

STATEMENT OF INTENT
2009 to 2012

LEGAL SERVICES AGENCY STATEMENT OF INTENT 2009 TO 2012

This Statement of Intent has been prepared in accordance with the requirements of sections 141 and 142 of the Crown Entities Act 2004.

It records:

- the nature and scope of activities undertaken by the Agency
- the environmental factors that impact on the activities and objectives of the Agency
- the overall direction of the Agency
- the objectives and measures by which the Agency's performance may be judged
- capability and ownership information
- forecast financial information.

The Statement of Intent spans the years 2009 to 2012. It reflects the current position in relation to the strategies and resources required to support the strategic directions of the Agency, and therefore supersedes all previous business plans and statements of intent.

It is supported by a Memorandum of Understanding with the Minister of Justice.

On behalf of the Board of Legal Services Agency.



Carole Durbin
Chair



Jane Taylor
Board Member

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FROM THE CHAIR AND CHIEF EXECUTIVE

We are pleased to present the Agency's Statement of Intent for 2009 to 2012.

The Minister of Justice announced a fundamental review of New Zealand's legal aid systems on 1 April 2009. We welcome the review which is led by Dame Margaret Bazley with a panel of experts and supported by the Ministry of Justice. It is a major opportunity to further enhance our country's legal aid systems.

The Fundamental Review includes the challenge of how to adequately fund community legal services in the future. The current funding arrangements, which are derived from part of the interest off solicitors' trust accounts, have not proved to be sustainable in an environment of a major housing downturn and low interest rates. Funding has been sustained for one year by a combination of an additional appropriation by the Government and reallocation of Agency resources.

This Statement of Intent has two main themes in the context of our current statutory framework:

- Maintaining the quality and level of our service delivery and operations in the face of increased demand. We have expanded our performance measures to better reflect the breadth of our activities.
- Focusing on priority goals around improving the cost effectiveness of both legal aid expenditure and how we operate as an Agency; accessing quality community legal services for the funding available; and building up the capability of our staff and our information systems to take us into the future.

We are pleased that the Government has agreed to expand the Public Defence Service. This service currently involves in-house criminal legal aid lawyers dealing with up to 33% of cases in the Auckland and Manukau courts. We will now progressively take cases across the courts of greater Auckland – notably Waitakere and North Shore. We believe that this high quality and cost effective service is good for clients. It also provides an excellent training ground for young lawyers, many of whom in due course will go on to provide services in the private sector.

We expect continued change as an outcome of the Review. What will remain unchanged is our function of helping people access justice. We cannot achieve this alone. We acknowledge with gratitude the commitment and collaboration of legal aid lawyers, community law centres, staff and colleagues across the Justice sector.



Carole Durbin
Chair



Tim Bannatyne
Chief Executive



THE AGENCY

ROLE OF THE AGENCY

GOVERNANCE, ORGANISATION AND COMMITMENTS

MEMORANDUM OF UNDERSTANDING WITH THE CROWN

ROLE OF THE AGENCY

Statutory position

The Legal Services Agency (the Agency) was established under the Legal Services Act 2000. The Agency is a Crown Agent under the Crown Entities Act 2004 and must give effect to government policy when so directed by the Minister of Justice.

The Agency's main functions are:

- to administer the Legal Aid, Duty Solicitor and Police Detention Legal Assistance schemes and the Public Defence Service in as consistent, accountable, inexpensive and efficient a manner as is consistent with the purpose of the Act
- to fund, provide and support community legal services for the public or any section of the public. Community legal services include the services provided by community law centres, law-related education and legal information, and research.

GOVERNANCE, ORGANISATION AND COMMITMENTS

Legal Services Agency Board

The Minister of Justice appoints the Agency's Board of not more than six members. Current members are Carole Durbin (Chair), Alister James, Dr Pare Keiha and Jane Taylor.

The Board generally meets eight times each year to fulfil its statutory responsibilities and ensure that the Agency's business is being conducted in accordance with Board policies. The Board appoints the Chief Executive and has delegated responsibility and authority for the achievement of objectives to the Chief Executive in accordance with Board strategies and policies.

Risk Management Committee

A Risk Management Committee supports the Board and Management with the management of risk. The Committee provides advice on the Agency's risk management and internal control framework and procedures, the internal audit programme and findings, and the external audit findings. The membership of the Committee is shown in Appendix 1.

Public Advisory Committee

A Public Advisory Committee established in accordance with section 104 of the Legal Services Act 2000 carries out the functions listed in section 105 of the Act. The members and the sectors they represent are listed in Appendix 1.

Senior Management Team, Staff and Offices

An organisation chart in Appendix 1 shows key elements of the Agency's structure and members of the senior management team.

The Agency's staff¹ work from a Head Office, a Debt Management Group, 12 legal aid offices in four regional groupings, two Public Defence Service offices located in Auckland and Manukau, and the Legal Aid Review Panel office in Takapuna. Contact details for Agency offices are shown in Appendix 2.

¹ On 31 March 2009, the Agency employed 247 staff, (224.27 FTEs) of whom 27 (26.94 FTEs) were in the Public Defence Service and 14 (10.29 FTEs) were on fixed term contracts.

Commitments

Mission

Helping people access justice.

Vision

Ensuring all eligible people in New Zealand are able to access publicly funded legal services.

Values

We are a public organisation that helps people access justice.

We act with integrity, fairness and consistency

- We are respectful of others
- We value all cultures and diversity
- We are impartial and non-judgmental
- We deliver on our commitments

We provide high quality services

- We provide high quality service to our clients
- We take responsibility for the quality of our work
- We continually strive for improvement
- We recognise our achievements

We work together

- We cooperate with others internally and externally
- We are approachable
- We communicate openly
- We value and support our colleagues

MEMORANDUM OF UNDERSTANDING WITH THE CROWN

The Agency and the Minister of Justice (on behalf of the Crown) are parties to a Memorandum of Understanding which is negotiated on an annual basis. The Memorandum records the parties' understanding of certain matters that affect the relationship between the Crown and the Agency during the relevant financial year, including the amount included in the Estimates as an appropriation under Vote Justice to fund the activities of the Agency.

Under the Memorandum, the Agency reports three times each year on progress towards the achievement of its outputs. Through these four-monthly reports in 2009/10, the Agency will also provide the Minister with updates on:

- expansion of legal services in greater Auckland
- the quality of the legal aid services provided by the Public Defence Service
- the quality of legal aid provision
- any issues concerning funding for and provision of services from community law centres
- progress towards executing a plan to reduce administrative spending and developing a sustainable expenditure model
- how the Agency is improving the quality of expenditure on the administration of legal aid
- modernisation of the Agency's information technology.

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STRATEGIC DIRECTION

CONTRIBUTION TO JUSTICE SECTOR OUTCOMES

OPERATING ENVIRONMENT 2009/10

THE AGENCY'S PRIORITY GOALS

GOAL 1: IMPROVING THE VALUE FOR MONEY OF LEGAL AID SERVICES

GOAL 2: REDUCING THE COST OF MANAGING LEGAL AID APPLICATIONS AND CASES

GOAL 3: MAXIMISING COMMUNITY LEGAL SERVICES WITHIN AVAILABLE RESOURCES

GOAL 4: BUILDING THE AGENCY'S CAPABILITIES TO ENSURE A SUSTAINABLE ORGANISATION

GOAL 5: RESPONDING TO JUSTICE SECTOR INITIATIVES

CONTRIBUTION TO JUSTICE SECTOR OUTCOMES

Justice sector outcomes

The overall outcome sought by the justice sector is 'A Safe and Just Society' for New Zealand. For this outcome to be achieved, communities need to be safe, and individuals need to feel that they live in a society where they can enjoy civil and democratic rights and obligations. Individuals and families are unlikely to feel secure in communities where only those who can afford to pay can access competent legal advice and representation. An important civil right is that justice must be accessible to all who require it. To be accessible, justice services must be appropriate to users' requirements and meet their needs. Key components include access to representation, access to advice and access to information. The following diagram outlines these components of the justice sector outcome framework.

Accessible representation, accessible advice and accessible information

Legal advice and representation can only be accessible if these services are readily affordable and readily available at suitable locations in a timely manner. In New Zealand, the main providers of legal advice and representation are private sector lawyers. Other providers include community law centres, public sector lawyers and other providers authorised under the Lawyers and Conveyancers Act 2006.

Law-related information can only be accessible if it is readily available and easily understood by individuals (whether they are victims, alleged offenders or parties to a dispute) and by service providers. To be accessible, information needs to cater for culturally, geographically, socially, physically and economically diverse communities. Māori, Pacific Island communities in New Zealand, and people with physical disabilities or mental health issues are examples of people who may have specific access needs. Information also needs to be available in a variety of forms, for example, online and in hard copy. Many Government agencies, including those in the justice sector, contribute to this outcome, as do many community-based organisations.



The Agency's Outcomes

The Agency has developed three outcome statements to describe the state or condition of society to which its activities contribute:

- people who have a need for legal services, and insufficient means to pay, are able to access legal advice and representation
- people with unmet legal need, particularly those with insufficient means to pay, have better access to community legal services
- people can more easily find out their basic legal rights and responsibilities, whether they have a legal need and should seek further legal services, and where and how to get the legal services they need.

The Agency makes a direct contribution to these outcomes by:

- providing legal representation and advice to people charged with criminal offences at specific courts through the Public Defence Service
- producing and disseminating law-related information.

It makes a more substantive though indirect contribution to these outcomes in two main ways:

- by administering the Legal Aid, Duty Solicitor and Police Detention Legal Assistance schemes through which funding is provided to listed private lawyers and other providers to enable them to meet eligible people's unmet legal needs
- by negotiating and managing contracts with community law centres to provide a range of community legal services including representation, advice and information.

