

Law Commission Statement of Performance Expectations

1 July 2018 – 30 June 2019



Presented to the House of Representatives
Pursuant to section 149L of the Crown Entities Act 2004
ISSN 1178-3435 (Online)
ISBN 978-1-877569-89-0 (Online)

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Preamble

This Statement of Performance Expectation accords with the requirements of ss 149C, 149E and 149G of the Crown Entities Act 2004.

It aligns with the Law Commission's 1 July 2017 – 30 June 2021 Statement of Intent and describes the Commission's performance measures and annual forecast financial statements.

The Statement of Performance Expectations should be read in conjunction with the Statement of Intent.



The Hon Sir Douglas White QC
President
Law Commission

Date: 27 June 2018



Donna Buckingham
Commissioner
Law Commission

Date: 27 June 2018



Law Commission's outputs and funding

The Law Commission is an Independent Crown Entity operating under its own statute, the Law Commission Act 1985. It reports to the Minister responsible for the Law Commission.

The Commission's statutory purpose is to "promote the systematic review, reform and development of the law of New Zealand".

The Law Commission receives funding through an appropriation within Vote Justice. The appropriation is within the Non-Departmental Output Expenses: Services from the Law Commission, and provides \$3.993 million in 2018-2019.

The Law Commission receives its programme for reform and development work as references from the responsible Minister under s 7 of the Law Commission Act 1985 and from Parliament in the form of statutory reviews. In response, the Law Commission produces reports and other advice containing independent recommendations and advice for the reform and development of aspects of the law of New Zealand. The responsible Minister tables the reports in Parliament. The Government decides whether to implement the Law Commission's recommendations.

Under s 7(3) of the Law Commission Act 1985, the responsible Minister may request the Law Commission to give priority to the examination of any aspect of law in New Zealand (whether or not included in a programme), and the Law Commission shall give that matter appropriate priority.

Scope of the Law Commission's appropriation

This appropriation is limited to advice on the review, reform and development of particular aspects of the law in New Zealand.

Total Appropriation

Actual 2017-2018 \$000	Budget 2018-2019 \$000
3,993	3,993

What is intended to be achieved with this appropriation

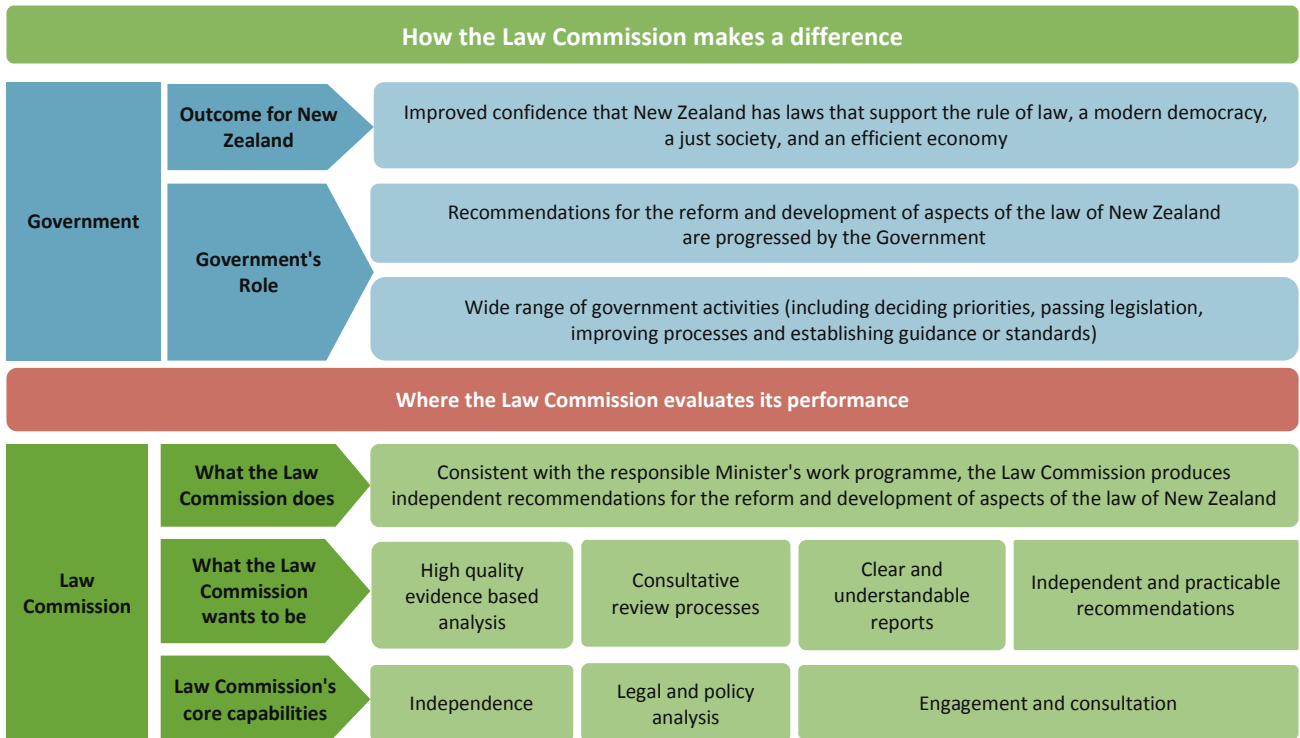
This appropriation is intended to achieve the efficient and effective provision of advice by the Law Commission.



