consultation. The number is usually based on the number of people or organisations within the core community of interest in relation to the project. It reflects the Board's assessment of the number of submissions needed to support an effective law reform exercise in relation to the particular subject matter. It will vary greatly depending on the nature of the project. A technical project may receive far fewer submissions than a project of wide public interest. Targeted numbers are recorded in board papers.

In 2024-2025, we plan to publish one issues paper (for the Preventive Detention project) and so there will be only one target for submissions received.

The targeted number of consultation meetings for each project is measured at the end of the project. The number is set by the Board at the beginning of the project and is recorded in board papers. It reflects the Board's assessment of the number of consultation meetings throughout the life of the project needed to support an effective law reform exercise in relation to the particular subject matter.

The measures were not applicable for 2022-2023 as no final report was published in that year.

In 2024-2025, we expect to conclude three projects, so there will be three targets for consultation meetings.

1.3 Quality of analysis

Measure	How	Actual 2022-2023	Expected 2023-2024	Planned 2024-2025
High quality evidence-based legal and policy analysis	Survey of independent experts	Not applicable	Agree	Agree
Clear and understandable issues papers, reports or other advice	Survey of independent experts	Not applicable	Agree	Agree
Independent and practicable recommendations	Survey of independent experts	Not applicable	Agree	Agree
Recognition of te ao Māori	Māori Liaison Committee feedback and survey of independent experts	Not applicable	Agree	Agree

The above qualitative measures are applied to final reports and advice. They rely upon surveys of independent experts (generally members of the Expert Advisory Group established for each project) and, with respect to the obligation to take account of te ao Māori, external feedback from the chair of the Commission’s standing Māori Liaison Committee. Those people are asked to assess our performance on the quality measures on a sliding scale rating system, where 1 indicates strong agreement and 5 indicates strong disagreement. The target is ‘agree’, meaning an average of 2 on this scale.

The measures were not applicable for 2022-2023 as no law reform projects were completed in that financial year. For the 2023-2024 year, this measure was only applied to the Third Review of the Evidence Act. The completion of Ngā Huarahi Whakatau was deferred to 2024-2025.

For the 2024-2025 year, we plan to publish three final reports so the quality of analysis measurement will relate to those three final reports.

Output 2 - Advice to the Minister about priorities for law reform

This output fulfils our statutory responsibility to prepare and submit to the Minister of Justice, at least once a year, programmes for the review of appropriate aspects of the

law of Aotearoa New Zealand with a view to their reform or development. It also helps to fulfil our function of keeping the law under systematic review.

We fulfil this responsibility by engaging with key stakeholders on areas of law that may require review. We note proposals for law reform projects received from members of the legal profession, judiciary, media and public on a register. We use that engagement and the register to develop annual advice to the Minister about priorities for law reform. As well as discharging our statutory responsibility to keep the law under review, the advice also helps to inform the Minister’s decisions about what projects are included in our work programme.

The performance measure for this output is whether we have met our statutory obligation.

Measure	How	Actual 2022-2023	Expected 2023-2024	Planned 2024-2025
Advice to the Minister about priorities for law reform	The total number of times advice is provided to the Minister	1	1	1

Output 3 - Study papers

This output involves reviews intended to achieve improved understanding and informed discussion on matters relevant to an area of law or law reform through in-depth research and articulation of the issues (but without formal recommendations for law reform).

The publication of study papers contributes to our function of systematically reviewing the law. However, we publish them comparatively rarely, and only when resources permit.

Our performance on this output is measured in the same way that publication, timeframes and the quality of analysis are measured for Output 1. We do not measure engagement because study papers do not normally involve formal consultation.

Publication and timeframes

Measure	How	Actual 2022-2023	Expected 2023-2024	Planned 2024-2025
The number of study papers	The total number of published study papers	0	1	Not applicable
Publication timeframes	Percentage of timeframes achieved	Not achieved	100%	Not applicable
High-quality research and analysis	Survey of independent experts	Agree	Agree	Not applicable
Clear and understandable	Survey of independent experts	Agree	Agree	Not applicable
Recognition of te ao Māori	Māori Liaison Committee feedback and survey of independent experts	Agree	Agree	Not applicable

We have no plans for study papers for 2024-2025.