Figure 1 shows the relationship between the justice sector outcomes and the Agency's outcomes, objectives and activities.

Measuring progress towards justice sector outcomes

The Agency's contribution towards two of these outcomes, accessible representation and accessible advice, can be demonstrated by the extent to which eligible persons have reasonable access to competent lawyers or other providers, and the quality of the services they receive.

The number of people receiving legal aid is a key measure of access to representation. The following table shows recent results and forecast trends in the numbers of people who received new grants of legal aid.

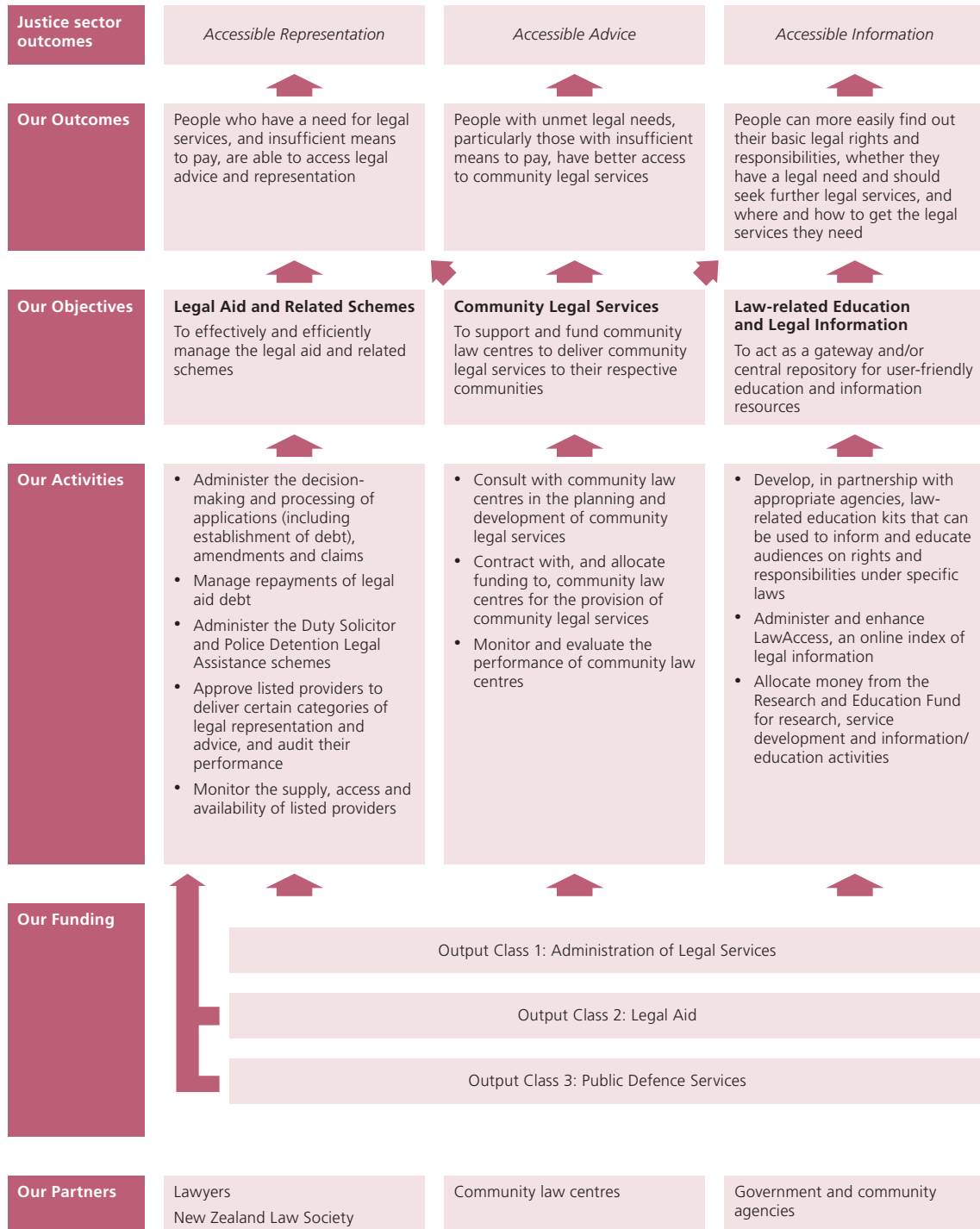
Year	Number of people receiving new grants of legal aid
2005/06	52,650
2006/07	55,587
2007/08	58,314
2008/09	63,450
2009/10	65,250
2010/11	68,500

Other indicators of access which are monitored include:

- the number of listed providers available to provide services for the various types of legal proceedings
- the number of listed providers who have accepted cases during the year
- locations where there are no or insufficient providers and a localised solution is required
- locations with actual or potential risks to access to legal aid in family legal proceedings based on the availability of legal aid lawyers.

The Agency also assesses progress towards improving people's access to the community legal services provided by community law centres. The outcome the Agency is seeking is to enable its target population to access assistance with legal problems in the area where they live. The target population is people with insufficient means to pay and the greatest unmet need for legal services. In 2007/08, 89% of the Agency's target population, or about 417,000 people, had access to a centre or a centre outreach service in the territorial local authority area in which they lived. Fifty-nine territorial local authorities (80%) had coverage by a centre. Over the next three years, the Agency will obtain updated information to support the above measures of access.

Figure 1: The Legal Services Agency Outcome Framework



OPERATING ENVIRONMENT 2009/10

Fundamental review of legal aid

The Minister of Justice announced a fundamental review of legal aid on 1 April 2009. The Fundamental Review will be led by Dame Margaret Bazley and supported by a panel of experts and the Ministry of Justice. The final report is due with the Minister by the end of 2009.

The purpose of the Fundamental Review is to take a first principles approach to reviewing New Zealand's legal aid system to ensure it:

- delivers legal services to those who need them most
- manages costs effectively and is sustainable
- complements efforts to maintain and improve the effective operation of the justice system, especially the court system
- is consistent with principles of natural justice and New Zealand's international obligations
- is based on objectives of fairness, efficiency, effectiveness and quality
- provides value for money
- is simple and low cost to administer.

Government's expectations

The Government's enduring letter of expectations for Crown entities issued in December 2008 focuses attention on:

- ensuring value for money for New Zealanders
- demonstrating performance
- engagement with Ministers and monitoring departments.

Demand and eligibility

The demand for legal aid is affected by a range of external factors including demographic trends, economic and social conditions, and changes in government policies. Demand is expected to grow throughout the term of this Statement of Intent. This is partly in response to the increased eligibility to legal aid introduced under the Legal Services Amendment Act 2006 and growing public awareness of the new eligibility criteria, but is also due to increased numbers of persons appearing before the criminal courts and matters before the Waitangi Tribunal.

The following table shows the increase in legal aid applications over the past three years and the forecasts for the next three years.

	Number of Applications					
	Number of Applications received (actual)			Number of applications (forecast)		
Law Type	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Criminal	52,601	57,394	59,970	66,238	65,000–68,000	68,000– 71,000
Family (inc mental health)	19,487	19,562	21,167	23,605	22,500 – 25,500	22,000 – 26,000
Civil	1,946	2,303	2,493	2,856	2,650 – 3,050	2,800 – 3,200
Waitangi	108	138	137	200	200	200
Total	74,142	79,397	83,767	92,899	90,350– 96,750	93,000–100,400

Economic situation

New Zealand's economic situation is expected to impact on the Agency in a number of different ways.

- Increasing unemployment and hardship are

expected to contribute to an increase in the number of applications for legal aid, alongside the general demand factors outlined above. In addition, there will be more requests for write-offs of debt and lower repayments of legal aid debt, which will have the effect of increasing net legal aid expenditure.

- The downturn in the housing market will reduce the funding available for community law centres from the Special Fund² and the amount of legal aid debt paid to the Agency when properties are sold.

Reductions in the Official Cash Rate have reduced the income derived from the Agency's administrative reserves, the reserves held for community law centres, the Education and Research Fund, and the Special Fund.

THE AGENCY'S PRIORITY GOALS

While the Agency has a primary focus of helping people access justice and will continue to deliver and improve its performance across the range of its responsibilities, five areas will receive a particular focus and priority in the current operating environment:

- improving the value for money of legal aid services
- reducing the cost of managing legal aid applications and cases
- maximising community legal services within available resources
- building the Agency's capabilities to ensure a sustainable organisation
- responding to justice sector initiatives, especially the Fundamental Review, where the Agency will provide such information and advice as may be required.

Goal 1: Improving the value for money of legal aid services

INTRODUCTION

One of the factors contributing to the decision to conduct the Fundamental Review is the increased rate of expenditure on legal aid services – from \$112 million in 2007/08 to \$122 million in 2008/09 and \$135 million in 2010/11.³ The most significant increases are expected to be in legal aid for criminal proceedings with forecasts showing that the funding required could grow by up to 25% over the next three years.

The Agency's ability to manage legal aid expenditure is constrained by the current legislative framework which enables applicants to be granted legal aid if their personal circumstances and their cases meet statutory criteria. Alongside the Fundamental Review, the Agency will explore a number of approaches that may assist in containing growth in particular areas of legal aid expenditure. It is useful in this context to note that repayments of legal aid make a contribution to reducing the net cost of legal aid (\$8.174 million in 2007/08).

² Funding for community law centres has traditionally come from interest earned on solicitors' nominated trust accounts through the Special Fund. See also Goal 3.