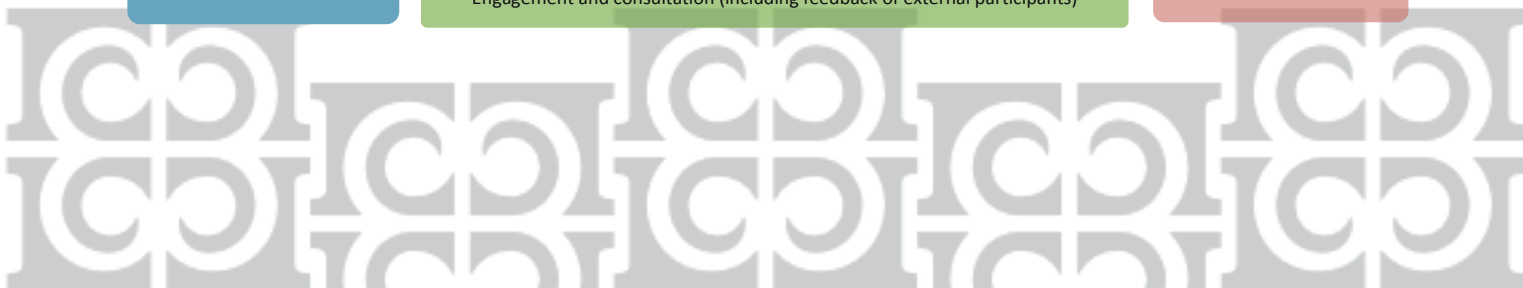
How the Law Commission measures its performance

Law Commission’s outcome framework

The complex nature of law reform and the multiple parties involved in the reform process means the influence of the Law Commission’s work will only emerge over time. The following diagram illustrates how the Law Commission will make a difference, what the Law Commission’s core capabilities are and the reputation the Law Commission wants to maintain and enhance.



Below summarises how the Law Commission measures its performance.



How the Law Commission' performance will be assessed and Year End Reporting requirements

Output Class: The Efficient and Effective Provision of Advice by the Law Commission

Output: Law Reform

Produce independent recommendations for the reform and development of aspects of the law of New Zealand within the programme received from the responsible Minister and Parliament.

Forecast total output revenue \$3.993 million.

Forecast total output expenditure \$4.478 million.

The Law Commission is using its reserves forecast at \$0.485 million this financial year to supplement total output revenue. Such use of reserves is, however, not sustainable.

How performance will be measured

The Law Commission will assess its output performance with both quantitative and qualitative measures.

The quantitative measures will be the timely completion of issues papers, final reports, other papers and other advice and managing that work programme within total revenue and reserves as agreed with the responsible Minister.

The qualitative measures will assess how the Law Commission identified and addressed the substantive legal issues within completed references or requests for advice and how effective its processes were relating to engagement and consultation. The Law Commission will use external feedback from a range of interested parties, including participants in the Expert Advisory Groups on completed references and requests for advice.

The Law Commission will provide this information to the responsible Minister and the independent peer reviewer(s) as part of their assessments of the Law Commission's impact.

	2016-2017	Expectation 2017-2018	Planned 2018-2019
Measure – Production of final reports	New measure	Planned 0 reports completed	Planned 3 reports completed
Measure – Publishing issues papers	New measure	Planned 2 issues papers published for references	Planned 1 issues paper published for references
Measure – Ministerial Briefing papers	New measure	Planned 0 Ministerial briefing paper	Planned 1 Ministerial briefing paper
Measure – Management of the work programme	New measure	Planned Within total revenue and reserves agreed with the responsible Minister	Planned Within total revenue and reserves agreed with the responsible Minister



	2016-2017	Expectation 2017-2018	Planned 2018-2019
Measure – High quality evidence based analysis	New measure	Assessment – 1 completed	Assessment – 1 completed
Measure – Engagement and /or consultation	New measure	Assessment – 1 completed	Assessment – 1 completed
Measure – Clear and understandable reports	New measure	Assessment – 1 completed	Assessment – 1 completed
Measure – Independent and practicable recommendations	New measure	Assessment – 1 completed	Assessment – 1 completed

Impact

The Law Commission has agreed with the responsible Minister that the impact measure rating for the delivery of our work programme will be through independent peer review.

	2016-2017	Estimate 2017-2018	Planned 2018-2019
Measure – an independent peer review	New measure	New measure	Qualitative assessment by impact measure rating (meets standard of reviewer(s))

The Minister's feedback on the performance of the Commission will be provided during the year in the course of discussions between the responsible Minister and the Law Commission.