MEASURING OUR IMPACT

Measuring the Commission’s impact is complex. The Commission can only make recommendations. Governments are not obliged to reform the law in accordance with our recommendations. Indeed, there are multiple systems affecting law reform decisions.

We can only impact those systems if we are trusted to produce high quality, practical recommendations. For that reason, in addition to measuring the rate of implementation of our recommendations, we measure two other categories of our likely longer-term influence on the wider legal system and New Zealand society:

- the number of general community engagements we undertake; and
- the number of times the Commission is mentioned in decisions by the higher courts and in parliamentary debates, New Zealand legal texts and journals, and the media.

These measures are expressed as minimum targets. Many of the references are picked up through media monitoring. Others are picked up through our own searches, for example, of senior court judgments.

1. Rate of implementation of recommendations

We have developed a system for assessing the rate of implementation of our recommendations by the government. The system was developed after taking account of the practices of law reform commissions in other jurisdictions. We assess the acceptance and implementation of recommendations made in the previous 10-year period.

Measure	How	Actual 2022-2023	Expected 2023- 2024	Target (minimum) 2024- 2025
Implementation of reports or other advice	The percentage implementation of reports and advice over the previous 10-year period	75%	75%	60%

2. The Commission's wider influence

Measure	How	Actual 2022-2023	Expected 2023- 2024	Target (minimum) 2024- 2025
The number of community engagements	The number of community engagements (such as presentations, interviews and published articles)	23	41	15
The number of references to the Commission's work	The number of references in senior court decisions	78 (judicial)	76 (judicial) (as at 30 April 2024)	60 (judicial)
	The number of references in Parliamentary debates New Zealand legal texts and journals, and the media	575 (other)	297 (other) (as at 30 April 2024)	300 (other)

Strategic context, risks and challenges

The Law Commission was established in the mid-1980s to systematically review the law and make recommendations for its reform and development. At the time, Parliament recognised a permanent law reform institution was needed, in particular, because of the growing complexity of our society, the increase in the volume of statute law and the emergent influence of international law on domestic law. Since that time, society has become even more diverse, the size of the New Zealand statute book has more than doubled and compliance with international law obligations has become a routine consideration in law reform. The growing influence and role of tikanga in the development of the law present unique challenges and opportunities for law reform to be tailored to the special circumstances of Aotearoa. The case for a permanent law reform institution is stronger than ever.

Within this wider context, we have a longstanding reputation for producing high quality, credible and implementable law reform advice in a wide range of areas on a lean budget. This includes our reputation for producing insightful analysis and implementable recommendations regarding tikanga and te ao Māori. However, our capacity to deliver on our statutory functions at the scale that was intended is constrained by our small size. This results from our baseline funding having been static since 2013 (apart from a small increase from 2023-2024). Some other aspects of our strategic context that we explore below include that we have only one main output and a simple operating model.

These factors present us with certain risks and challenges.

OUR OPERATING MODEL IN A NUTSHELL

The Commission's main output is law reform reports. Those reports can relate to any sector and can take months or years to complete.

Each year our work programme is agreed with the Minister for the following year under processes established by our Act and by Cabinet. The agreed work programme comprises projects already underway and new projects for which we expect to have capacity when one or more existing projects are completed.

Commissioners are typically appointed on five-year terms and staff are mostly on permanent contracts. The start dates of projects are, therefore, staggered to begin when another project is completed. This also means that projects can span electoral cycles.

Due to funding constraints and increasing costs, we are currently operating with the statutory minimum of three Commissioners (as compared with previous years when we

typically had between four and six Commissioners). Each Commissioner leads at least one law reform project. Each project team typically consists of 2–4 Legal and Policy Advisers and 1 or 2 Law Clerks. We have five corporate staff to support us.

The three Commissioners form the Board. One Commissioner is appointed to be the President who is chairperson of the Board and Chief Executive of the Commission.

A simple operating model and functioning at minimum capacity present a range of risks and challenges for the Commission:

RISKS AND CHALLENGES AND THEIR MITIGATION

Human resource capacity

The lean operating model places extra responsibilities on both Commissioners and staff. That means that any unexpected loss or reduced capacity of a Commissioner or staff member can have a significant impact on our ability to produce outputs within planned timeframes. This is particularly so when senior staff leave as it can be challenging to attract staff with the specialised experience and skills needed to fill the gaps. To promote staff retention, we offer a supportive and rewarding working environment to our staff and support their continuing professional development.