³ Expenditure comprises total accrued legal aid expenditure (excl GST) less recoveries of legal aid grants

OBJECTIVES

The first three of the following objectives are drawn from the Legal Services Review initiated in 2008/09 when the Agency and the Ministry of Justice were asked to review the services provided using legal aid funding, including opportunities for cost savings, reprioritisation and innovative delivery of services.

During the three year term of this Statement of Intent, and subject to decisions taken by Government in response to the recommendations of the Fundamental Review, the Agency intends to improve the value for money of legal aid services in the following ways:

- To increase the use of in-house lawyers for legal aid services by expanding the Public Defence Service progressively to take cases at more courts in greater Auckland
 - An analysis of the value for money of the Public Defence Service showed that it offered material savings in legal aid costs and in costs to the courts while maintaining an equivalent or better service to clients. The service was made permanent in 2008, and Budget 2009 funding decisions enable the expansion across greater Auckland.
- To start extending the enhanced management of the Duty Solicitor scheme to more courts in greater Auckland
 - Tests at several busy courts in recent years, including Auckland and Waitakere, demonstrated improvements to the efficiency of the courts and better access to representation and advice for clients. These were achieved through the use of duty solicitor supervisors with management and quality assurance responsibilities, changes to rosters, and using Agency staff (instead of duty solicitors) to assist defendants to complete legal aid application forms.
- To seek better ways of managing the costs of high cost cases
 - In 2007/08, 2% of legal aid cases accounted for 34% of total legal aid expenditure. While the Agency has mechanisms in place to manage these cases, it is timely to review whether there are alternative and better mechanisms.
- To implement Government's decision on provider remuneration
- To increase the number of Provider Quality and Value Audits
 - This will build on a test programme undertaken by the Agency derived from peer review systems used in England and Wales, and Scotland. The audits focus on criteria relating to the client, conduct of the case, the court (if appropriate), conduct of the lawyer and adherence to professional standards.
- To increase the focus on value for money in the compliance audits
 - The Agency has conducted compliance audits for four years. A stronger value for money focus will be introduced to these audits
- To introduce a quality assurance programme for Standard Family Granting.

Several standard operations also contribute to Goal 1 including:

- continuing to provide quality, professionally independent criminal representation services at the existing Public Defence Service locations of Auckland and Manukau
- maintaining services to clients, the Courts and the New Zealand Police through the administration of the Duty Solicitor and Police Detention Legal Assistance schemes
- recovering debt from recipients of legal aid without causing undue hardship.

PERFORMANCE MEASURES

The main measures by which the future performance of the Agency may be judged are shown in the following table.

Critical success factors	Agency performance measures
Savings to the Crown through use of in-house lawyers for legal aid and duty solicitor services	<ul style="list-style-type: none"> Public Defence Service expanded to new locations number of cases closed per annum estimated savings to the Crown based on modelling of Public Defence Service costs against comparable cases handled by private lawyers
Ways of managing the costs of high cost cases are identified	<ul style="list-style-type: none"> report completed
Increased Provider Quality and Value Audits	<ul style="list-style-type: none"> number of providers assessed under Provider Quality and Value Audit programme
Increased focus on value for money in the compliance audits	<ul style="list-style-type: none"> number of provider compliance audits undertaken under the new criteria
A quality assurance programme for Standard Family Granting is introduced	<ul style="list-style-type: none"> number of assurance checks completed
Amount of debt recovered without causing undue hardship	<ul style="list-style-type: none"> number of repayment plans negotiated
	<ul style="list-style-type: none"> number of repayment plans on target

The Agency will also report the following general measures:

- Government investment in legal aid per capita
- number of provider applications administered
- number of new grants made by type of legal proceedings (law type)
- average case cost by law type
- number of debts established by law type
- amount of debt collected under the 2000 Act and the 2006 Amendment Act
- compliance of legal aid lawyers with Standard Family Granting requirements
- change in average case cost for family law proceedings.

RISKS AND EMERGING ISSUES

Forecasting risks

A challenge for the Agency, given New Zealand's anticipated economic situation over the next three years, is to predict how this may impact on the demand for the Agency's services and the cost of legal aid, which is open-ended. The Agency is managing this forecasting risk by continuing to improve its Legal Aid Forecasting Model. Improvements to the model in 2009/10 will focus on improving alignment with Ministry of Justice forecasts, reducing expected repayments arising from the downturn in the housing

market, and changing the way the model treats older debt. A new Workflow Model will also assist in identifying the number of staff required to manage legal aid applications, grants, claims and repayments of legal aid.

Cost and coverage for high cost cases

Each year a small number of legal aid cases account for significant legal aid expenditure. These tend to be serious criminal cases, complex civil cases and most Waitangi Tribunal cases. The drivers of the costs are varied and are often outside the Agency's direct control.

As an example of complex civil cases, approximately 1,000 individuals have been granted legal aid to pursue claims of historic abuse against government agencies and psychiatric institutions. The judgements released on four test cases in 2007 found in favour of both the Crown and the plaintiffs on different points but overall the cases failed and no compensation was ordered. The Agency has started reviewing the merits of every case taking into consideration the findings on the four test cases. The Agency gave notice of intention to withdraw aid in the majority of cases reviewed and has withdrawn aid on a number of cases. This has generated further legal processes including submissions on the notices of intention to withdraw aid and appeals to the Legal Aid Review Panel. The Panel has recently made decisions on the

first few cases and has overturned the Agency's decision to withdraw legal aid in all of the cases they have reviewed. The Agency is now considering the implications of the Panel's decisions, including whether to appeal the decisions.

The Agency supports the resolution of Waitangi Tribunal claims by granting legal aid to Māori groups who have claims registered with the Tribunal and also to mandated groups subsequently undertaking settlement negotiations with the Crown. Following the 1 September 2008 deadline for the lodgement of all historic claims with the Tribunal, there has been a substantial increase in the number of applications for legal aid and more applications are expected. The costs associated with each case can be spread over several years. There may also be risks to coverage as currently 100 providers are listed for providing Waitangi legal aid services and 39 of these are involved in ongoing cases.

Legal aid lawyer availability

The Agency produces a report annually on the supply and distribution of legal aid lawyers listed with the Agency and the assignment of matters to those lawyers. The reports show that availability is variable across the country for different areas of law. In addition, locations with actual or potential risks to access to legal aid for family proceedings are monitored as part of the Provider Remuneration Review process. In 2007/08, for example, there were risks or potential risks to access in 22 out of 51 standard locations. There is a risk that access may reduce in some locations if legal aid rates fall behind rates in the private sector. The Agency manages these risks through targeted interventions such as arranging for lawyers from other locations to cover shortages, and using alternative forms of contracting for services where necessary.

Recovery of debt

Since legislative changes came into effect on 1 March 2007, an increased number of recipients have been expected to repay part or all of their legal aid. The repayments reduce the cost of funding the Legal Aid scheme. Statutory provisions allow the Agency to write off all or any part of the repayments in a number of situations, including where enforcement of the debt would, in the opinion of the Agency, cause serious hardship to the aided person. It is likely that the number of requests for write-offs will increase in response to the economic situation.

Goal 2: Reducing the cost of managing legal aid applications and cases

INTRODUCTION

A major function of the Agency is to help people with unmet legal needs and insufficient means to access legal representation and advice through the Legal Aid scheme. People can apply to be represented in criminal, family, mental health and Waitangi Tribunal matters, and a range of civil matters including general civil litigation and refugee, ACC and employment issues.

The administration of legal aid applications and cases involves four key activities:

- deciding whether to grant legal aid to an applicant based on statutory, regulatory and policy criteria
- deciding on the appropriate level of payment for work that has been or will be completed
- deciding whether the legally aided person should repay some or all of the grant
- assigning, or confirming assignment of, listed provider(s) to a case.

The principal Act, the Legal Services Act 2000, was amended in 2006 and the amendment came into effect in March 2007. The new provisions are stimulating a significant increase in the Agency's workload in two of the above activities: deciding whether to grant legal aid and deciding whether some of the grant should be repaid. There are two reasons for the increase. Firstly, the demand for legal aid has increased, both as a result of the expanded eligibility criteria and other factors such as more people appearing before the courts on criminal charges. Secondly, decision-making is proving to be more time consuming and more complex than anticipated. This is primarily due to the requirements for an expanded financial assessment of each applicant's income and assets, and the increased transaction costs of establishing repayment plans.

The increase in workload has increased the cost of administering legal aid. The Agency's baseline was increased to meet the anticipated impacts of the new regime, but in 2008/09 the Agency had to draw on its reserves to meet its operating expenditure.

In 2008/09, the Agency sought an external review of its operations. This identified opportunities for efficiencies and, accordingly, Goal 2 reflects the Agency's commitment to reducing the cost of managing legal aid applications and cases. Overall progress towards this goal will be tracked by monitoring the average direct cost per application administered.

OBJECTIVES

During the term of this Statement, the Agency plans to reduce the cost of managing legal aid applications in two main ways:

- i reviewing some operational policy settings for legal aid decision-making, specifically those relating to financial eligibility and the establishment of debt
- ii improving the efficiency and quality of the Agency's legal aid decision-making by:
 - implementing the Legal Services Management System, the core IT system for legal aid granting, by November 2009
 - implementing changes to criminal legal aid payment steps from July 2009
 - implementing an enhanced performance measurement system for Grants staff in early 2009/10
 - improving the quality of granting decision-making
 - investigating potential information-sharing arrangements with Government agencies that hold information about the incomes of legal aid applicants
 - adjusting staff numbers based on volumes, expected levels of productivity, current and anticipated work flows, and any further streamlining initiatives.

As part of its standard operations in 2009/10, the Agency will also:

- iii make decisions on an estimated 93,000 new applications for legal aid and achieve the associated performance standards for quantity, timeliness and quality
- iv manage an estimated 82,500 new grants and around 60,000 grants continuing from previous years.