Outcome

Confidence is maintained that New Zealand has laws supporting a modern democracy, a just society and an efficient economy. The Law Commission's work contributes to this outcome over time and is likely to be affected by many factors outside the Commission's control. The Law Commission's contribution requires legislators and others to act on the Commission's recommendations. In this way, the Commission contributes to the wider Justice Sector responsibility for improving the legal system in New Zealand.



Prospective financial information

Under the Crown Entities Act 2004, the Law 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.



MULTI-YEAR PROFIT & LOSS FORECAST
GST EXCLUSIVE

	2018 - 19	2019 - 20
	\$	\$
INCOME		
Revenue from Crown	3,993,000	3,993,000
Interest Income	54,000	28,500
	4,047,000	4,021,500
GROSS PROFIT	4,047,000	4,021,500
PERSONNEL	3,537,376	3,588,952
OCCUPANCY	244,776	244,776
DIRECT PROJECT COSTS	77,484	77,484
LIBRARY	100,320	100,320
AUDIT	33,000	33,000
OTHER OPERATING COSTS	464,476	260,436
OTHER COSTS		
Depreciation	74,384	66,648
	74,384	66,648
OPERATING PROFIT	(484,816)	(350,116)
INTEREST EXPENSE	-	-
	(484,816)	(350,116)
OPERATING PROFIT	(484,816)	(350,116)
CUMULATIVE	(484,816)	(834,932)



MULTI-YEAR CASH FLOW FORECAST
GST INCLUSIVE

	2018 - 2019	2019 - 2020
	\$	\$
RECEIPTS		
Miscellaneous Revenue	45,000	34,000
Revenue from Crown	4,591,950	4,591,950
	<hr/> 4,636,950 <hr/>	<hr/> 4,625,950 <hr/>
PAYMENTS		
Invoiced Costs	4,623,895	4,446,708
Overdraft Interest	-	-
GST	438,876	474,214
	<hr/> 5,062,771 <hr/>	<hr/> 4,920,922 <hr/>
NET CASH FLOW	<hr/> (425,821) <hr/>	<hr/> (294,972) <hr/>
OPENING BANK	1,400,000	974,179
CLOSING BANK	974,179	679,207
	<hr/>	<hr/>



MULTI-YEAR BALANCE SHEET FORECAST

	Opening \$	2018 - 2019 \$	2019 - 2020 \$
FIXED ASSETS	617,444	543,060	476,412
CURRENT ASSETS			
Bank	1,400,000	974,179	679,207
Trade Debtors	-	9,000	3,500
Other Debtors	20,000	12,734	10,182
Other Receivables	8,200	8,200	8,200
	1,428,200	1,004,113	701,089
CREDITORS DUE WITHIN ONE YEAR			
Cash and Cash Equivalents	-	-	-
Accounts Payable and Accruals	75,000	61,345	41,789
Employee Entitlements	120,000	120,000	120,000
	195,000	181,345	161,789
NET CURRENT ASSETS	1,233,200	822,768	539,300
CREDITORS DUE AFTER ONE YEAR	-	-	-
TOTAL NET ASSETS	1,850,644	1,365,828	1,015,712
CAPITAL & RESERVES			
Retained Earnings	1,850,644	1,365,828	1,015,712
	1,850,644	1,365,828	1,015,712



MULTI-YEAR STATEMENT OF CHANGES IN EQUITY

	2018 - 2019 \$	2019 - 2020 \$
Increase (Decrease) in Revaluation Reserves	0	0
Net surplus (deficit) for period	(484,816)	(350,116)
Net Increase (Decrease)	(484,816)	(350,116)
Equity at Beginning of Period	1,850,644	1,365,828
Equity at End of Period	1,365,828	1,015,712

Statement of Underlying Assumptions

Under the Crown Entities Act 2004, the 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 that 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 2018-2019 estimated actual position is based on management's judgements, estimates and assumptions for the final 2018-2019 outcome. These figures have been used as the opening position for the 2019-2020 forecasts.

Occupancy and administration costs are based on historical experience and the new 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 four full time equivalent Commissioners for the foreseeable future.

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



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 Law Commission's functions and responsibilities are set out in the Law Commission Act. The Law Commission's statutory purpose is to undertake the systematic review, reform and development of the law of New Zealand. The Law Commission undertakes to provide high-quality advice to the Government and does not have a specific objective of making a financial return to the Crown. Accordingly, the Law 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 forecast financial statements have been adapted to comply with NZ GAAP. The preparation of forecast 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 Law Commission has complied with FRS42 in the preparation of these prospective financial statements.

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 Law 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 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 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 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	3	33.3
Furniture and Fittings	10	10
Office Equipment	5	20
Library Collections	5	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 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 uncollectable debts.

Employee Entitlements

Provision is made in respect of employee's annual leave. The provision 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 New Zealand Equivalent to International Accounting Standard 19.11-14. The Law Commission does not provide long service leave or retirement leave.