Good governance

Commissioners perform three functions at the Commission – as board members they govern, as managers they make day-to-day management decisions and as Commissioners they each manage at least one law reform project. The lack of structural separation between the governance and management roles of the Commissioners requires the Board to be particularly vigilant to ensure good governance disciplines are maintained.

In 2023, the Commission employed a General Counsel. One of the roles of the General Counsel is to support the Board in discharging its governance responsibilities.

Maintaining trust and reputation

Pressure on Commissioner and staff capacity makes it increasingly challenging to maintain the standards of analysis and the expected levels of engagement with stakeholders that are essential to maintaining trust and our reputation for high quality and implementable recommendations.

One of the ways we address this risk is by engaging an expert advisory group for most projects. These are groups of independent experts with whom we test our analysis and proposals for reform. We also have a standing Māori Liaison Committee, which provides independent advice on how we should take te ao Māori into account in our work.

Health, safety and wellbeing

The Commission is operating in an environment of increased risks to safety and security of our staff due to the high level of public interest in some of our projects.

We are responding to these risks by seeking external advice and reporting threats in accordance with that advice. We also ensure security protocols are well understood by staff and proactively monitor and support staff wellbeing. We have a standing health and safety committee, which includes staff representation, and maintain our health and safety policy.

Future work programme

The annual nature of our work programme can make forward planning challenging:

- It sits awkwardly with the usual accountability mechanisms for Crown entities, which require annual expenditure to be forecast in the statement of performance expectations and then accounted for in the annual report.
- It operates independently from the process for appointing Commissioners (who generally have five-year terms and are appointed when a vacancy arises). The start and finish dates of projects are not necessarily aligned with Commissioner terms so some projects must be transferred to a new Commissioner in a part-completed state. That can result in inefficiencies and means that projects are not necessarily a good fit with a Commissioner's area of expertise.

Our lean operating model also presents challenges in relation to the work programme:

- Despite our broad mandate to systematically review the law, we do not have the critical mass needed to undertake a wide-ranging programme of work at any one time. This also means that, when settling new projects for the work programme, the choice of projects is crucial because, as a small organisation, each project consumes a significant proportion of the Commission's resources, sometimes for many years.
- Nor do we have the critical mass necessary to respond flexibly to government requests that are additional to our existing work programme. Any request to undertake an additional task constrain our ability to meet outputs in relation existing projects.

We are responding to these challenges in a number of ways.

In accordance with the Minister's expectations, in the 2024-2025 year we will continue our work with the Ministry of Justice to review and refresh the process for setting our annual work programme. This work is designed to improve coordination between the Commission and the Ministry. The objectives of the review are to ensure that:

- Proposals for projects are appropriately informed and scoped and reflect the Commission's value to the government; and
- The process for setting the work programme supports the Commission's statutory mandate to provide high quality independent law reform advice over the long-term and across the statute book.

Also, the Board has asked the General Counsel to focus on greater engagement with key stakeholders to identify proposals for its future work programme. This should enable us to ensure that proposals for our future work programme have broad support and are well suited to the ways in which we can provide value.

Prospective financial information

Under the Crown Entities Act 2004, the Commission must include prospective financial statements in its Statement of Performance Expectations.

These financial statements indicate the likely financial impact of implementing the Law Commission's strategic direction. The information is indicative and may not be appropriate for any other purpose. These financial statements are not audited.

STATEMENT OF FORECAST COMPREHENSIVE INCOME (GST EXCLUSIVE)

INCOME	2022-2023 Actual \$	2023-2024 Forecast \$	2024-2025 Planned \$
Revenue from Crown	3,993,000	4,205,000	4,205,000
Other Income	115,377	231,959	197,000
Total revenue	4,108,377	4,436,959	4,402,000
EXPENDITURE			
Personnel costs	3,420,628	3,486,744	3,713,860
Occupancy costs	265,684	267,383	310,000
Direct project costs	495,891	238,101	248,902
Library	117,147	108,055	118,750
Audit Fees	50,489	54,368	55,000
Other operating costs	303,258	394,682	336,250
Depreciation	75,433	87,987	117,600
Total expenditure	4,728,530	4,637,320	4,900,362
Operating surplus/(deficit)	(620,153)	(200,361)	(498,362)
Cumulative surplus/(deficit)	(620,153)	(200,361)	(498,362)