PERFORMANCE MEASURES FOR GOAL 2

The main measures by which the future performance of the Agency may be judged are shown in the following table.

Critical success factors	Agency performance measures
Reduction in the cost of managing legal aid applications	<ul style="list-style-type: none"> • average direct cost per application administered (by law type)
Improvements in the efficiency and quality of the Agency's legal aid decision-making	<ul style="list-style-type: none"> • Legal Services Management System is delivered on time and budget and to specified quality standards • average number of applications processed per assigned FTE per year for legal aid for criminal and family legal proceedings • timeliness measures (by law type) • % accuracy of granting processes for compliance with relevant legislation, regulations and Agency policy • % of Agency decisions upheld by the Legal Aid Review Panel

The Agency will also report on the demand for legal aid by recording the number of applications received by law type.

RISKS AND EMERGING ISSUES

A major risk is that the demand for legal aid will continue to grow at such a rate that it overtakes the benefits achieved from the efficiency initiatives already implemented and those associated with this goal. In the short term this may mean that some timeliness standards may not be achieved as the Agency will need to prioritise the use of its resources to support the efficient management of cases through the Courts. This risk will also be mitigated by continually examining the Agency's policies and procedures with the objective of identifying opportunities for further efficiencies in processing applications and managing cases.

Goal 3: Maximising community legal services within available resources

INTRODUCTION

Research conducted by the Agency in 2006/07⁴ showed that:

- 29% of people aged 15 years and over experienced at least one non-trivial problem that may have required legal services
- consumer problems were the most common problem (experienced by 10% of people), and problems with money and debt were the second most prevalent problem (8%)
- problems with welfare benefits were experienced by a further 7% of people
- 5% experienced relationship problems and 5% experienced employment-related problems.

It is likely that a higher proportion of the population will experience these types of problems during the term of this Statement of Intent because this research was conducted during a 12-month period when the New Zealand economy was stronger.

The research also revealed differences in the way that people wanted to access services to resolve the legal problems that affect their daily lives. Over one third said that they only wanted legal information so that they could “sort out” the problem themselves. A further third wanted information and a basic level of support or assistance. Eleven per cent wanted someone to “sort out” their problem for them.

In recent years, the Agency has played two main roles in helping people to avoid, reduce or resolve their legal problems:

- developing, disseminating and acting as a gateway for user-friendly education and information resources
- supporting community law centres.

Law-related education and legal information

The Agency uses the interest earned from the Research and Education Fund to develop and distribute law-related education resource kits and legal information to the public. To do so, the Agency also provides training materials to help community organisations ensure that staff and volunteers who provide advice to members of the public have full understanding of the topics and issues. The main focus is on ensuring that those who need legal information have access to accurate information. This requires ongoing monitoring of changes in legislation

so that the Agency’s own resources can be updated. It also requires regular liaison with other organisations so that LawAccess provides links to the most up to date information resources available.

The main activities in recent years have included:

- managing the LawAccess website which provides ready access to legal information resources from 150 contributing organisations
- producing and updating information sheets (InfoSheets) in plain English that provide an overview of the law on specific topics and show links to related resources
- producing and distributing brochures and posters to increase awareness of the Legal Aid, Duty Solicitor and Police Detention Legal Assistance schemes, including versions in Māori, Samoan, Tongan and Chinese in recognition of the increasing ethnic diversity of those who may need this information
- producing and updating training and educational resources to support educators and individuals in communities to deliver accurate advice and information on priority law-related topics.

Community law centres

The Agency contracts with 27 independent community law centres to provide legal advice, assistance and representation, legal information and law-related education, and undertake law reform and advocacy work on behalf of their communities. In recent years, the principal source of funding for community law centre activity has been the interest earned on solicitors’ nominated trust accounts through the Special Fund.

The Agency distributes the funds received from the Special Fund to community law centres in accordance with the National Funding Policy approved in 2006/07 after consultation with centres and advice from the Agency’s Public Advisory Committee. The overarching policy framework is a balance of:

- aiming for optimum coverage
- equitable access for communities relative to their size and the nature of their unmet legal needs
- the monies available to fund community law centres
- the adequacy of funding to individual community law centres to enable them to be effective.

The Agency has worked with existing and new centres over the past three years to extend services to communities that have limited or no access to a centre or outreach services.

4 Legal Services Agency 2006. *The National Survey of Unmet Legal Needs and Access to Services*

OBJECTIVES

During the term of this Statement, the Agency aims to maximise community legal services by:

- providing accurate and useful information on legal issues to members of the public directly and through community-based services
- continuing to contract with community law centres to deliver community legal services
- extending community law centre coverage to communities in need of assistance that currently don't have access, subject to the availability of funding

Accordingly, within available resources, the Agency will:

- expand services to cover the mid and far Northland
- increase services to the communities of central and west Auckland, Waikato and Canterbury.

PERFORMANCE MEASURES

The main measures by which the future performance of the Agency may be judged are summarised in the following table.

Critical success factors	Agency performance measures
Accurate and useful information on legal issues is provided to members of the public directly and through community-based services	<ul style="list-style-type: none"> • number of legal information resources available from the Agency • number of legal information resources distributed to the community • number of law-related education resources available from the Agency • percentage of law-related education and information resources supported by the Agency that meet criteria set out in note M on page 26 • percentage of organisations whose resources are accepted for inclusion in LawAccess that meet the criteria set out in note N on page 27
Contracts are negotiated with community law centres to deliver community legal services	<ul style="list-style-type: none"> • number of contracts with community law centres managed by the Agency • number of regular community law centre compliance audits undertaken • approach and practices used to enter into and monitor contracts for community legal services are consistent with Agency quality expectations as set out in note O on page Y • percentage of community law centres advised of approved funding levels by 16 June of the relevant year
CLC coverage is extended to communities in need of assistance which currently don't have access (as resources allow)	<ul style="list-style-type: none"> • number of additional local authority areas or specific communities with coverage

This Statement also includes a summary of the forecast service delivery for the community law centres based on their contracts for the 2009/10 year. (see page 30).

RISKS AND EMERGING ISSUES

Security of funding

The decline in the housing market and reductions in the Official Cash Rate have had a serious impact on the funding available through the Special Fund. The Agency and Government have both made additional funding available to community law centres for the 2009/10 year. Funding for 2010/11 and beyond remains uncertain. The Minister of Justice has announced his intention of finding an enduring funding framework to ensure continuity of the services. The Agency will contribute to this initiative.

Goal 4: Building the Agency's capabilities to ensure a sustainable organisation

The Agency has the right people in the right places, and these people are supported in their roles with policies, strategies and systems that are effective and efficient.

INTRODUCTION

An independent baseline review conducted in 2008/09 has confirmed that the Agency is not sustainable under its present business structure and processes. The review set out three potential investment strategies that would enable the Agency to operate with funding close to its current baseline within the next three to four years. Developing and implementing a plan for achieving organisational sustainability in the face of expected increases in the demand for legal aid services and constraints on government funding is a major challenge for the Agency.

The Agency's ongoing success in ensuring that all eligible people can access legal services in a timely and efficient manner depend on the availability of legal aid lawyers and other providers of legal aid, the commitment of its staff, the reliability of its information systems, its organisational performance management systems, and the quality of its relationships with legal aid lawyers, community law centres and other stakeholders.

Goal 4 sets out plans for enhancing the Agency's working environment to better enable staff to achieve the Agency's goals and enhance future capability.

Organisational sustainability

An overall strategy and plan is under development to improve the Agency's effectiveness and efficiency. Key steps include:

- reviewing the findings and recommendations in the 2008/09 baseline review and evaluating the implications of the different investment scenarios
- adopting a coordinated programme approach to the agreed business improvement activities which identify interdependencies and resourcing implications
- developing an integrated and fully costed plan for delivering productivity improvements across the Agency.

Organisational performance management

Improvements in the way that the Agency manages and reports on organisational performance have resulted in the addition of several new performance

measures in this Statement. These include new measures and standards for efficiency that will be tested in 2009/10 and implemented as appropriate in the following years. These measures will complement demand-based (activity) measures such as the number of applications received.

The Agency's people

The staff currently work in many different locations – a Head Office and Debt Management Group in Wellington, 12 legal aid offices in four regional groupings, the Public Defence Service offices in Auckland and Manukau, and in the Legal Aid Review Panel office. New locations will be added during the term of this Statement as the Public Defence Service starts to provide legal representation services at additional courts in the Auckland region.

The Agency's working environment is shaped by the shared values that guide staff in the way they approach their work and interact with each other to achieve the Agency's goals. The Agency's values have recently been revised.

A Human Resources Strategy integrates the Agency's strategies for developing and sustaining a positive working environment for staff under the following headings:

- recruitment, retention and induction
- equal employment opportunities
- performance management and remuneration
- training and development
- leadership
- health and safety
- organisational development.

The Agency's most recent staff survey in November 2008 showed that staff are more committed to going the extra mile and have better relationships with other staff when compared to a benchmark of 14 other public sector organisations. It also showed, however, that retention is likely to be an ongoing issue. This survey provides a benchmark for monitoring progress towards the desired working environment and for benchmarking performance against other public sector organisations. A follow-up survey may be held within the term of this Statement.

Staff discussed the results of the survey in early 2009 and identified priority areas for immediate action as being communication, recognition, training, workload, and leadership and management.

Information Systems

A major improvement to the core IT system, the Legal Services Management System, will be implemented in November 2009. (See Goal 2, page 15).

A further focus will be to reduce the potential impact on the Agency's business systems of a disaster at the Wellington-based computer centre. An external assessment in 2008 showed that the existing IT disaster recovery capability is not sufficient to enable the Agency to recover in a timely way if the centre is incapacitated by a major operational event or natural disaster. Some mitigation actions have been undertaken and more are planned. More major investment, however, is required to reduce the recovery time to an acceptable level given that continued operation of the Agency's business systems is now reliant on several large and complex IT systems.

The third area requiring attention is the requirement to check, and if necessary, improve the Agency's compliance with the Public Records Act 2005. Compliance with the Act will be audited from April 2010. The existing paper-based records management systems will be assessed for compliance in the absence of a comprehensive electronic document management and records management system.

OBJECTIVES

During the term of this Statement, the Agency will improve its organisational health and capability by:

- developing and implementing a plan to achieve financial sustainability
- ensuring the Agency has the right people in the right places and positions
- employing staff and establishing offices to support the extension of the Public Defence Service services to new courts in greater Auckland
- continuing to enhance its organisational performance management systems
- revising the Human Resources Strategy and the associated action plan and milestones to incorporate the Agency's goals and the findings of the staff survey
- continuing to maintain standards of integrity and conduct as set out in its Code of Conduct and to meet the requirements of the Crown Entities Act 2004 to be a "good employer"
- reducing the potential consequences of a disaster or event that incapacitates essential IT services
- improving compliance with the Public Records Act 2005

- maintaining constructive relationships with legal aid providers and community law centres.

PERFORMANCE MEASURES

The main measures by which the future performance of the Agency may be judged are:

- By 30 November 2009, the Agency will have completed the modernisation of its core IT system and will have delivered some of the planned enhancements to its business systems. The work will meet the provisions of the State Services Commission's best practice guidelines relevant to a project of this scale and complexity.
- By 30 June 2010, the Agency will perform testing to validate improvements in its disaster recovery capability arising from interim mitigation actions introduced as part of the Agency's business continuity planning.

The Agency will continue to monitor and report on the following performance measures which were introduced in 2007/08:

- net annual turnover of staff
- average length of service for permanent staff.

RISKS

There is a risk that the Agency would become financially unsustainable if it does not reduce its deficit even in the face of ever increasing volume demands. This would lead to serious service decline.

In the event of a major natural or IT disaster impacting on the Agency's Wellington-based computer centre, a prolonged recovery time may cause unacceptable delays to the administration of the Legal Aid scheme and court processes.

Goal 5: Responding to justice sector initiatives

INTRODUCTION

The high degree of interdependency among justice sector agencies, particularly those in the criminal justice sector, means that policy and operational initiatives in one agency will have implications for other agencies. The Ministry of Justice leads many of the initiatives and expects the Agency to participate in sector planning discussions, policy developments and other initiatives that are of direct relevance to the Agency's legal aid schemes and community legal services.

A particular focus under this Goal during 2009/10 will be to provide information and advice to support the Fundamental Review and the development of a secure funding framework for community law centres.

An ongoing focus for collaborative activity is improving the levels of service delivery and throughput in courts and tribunals. The Agency will continue to contribute to the Criminal Procedure (Simplification) Project, and expects to contribute to potential simplifications in the indictable jurisdiction during 2009/10. The Agency will also develop new policies and operational processes in response to changes to legislation or new arrangements in the court system. Some of these will have IT implications. The initiatives include the review of the Summary Proceedings Act 1957, the implementation of the Criminal Disclosure Act and the Summary Proceedings Amendment Act, changes to the Legal Services Act covering victims, and the Immigration Bill.

OBJECTIVES

During the term of this Statement, the Agency will respond to justice sector initiatives by:

- providing information and advice to support the Fundamental Review of the Legal Aid system announced by the Minister of Justice on 1 April 2009
- providing information and advice to support the Minister's intention to develop a more secure funding framework for community law centres
- contributing, as resources allow, to other justice sector initiatives.

3

STATEMENT OF FORECAST SERVICE PERFORMANCE 2009/10

OUTPUT CLASS 1:
ADMINISTRATION OF LEGAL SERVICES AGENCY

OUTPUT CLASS 2:
LEGAL AID SERVICES

OUTPUT CLASS 3:
PUBLIC DEFENCE SERVICE

FORECAST STATEMENT OF COMPREHENSIVE INCOME

FORECAST STATEMENT OF MOVEMENTS IN EQUITY

FORECAST STATEMENT OF FINANCIAL POSITION

FORECAST STATEMENT OF CASH FLOWS

STATEMENT OF ACCOUNTING POLICIES

OUTPUT CLASS 1: ADMINISTRATION OF LEGAL SERVICES AGENCY

Forecast Service Performance

This output involves:

- managing the payment of legal aid funds appropriated to the Minister of Justice for the provision of legal aid for persons with insufficient means to pay for those services
- managing the decision-making and processing of applications, amendments and claims associated with the Legal Aid scheme
- managing repayments of legal aid debt
- administering the Duty Solicitor and Police Detention Legal Assistance schemes
- approving providers to deliver certain categories of legal representation and advice, and auditing their compliance with requirements
- monitoring the supply, access and availability of listed providers
- managing payments of funding to community law centres and monitoring their performance
- supporting community law centres
- managing contracts for service with community law centres
- developing and providing law-related education and legal information either directly or through contracts with other appropriate individuals or organisations.

Two types of measures are shown:

- Activity measures which are forecasts or estimates of the demand for legal aid, and, although beyond the influence of the Agency, help set the context for understanding the Agency's performance measures.
- Performance measures for the outputs for which the Agency is accountable (Agency performance measures). Some of these measures are being introduced for the first time in 2009/10 and the associated performance standards are estimates.

The notes following the tables have been prepared to assist readers with their understanding of the measures. All financial figures are GST exclusive.

Activity measures associated with Output Class 1

Activity Measures	Note	Forecast demand 2009/10	Forecast demand 2008/09
Quantity			
Projected number of criminal legal aid applications administered		65,000 – 68,000	61,800 – 63,800
Projected number of family legal aid applications administered		22,500 – 25,500	21,700 – 23,700
Projected number of civil legal aid applications administered		2,650 – 3,050	2,450 – 2,950
Projected number of Waitangi legal aid applications administered		200	200
Projected number of applications from providers for listing	A	550 - 600	550 - 600

Agency performance measures for the administration of the Legal Aid scheme

Agency Performance Measures	Note	Performance Standard 2009/10	Performance Standard 2008/09
Quantity			
Average direct cost per application administered by law type	B	New measure	
• criminal legal aid		(estimate \$76)	
• family legal aid		(estimate \$83)	
• civil legal aid		(estimate \$212)	
Average number of applications processed per assigned FTE per year	C	New measure	
• criminal legal aid		(estimate 900-1000)	
• family legal aid		(estimate 300-400)	
Number of provider Compliance Audits undertaken	D	120	114
Number of providers audited under the Provider Quality and Value Audit programme	E	New measure 15-20	
Number of Active Final Repayment Plans negotiated under the Legal Services Amendment Act 2000 as amended in 2006	F	6,000-8,000	6,000-8,000
Percentage of Active Final Repayment Plans on target	G	40%	80%
Timeliness			
% of criminal applications processed within the turnaround standard of:			
• 1 working day		93%	93%
• 15 working days		95%	95%
% of family applications that are processed within the turnaround standard of:			
• 5 working days		75%	75%
• 15 working days		95%	95%
% of civil applications, civil family and criminal amendments and claims that are processed within the turnaround standard of:			
• 5 working days		75%	75%
• 15 working days		95%	95%
Quality			
% accuracy of granting decisions for compliance with relevant legislation, regulations and Agency policy	H	95%	95%
% of finalised Legal Aid Review Panel reviews where Agency decision was not reversed	I	70%	70%
% accuracy of debt recovery decisions for compliance with relevant legislation, regulations and Agency policy	J	95%	95%

Agency performance measures for the administration of community legal services

Agency Performance Measures	Note	Performance Standard 2009/10	Performance Standard 2008/09
Quantity			
Number of legal information resources available from the Agency	K	40	40
Number of legal information resources distributed to the community		40,000	30,000
Number of law-related education resources available from the Agency	L	6	6
Number of contracts with community law centres managed by Agency		27-30	27-30
Number of regular community law centres compliance audits undertaken		3	3
Timeliness			
Percentage of centres advised of approved funding levels by 16 June		100%	100%
Quality			
Percentage of law-related education and information resources supported by the Agency that meet criteria	M	100%	100%
Percentage of organisations whose resources are accepted for inclusion in LawAccess that meet criteria	N	100%	100%
Approach and practices used to enter into and monitor contracts for community legal services are consistent with Agency quality expectations	O	95%	95%

Notes:

A Projected number of applications from providers for listing

Before law practitioners can provide legal services under the Legal Aid, Duty Solicitor or Police Detention Legal Assistance schemes, they must be listed with the Agency. Applicants for listing need to demonstrate that they meet specific criteria and have sufficient experience, qualifications and competence in the relevant area of law. Practitioners can be listed for one or more law types. The Agency seeks comment from local consultative groups before making a final decision on listing.

B Average direct cost per application administered

This new measure will be tested for the first time in 2009/10. Average costs per application administered have been estimated by law type to provide transparency of the variation in the complexity of decision-making on different types of applications. Costs are direct costs and exclude organisation overheads and management.

C Average number of applications and cases administered per assigned FTE per year for criminal legal aid and family legal aid

The 'averages' provide a throughput measure for processing applications and the ongoing management of the associated legal aid grants (cases). They have been estimated using forecast numbers of applications and numbers of Grants operations staff.