STATEMENT OF FORECAST CASH FLOW (GST INCLUSIVE)

INCOME	2022-2023 Actual \$	2023-2024 Forecast \$	2024-2025 Planned \$
Cash flows from operating activities			
Receipts			
Other Revenue	115,377	231,959	197,000
Revenue from Crown	1,996,500	4,205,000	4,205,000
	2,111,877	4,436,959	4,402,000
Payments			
Payments to Employees	(3,365,891)	(3,486,744)	(3,713,860)
Payments to Suppliers	(1,172,647)	(1,218,950)	(1,093,842)
Goods and services tax (net)	(301,034)	(43,730)	(8,205)
	(4,839,572)	(4,479,424)	(4,815,907)
Net cash flow from operating activities	(2,727,695)	(312,465)	(413,907)
Net cash flow from investing activities	(77,419)	(27,188)	1,957
Net (decrease)/increase in cash and cash equivalents	(2,805,114)	(339,653)	(411,950)
Opening bank	5,284,797	2,479,683	2,140,030
Closing bank	2,479,683	2,140,030	1,728,080

STATEMENT OF FORECAST FINANCIAL POSITION

	2022-2023 Actual \$	2023-2024 Forecast \$	2024-2025 Planned \$
Non-current assets	375,161	314,362	194,805
Current assets			
Bank	2,479,683	2,140,030	1,728,080
Receivables	80,946	26,296	38,044
Total Assets	2,935,790	2,480,688	1,960,929
Creditors due within one year			
Accounts payable and accruals	222,954	93,398	94,398
Employee entitlements	286,788	182,000	180,000
	509,742	275,398	274,398
Non-current liabilities	57,794	37,396	16,999
Total net assets	2,368,254	2,167,894	1,669,532
Equity			
Retained Earnings	2,368,254	2,167,894	1,669,532

STATEMENT OF FORECAST CHANGES IN EQUITY

	2022-2023 Actual \$	2023-2024 Forecast \$	2024-2025 Planned \$
Net surplus/(deficit) for period	(620,153)	(200,360)	(498,362)
Equity at Beginning of Period	2,988,408	2,368,254	2,167,894
Equity at End of Period	2,368,254	2,167,894	1,669,532

Statement of Underlying Assumptions

Under the Crown Entities Act 2004, Te Aka Matua o te Ture | Law 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 and Government funding and financial reserves will be adequate to cover operating costs and capital purchases for the short-medium term. The statements contain the best estimates and assumptions as to future events that are expected to occur. As the statements are prospective, actual results are likely to vary from the information presented. All material variations will be disclosed in the subsequent annual report.

The 2024-2025 estimated actual position is based on the Commission's judgements, estimates and assumptions.

Occupancy and administration costs are based on historical experience and the current lease agreement. All known or reasonably estimated increases or decreases in any expense category have been included.

No allowance for revaluation of fixed assets has been made in these statements. Depreciation and amortisation costs are based on the assumption that the Commission will replace assets, including software, as required.

It is assumed that the Commission will continue with three full time equivalent Commissioners for the foreseeable future.

The Commission has a lease with Robert Jones Holdings Limited for the current office space. This contract extends for the nine years from 24 April 2018 to 23 April 2027 with a right of renewal for a further six years.

Statement of Accounting Policies

Reporting Entity

The 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. The Commission's ultimate parent is the New Zealand Crown.

The Commission's functions and responsibilities are set out in the Law Commission Act 1985. 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 advice to the Government and Parliament and does not have a 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 Generally Accepted Accounting Practice (NZ GAAP). *Basis of Preparation*

The forecasted financial statements of the Law Commission have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

The forecasted financial statements have been prepared in accordance with Tier 2 PBE accounting standards. This classification is because Law Commission has annual expenditure under \$30m and is not deemed to be publicly accountable as it does not have shares issued on a public market. Accordingly, they comply with PBE accounting standards

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, and income from investments. Government funding is recognised as revenue in the year for 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 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 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

Changes in revaluation are charged to the asset revaluation account. When such charges result 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	1.5-8 years	13-67%
Furniture and Fittings	2.5-10 years	10-40%
Office Equipment	1.5-5 years	20-67%
Library Collections	5 years	20%

Intangible Assets

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.

Financial Instruments

The 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..

Accounts Receivable

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

Employee Entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.



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