D Number of compliance audits undertaken

The Agency has used the number of compliance audits conducted as a performance measure for the last four years. The emphasis in these audits will be changed to strengthen the focus on value for money. The audits are conducted by experienced legal aid lawyers. Each provider audited receives a letter outlining the result of the audit.

E Number of lawyers audited under Provider Quality and Value Audit programme

Experienced legal aid lawyers will be contracted to audit five closed files from each lawyer selected for audit. The criteria for assessment relate to the client, conduct of the case, the court (if appropriate), conduct of the lawyer and adherence to professional standards.

F Number of Active Final Repayment Plans

An Active Final Repayment Plan is a payment plan agreed between the debtor and the Agency where payments are received on the due date on a regular and ongoing basis, usually through an automatic payment.

G Percentage of Active Final Repayment Plans on target

This measure provides an incentive for Debt staff to encourage and support debtors to meet their commitments. It is limited as a performance measure as the Agency can only influence debtor behaviour.

H % accuracy of granting decisions for compliance with relevant legislation, regulations and Agency policy

Granting decisions are reviewed for compliance with legislation, regulations and Agency policy standards every four months by a team of experienced staff who convene to review a random sample files on 16 criteria under two main headings: the processing of the initial application and the ongoing management of the grant.

I Percentage of finalised reviews by the Legal Aid Review Panel where Agency decision was not reversed.

The Legal Aid Review Panel was set up in accordance with section 62 of the Legal Services Act 2000 to enable legal aid applicants and lawyers to obtain an independent review of Agency decisions. The Panel may uphold decisions, modify decisions, reverse decisions or direct the Agency to reconsider. All decision categories are reported in the Annual Report.

J % accuracy of debt recovery decisions for compliance with relevant legislation, regulations and Agency policy

This programme started in 2008/09. Notes made by staff when working accounts and receiving phone calls are reviewed by team leaders for compliance with Agency policies. Five accounts and five inbound phone calls per staff member are reviewed each month.

K Number of legal information resources available from the Agency

The Agency produces information sheets that help people find out their basic legal rights and responsibilities by providing overviews of the law on specific topics and links to related resources and information. It also distributes brochures and posters in several languages to increase awareness of the Legal Aid, Duty Solicitor and Police Detention Legal Assistance schemes.

L Number of law-related education resources available from the Agency

The Agency produces education resources to support individuals and educators in communities to deliver informative and accurate information on priority topics. The Agency will produce additional copies to ensure continuity of supply, making changes as necessary to incorporate changes to the law.

M Percentage of law-related education and information resources supported by the Agency that meet criteria

The quality criteria that law-related education and information resources supported by the Agency are expected to meet are:

- developed by an appropriately experienced person
- written in a 'plain English' style
- developed in collaboration with relevant agencies
- independently assessed for accuracy
- trialled and tested
- have a distribution plan.

N Percentage of organisations whose resources are accepted for inclusion in LawAccess that meet criteria

The criteria for assessing the percentage of organisations whose resources are accepted for inclusion in LawAccess are:

- government agencies or incorporated non-profit organisations
- objective
- easily accessible to the public
- provide law-related education and/or information resources
- have advised that they have systems for monitoring the quality and accuracy of their resources.

O Approach and practices used to enter into and monitor contracts for community legal services are consistent with Agency quality expectations

The quality expectations are:

- purchase plan priorities consider revenue levels and sustainability of delivery of community legal services
- funding consideration and allocation process is consistent with the National Funding Policy (optimum coverage, equity of access, and reasonable costs for services)
- contracts are negotiated with achievable service delivery levels
- risk management strategy in terms of monitoring and reporting compliance to contract, auditing, and undertaking assessments and reviews of community law centres as required.

Forecast Statement of Comprehensive Income

Output Class 1: Administration of Legal Services Agency for the year ending 30 June 2010

	2007/08 Actual NZ IFRS \$000	2008/09 Budgeted NZ IFRS \$000	2008/09 Estimated Actual NZ IFRS \$000	2009/10 Forecast NZ IFRS \$000
Revenue				
Crown Funding – Administration	18,765	17,952	17,952	19,131
Interest – Research and Education Fund	733	600	500	294
Interest – Administration funds	840	500	700	200
Other income	7	0	0	0
Total Administration Revenue	20,345	19,052	19,152	19,625
Expenditure				
Administration expenditure	19,231	20,691	20,164	20,580
Operating – Research and Education	879	500	500	294
Total Expenditure	20,110	21,191	20,664	20,874
Operating (Deficit)/Surplus	235	(2,139)	(1,512)	(1,249)

OUTPUT CLASS 2: LEGAL AID SERVICES

Forecast Service Performance

The Agency's responsibility under this output class involves discharging its financial responsibilities, mandated by the legislation, to:

- make payments to legal practitioners for services provided in respect of the Legal Aid, the Duty Solicitor and the Police Detention Legal Assistance schemes
- manage debts and repayments of legal aid granted to legally aided persons
- make payments to community law centres.

The Agency's costs in administering these payments and recoveries are included under Output Class 1.

This output class does not include the cost of lawyers employed by the Legal Services Agency in the Public Defence Service. These costs are now shown in Output Class 3.

Two types of measures are shown below:

- activity measures associated with the Legal Aid, Duty Solicitor and Police Detention Assistance schemes
- a summary of the services to be provided by community law centres to their communities under contracts negotiated with the Agency.

Activity measures

The activity measures in the following table provide contextual information about the level of services funded through the Legal Aid scheme. Projected revenue from debt recoveries is also shown here as repayments help offset expenditure on legal aid.

The projected number of grants for legal aid also provides an indication of the administrative workload associated with managing legal aid grants and establishing any associated debts. These administrative costs are funded through Output Class 1.

Activity Measures Legal Aid Services	Note	Forecast 2009/10	Forecast 2008/09
Projected number of criminal cases granted		56,500 – 60,500	55,000 – 57,000
Projected number of new family cases granted		21,500 – 23,500	19,700 – 21,700
Projected number of new civil cases granted		2,300 – 2,500	1,950 – 2,450
Projected number of Waitangi cases granted		100-200	100-200
Projected number of criminal legal aid debts established		26,000 – 28,000	14,500 – 18,500
Projected number of family legal aid debts established		4,000 – 6,000	3,500 – 5,500
Projected number of civil legal aid debts established		670 – 1,170	550– 750
Projected average case cost (criminal)	A	\$1,255	\$1,280
Projected average case cost (family excluding mental health)		\$1,985	\$1,990
Projected average case cost (mental health)		\$580	\$580
Projected average case cost (civil)		\$3,400	\$3,385
Projected number of Police Detention Legal Assistance scheme contacts		14,800 – 18,000	13,000 – 17,000
Projected number of hours delivered under the Duty Solicitor scheme		100,000 – 110,000	93,000 – 100,000
Projected repayments received against forecast under the Legal Services Amendment Act 2000			
Amount		\$6.1 million	\$7.4 million
Percentage		80%	100%
Projected repayments received against forecast under the Legal Services Amendment Act 2000 as amended in 2006			
Amount		\$6.8 million	\$4.1 million
Percentage		100%	100%

A Average case cost

The average case cost under Output Class 2 is the mean of the final case costs for all finalised legal aid cases. Figures are GST inclusive. The calculation of means excludes cases where the final cost is shown as \$0.

Summary of service delivery by community law centres

The following summary of the service delivery has been included in the Agency's Statement for the first time to formalise reporting responsibilities following additional one-off funding from the Crown and the Agency to sustain them during 2009/10. The estimated service delivery for 2008/09 reflect centres' commitments in the current 2008/09 contracts with the Agency. The forecasts for 2009/10 reflect the proposed 2009/10 contracts.

Service delivery measures for community law centres	Note	Forecast 2009/10	Estimate 2008/09
Quantity			
Case work	A		
• Projected service delivery hours by all centres		82,474	70,383
• Number of centres that meet or exceed projected service delivery hours		27	27
• Total number of clients		50,033	49,570
Law-related education			
• Projected service delivery hours by all centres		13,288	14,450
• Number of centres that meet or exceed projected service delivery hours		27	27
• Total number of participants		21,970	18,856
Legal information			
• Projected service delivery hours by all centres		21,823	23,655
• Number of centres that meet or exceed projected service delivery hours		27	27
Law-reform			
• Projected service delivery hours by all centres		3,835	4,445
• Number of centres that meet or exceed projected service delivery hours	27	23	
Cost efficiency	B		
• Average cost per hour for all services by all centres		\$88	\$89
Contractual performance	C		
Projected percentage of centres that meet the following contractual requirements:			
• performance information is provided to Agency by due dates (4 times per year)		100%	100%
• performance information is complete according to reporting specifications attached to contracts		100%	100%
• service delivery hours are consistent with capacities funded and minimum service levels contracted	100%	100%	
Number of centres that meet contracted level of service delivery hours		27	27
Quality	D		
Projected percentage of centres that can demonstrate to the Agency's satisfaction that the mix of services chosen is appropriate for their communities' unmet legal needs taking into account alternative providers of services to those communities		90%	New measure
Projected percentage of centres that can demonstrate to the Agency's satisfaction that the services delivered are meeting those needs effectively.		90%	New measure

Notes:

A Community law centre service delivery

Each contract specifies numbers of service delivery hours for specific categories of community legal services based on an assessment of the legal needs of the community, especially those unable to pay for legal services. Centres report progress against those hours four times each year.

Case work includes legal representation, legal advice and legal assistance services. These may be provided by community law centre staff, volunteer qualified lawyers or volunteer law students. The service delivery hours shown are for paid staff only.

Centres report the numbers of clients who receive case work services, the number of participants in education programmes, and the total number of people seeking or receiving information. Different centres use different channels for delivering information, including over the counter enquiries, telephone enquiries, websites and contacts at expos. Given the variations in the ways that centres gather, collate and report this information, the Agency has not included any summary figure for the number of recipients of information services.

B Cost efficiency

This cost-efficiency measure is calculated from the total payments to community law centres for service delivery hours and the number of service hours delivered to clients/participants.

C Community law centre contractual performance

These measures record performance against other contractual responsibilities. The Agency expects all centres to meet all the responsibilities specified in their contracts.

D Agency assessment of service delivery mix

In negotiating contracts with individual centres and across all centres, the Agency takes into account requirements in the Act and the National Funding Policy. Funding contracts must be made on the basis of obtaining, for the money available, the maximum access to community legal services by communities with insufficient means to pay for them. A primary consideration is that people with the greatest need for legal services and the least capacity to pay for them have their legal needs met.

In assessing service delivery plans, the Agency looks for evidence that each centre has undertaken some formal process for assessing the need for legal services in the community served by the centre and the community's ability to pay for those services. The Agency acknowledges that individual centres may need to alter their service delivery plan if there is a significant change in the legal needs of the community. Where the alteration requires more than 20% variation in expenditure, a centre is expected to obtain the Agency's agreement before making any changes.

Forecast Statement of Comprehensive Income

Output Class 2: Legal Aid Services for the year ending 30 June 2010

	2007/08 Actual NZ IFRS \$000	2008/09 Budgeted NZ IFRS \$000	2008/09 Estimated Actual NZ IFRS \$000	2009/10 Forecast NZ IFRS \$000
Income				
<i>Government Grant – Legal aid</i>				
Private providers	107,301	126,662	126,662	132,256
Community law centres	267	267	267	7,467
Total Government Grant – Legal Aid	107,568	126,929	126,929	139,723
<i>Contributions and Repayments by Legally-Aided Parties</i>				
Revenue from contributions – 2000 Act Grants	0	7,427	0	0
Revenue from repayments – 2006 Act Grants	0	4,081	0	0
Reversal of revenue under NZ IFRS	0	(11,508)	0	0
Total Contributions and Repayments by Legally Aided Parties	0	0	0	0
New Zealand Law Society Fund – community law centres	9,513	12,100	6,026	2,598
Interest – Community law centres	302	300	96	11
Interest – Legal aid	774	900	400	400
Total Income	118,157	140,229	133,451	142,732
Expenditure				
Payments to private providers – legal aid	109,237	118,055	127,139	125,479
Legal aid accrual – legal aid	0	6,783	0	7,373
Operating – Community law centres	9,528	11,556	10,923	10,970
Total Expenditure	118,765	136,394	138,062	143,822
Operating (Deficit)/Surplus	(608)	3,835	(4,611)	(1,090)

OUTPUT CLASS 3: PUBLIC DEFENCE SERVICE

Forecast Service Performance

This output class involves:

- providing quality, professionally-independent, criminal representation services to legally aided persons at Courts in the Auckland region
- providing duty solicitor services in ways that deliver value for money.

Funding in this output class will also support changes in the Auckland region to the administration of the Duty Solicitor scheme and the Police Detention Legal Assistance scheme.

The Public Defence Service was established as a pilot in May 2004 to test the delivery of in-house criminal representation services at the Auckland and Manukau courts. On 17 July 2008, the Minister of Justice authorised the permanent employment of salaried officers for the same or related purposes as in the pilot. The decision included a requirement to establish a separate output class. The Service was previously funded through Output Class 2.

With the Service becoming permanent, new approaches to financial and non-financial performance management are being developed and some have been included in this statement of forecast service performance. Developments still underway include a more comprehensive internal quality assurance programme and new ways of making comparisons with the cost of comparable cases handled by private criminal legal aid lawyers.

The performance measures in the following table relate to services provided at the Auckland and Manukau District Courts only.

Agency Performance Measures	Notes	Performance Standard 2009/10	Estimated performance for new measures 2008/09
Quantity			
No of open cases at beginning of financial year (new measure)	A	720	700
No of new cases accepted during the year (reworded measure)		2,200-2,700	2,650
No of cases closed during the year (including transfers) (new measure)		2,200-2,700	2,600
No of open cases at end of financial year (new measure)		900-1000	720
Number of Duty Solicitor hours provided		1,300 – 1,600	1,300 – 1,600
Quality			
Provider Quality and Value Audits (new measure)			
• Number of Public Defence Service lawyers audited		4	
• Percentage of Public Defence Service lawyers who meet expectations.	B	100%	

Notes:

A Number of cases

These new and changed measures provide more comprehensive data about the case load that will be handled by the Public Defence Service. The right hand column presents estimates of the performance that the Agency expects to achieve by the end of the 2008/09 financial year using the new measures.

The performance standards above are for the Auckland and Manukau offices. Performance standards for the case load to be handled at other Auckland Courts in 2009/10 are dependent on the roll-out timetable and the results of consultation with local lawyers and the community.

B Results of Provider Quality and Value audits

In 2009/10, the Agency will contract experienced legal aid lawyers to audit five closed files from a total of at least 24 private and Public Defence Service lawyers. These audits focus on criteria relating to the client, the conduct of the case, the court, the conduct of the lawyer and adherence to professional standards. Each participating lawyer will receive a letter identifying areas where performance meets expectations and any areas for improvement. The collective results will be reported to Parliament as a percentage of the lawyers audited that were rated by the independent auditors as meeting or exceeding expectations.

Forecast Statement of Comprehensive Income

Output Class 3: Public Defence Service for the year ending 30 June 2010

	2007/08 Actual	2008/09 Budgeted	2008/09 Estimated Actual	2009/10 Forecast
	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000
Income				
<i>Government Grant</i>				
Public Defence Service	3,063	2,634	2,824	7,400
Interest	0	0	49	55
Total Income	3,063	2,634	2,873	7,455
Expenditure				
Depreciation	75	83	49	38
Personnel	1,964	1,888	2,014	2,181
Other operating	686	656	705	729
Expansion of Public Defence Service	0	0	0	2,854
Total Expenditure	2,725	2,627	2,768	5,802
Operating (Deficit)/Surplus	338	7	105	1,653

FORECAST STATEMENT OF COMPREHENSIVE INCOME

For the year ending 30 June 2010

	2007/08 Actual	2008/09 Budgeted	2008/09 Estimated Actual	2009/10 Forecast
	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000
Revenue				
Government Grant – Legal aid				
Administration	18,765	17,952	17,952	19,131
Legal aid	107,301	126,662	126,662	132,256
Public Defence Service	3,063	2,634	2,824	7,400
Community law centres	267	267	267	7,467
Total Government Grant – Legal Aid	129,396	147,515	147,705	166,254
New Zealand Law Society Fund – Community law centres	9,513	12,100	6,026	2,598
Interest – Administration and legal aid	2,347	2,000	1,600	894
Interest – Public Defence Service	0	0	49	55
Interest – Community law centres	302	300	96	11
Other	7	0	0	0
Total Revenue	141,565	161,915	155,476	169,812
Expenditure				
Administration	19,231	20,691	20,164	20,580
Legal aid	109,237	124,838	127,139	132,853
Public Defence Service	2,725	2,627	2,768	5,802
Community law centres	9,528	11,556	10,923	10,970
Research and education	879	500	500	294
Total Expenditure	141,600	160,212	161,494	170,499
Operating (Deficit)/Surplus	(35)	1,703	(6,018)	(687)

FORECAST STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 30 June 2010

	2007/08 Actual NZ IFRS \$000	2008/09 Budgeted NZ IFRS \$000	2008/09 Estimated Actual NZ IFRS \$000	2009/10 Forecast NZ IFRS \$000
Net (deficit)/surplus	(35)	1,703	(6,018)	(687)
Total recognised revenue and expenses for year	(35)	1,703	(6,018)	(687)
Capital contribution from the Crown	376	3,737	3,737	1,052
Total capital contributions from the Crown	376	3,737	3,737	1,052
Public equity as at 1 July	20,979	18,291	21,320	19,039
Public Equity as at 30 June	21,320	23,731	19,039	19,404

PUBLIC EQUITY

For the year ended 30 June 2010

	2007/08 Actual NZ IFRS \$000	2008/09 Budgeted NZ IFRS \$000	2008/09 Estimated Actual NZ IFRS \$000	2009/10 Forecast NZ IFRS \$000
General Funds				
Opening balances				
Administration	7,825	3,568	8,576	10,801
Legal aid	(1,981)	(198)	(3,142)	(3,219)
Public Defence Service	1,669	1,938	2,007	2,112
Community law centres	4,081	4,178	4,635	101
Research and Education	9,385	8,805	9,244	9,244
	20,979	18,291	21,320	19,039
Net surplus for the year				
Administration	375	(2,239)	(1,512)	(1,249)
Legal aid	(1,161)	2,724	(77)	(197)
Public Defence Service	338	7	105	1,653
Community law centres	554	1,111	(4,534)	(894)
plus transfer from Research and Education	0	0	0	1,036
Research and Education	(141)	100	0	0
less transfer to Community law centres	0	0	0	(1,036)
	(35)	1,703	(6,018)	(687)
Closing balances				
Administration	8,200	1,329	7,064	9,551
Capital contribution from the Crown – Administration	376	3,737	3,737	112
Legal aid	(3,142)	2,526	(3,219)	(3,415)
Public Defence Service	2,007	1,945	2,112	3,765
Capital contribution from the Crown – Public Defence Service	0	0	0	940
Community law centres	4,635	5,289	101	243
Research and Education	9,244	8,905	9,244	8,208
Public Equity as at 30 June	21,320	23,731	19,039	19,404

FORECAST STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	2007/08 Actual	2008/09 Budgeted	2008/09 Estimated Actual	2009/10 Forecast
	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000
Public Equity				
Administration	8,576	5,066	10,801	9,663
Legal aid	(3,142)	2,526	(3,219)	(3,415)
Public Defence Service	2,007	1,945	2,112	4,705
Community law centres	4,635	5,289	101	243
Research and Education	9,244	8,905	9,244	8,208
Total Public Equity	21,320	23,731	19,039	19,404
Represented by:				
Current assets				
Cash and cash equivalents	24,657	23,082	21,120	20,734
Legal aid debtors	6,857	17,279	6,264	6,500
Crown funding receivable	39,002	41,762	45,703	45,703
Receivables	752	1,432	1,000	1,000
Total current assets	71,268	83,555	74,087	73,937
Non-current assets				
Legal aid debtors	19,919	17,335	14,947	17,500
Property, plant and equipment	1,367	3,189	2,514	2,160
Intangible assets	1,372	2,780	2,305	1,849
Internally generated intangible assets	0	0	2,968	3,611
Total non-current assets	22,658	23,304	22,734	25,120
Total Assets	93,926	106,859	96,821	99,057
Current liabilities				
Creditors and other payables	51,748	65,244	62,300	61,618
Employee entitlements	939	550	535	535
Total current liabilities	52,687	65,794	62,835	62,153
Non-current liabilities				
Crown payable	19,919	17,335	14,947	17,500
Total non-current liabilities	19,919	17,335	14,947	17,500
Total liabilities	72,606	83,129	77,782	79,653
Net Assets	21,320	23,731	19,039	19,404

STATEMENT OF FORECAST CASH FLOWS

For the year ended 30 June 2010

	2007/08 Actual NZ IFRS \$000	2008/09 Budgeted NZ IFRS \$000	2008/09 Estimated actual NZ IFRS \$000	2009/10 Forecast NZ IFRS \$000
Cash flows-operating activities				
<i>Cash provided from:</i>				
Administration funding from the Crown	18,765	17,952	17,952	19,131
Legal aid funding from the Crown	94,695	117,673	118,358	114,263
Legal aid funding from the Crown – Public Defence Service	3,063	2,634	2,824	7,400
Community law centre funding from the Crown	267	267	267	7,467
Contributions and repayments by legally-aided parties	1,970	292	8,781	11,216
New Zealand Law Society Special Fund	8,799	12,100	6,026	0
Interest received	2,840	2,300	1,745	960
Other income	7	0	0	0
Net Goods and Services Tax	1,649	(782)	(230)	(1,964)
	132,055	152,436	155,723	158,473
<i>Cash applied to:</i>				
Payments for legal aid	102,368	118,055	127,139	125,479
Payments to community law centres	9,523	11,556	10,923	10,970
Payments for research and education	879	500	500	294
Payments to employees	13,792	14,906	13,715	12,989
Payments to suppliers	6,882	8,773	7,549	8,662
	133,444	153,790	159,826	158,394
Net cash inflow/(outflow) from operating activities	(1,389)	(1,354)	(4,103)	79
Cash flows – investing activities				
<i>Cash provided from/(applied to):</i>				
Purchase of property, plant and equipment	(718)	(2,009)	(122)	(275)
Purchase of intangible assets	-	(2,100)	(81)	(5)
Purchase of internally generated intangible assets	0	0	(2,968)	(1,237)
Net cash inflow from investing activities	(718)	(4,109)	(3,171)	(1,517)
Cash flow – financing activities				
Capital contribution from the Crown	376	3,500	3,737	1,052
Net increase/(decrease) in cash and cash equivalents	(1,731)	(1,963)	(3,537)	(386)
Opening cash and cash equivalents	26,388	25,045	24,657	21,120
Closing Cash and Cash Equivalents	24,657	23,082	21,120	20,734

STATEMENT OF ACCOUNTING POLICIES

For the year ending 30 June 2010

Reporting Entity

The Legal Services Agency (the Agency) is a crown entity as defined in the Crown Entities Act 2004 and is domiciled in New Zealand. As such, the Agency's ultimate parent is the New Zealand Crown.

The forecast financial statements have been prepared in accordance with section 141 of the Crown Entities Act 2004, and comply with the requirements of the Financial Reporting Standard No. 42: Prospective Financial Statements.

The financial schedules have been prepared by the Agency and represent extract information of the Crown activities which are administered by the Agency. They are based on the accounting policies and assumptions that follow. As with all such assumptions there is a degree of uncertainty surrounding them which increases as the horizon extends.

BASIS OF PREPARATION

Statement of Compliance

The forecast financial statements have been prepared in accordance with the requirement of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). Compliance with NZ GAAP in this instances means that the forecast figures for the year ending 30 June 2010 comply with NZ IFRS.

Measurement Basis

The forecast financial statements have been prepared on a historical cost basis unless otherwise stated.

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Legal Services Agency is the New Zealand dollar.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies materially affect the measurement of forecast financial results and financial position, and have been applied.

Budget figures

The budget figures are those approved by the Agency at the beginning of the financial year. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with those adopted by the Agency for the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown

Government grants for legal aid are recognised as revenue following the supply of outputs to the Crown. Government grants for Administration, Public Defence Service and community law centres are recognised in the financial year it has been received.

Interest

Interest is recognised using the effective interest rate method.

New Zealand Law Society Special Fund

Revenue received from the New Zealand Law Society Special Fund for the funding of community law centres is recognised as revenue when received.

Expenditure

Operating Costs

Operating costs are recognised on an accrual basis as an expense in the period in which they are incurred, whether paid or not.

Legal aid - private providers

Costs paid and payable to private legal aid providers are recognised as an expense at the date the work is performed, less contributions received and receivable from legally aided persons for the legal aid provided.

The value of work performed by private legal aid providers comprises the value of approved legal aid costs claimed and paid, the value of the work performed that has been billed but not yet approved by the Agency, and the work that has been performed but not yet billed.

Leases

Finance Lease

A finance lease is a lease that transfers to the lessee, substantially all the risks and rewards incidental to the

ownership of an asset. The Agency does not have any finance leases.

Operating Lease

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The Agency has operating leases for office premises and some office equipment.

All Agency leases are appraised to assess if they meet the criteria of an operating or finance lease.

Financial Instruments

Financial instruments comprise financial assets (cash and cash equivalents, short-term investments, receivables) and financial liabilities (payables).

All financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case the transaction costs are recognised in the Forecast Statement of Comprehensive Income.

Cash and cash equivalents

Cash and equivalents include cash on hand, funds in bank accounts, and funds in bank deposit accounts with a maturity of no more than three months from date of acquisition.

Short-term investments

Short-term investments are funds in bank deposit accounts with a maturity of between three and twelve months from date of acquisition. The Agency does not have any short-term investments.

Debtors and other receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less any provision for impairment. Receivables due within 12 months are recognised at their nominal value unless the effect of discounting is material. Receivables are made up of the following:

Legal aid receivables

Legal aid receivables are contributions, interim repayments and repayments of legal aid grants due from legally aided persons.

Other receivables

Other receivables are made up of accrued income, interest receivable, prepayments and GST adjustments.

Crown funding receivables

Crown funding receivable represents the funding receivable due from the Crown to cover the legal aid liability, and legal aid debtors' receipts in advance and payment to providers less receipts from legally aided persons.

Impairment of financial assets

At each balance date the Agency assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Forecast Statement of Comprehensive Income.

Financial instrument risks

The Agency has policies providing risk management for interest rates, operating and capital expenditures denominated in foreign currency, and concentration of credit. The Agency is risk averse and seeks to minimise its exposure from its treasury activities. Its policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Agency, causing the Agency to incur a loss. Financial instruments, which potentially subject the Agency to risk, consist primarily of cash, short-term investments, legal aid receivables and trade receivables.

The Agency has a minimal credit risk in its holdings of various financial instruments, which include cash and cash equivalents, and short-term investments. However, the Agency bears some risk in relation to non-recovery of legal aid receivables. The majority of the receivables are secured by charges over property, registered under the Land Transfer Act 1952, and recovery occurs when the secured asset is sold. The Agency discounts the value of the receivables in accordance with the period of time that the recovery is estimated to take.

The Agency places its investments with institutions that meet the credit rating requirements of section 158 of the Crown Entities Act 2004. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. The Agency believes that these policies reduce the risk of any loss that could arise from its investment activities. The Agency does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

The maximum amount of credit risk for each class is the carrying amount in the *Forecast Statement of Financial Position*.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Agency has no exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. There are no interest rate options or interest rate swap options in place. The Agency's policy is to hold those financial instruments subject to interest rate fluctuations, such as short-term investments, for a term not exceeding 365 days. The Agency believes that this policy reduces the risk of any loss that could arise from its investment activities.

The Board does not consider that there is any significant interest exposure on the Agency's investments.

Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Agency aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Agency maintains a target level of investments that must mature within specified timeframes.

Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate.

Payables

Payables due within 12 months are recognised at their nominal value unless the effect of discounting is material. Payables are made up of the following:

Crown payables

All legal aid receivables due from legally aided persons are paid to the Crown on receipt. A Crown payable is recognised to reflect this liability at the date the corresponding legal aid receivable is recognised.

Receipts in advance from legally aided persons

Receipts in advance from legally aided persons are contributions, interim repayments and repayments of legal aid grants ordered by the Agency, which exceed the legal aid costs incurred on each case.

Legal aid expenditure accrual

The legal aid expenditure accrual is the value of approved legal aid costs claimed but unpaid, the value of legal aid work performed that has been billed but not yet approved by the Agency, and legal aid work that has been performed but not yet billed.

Employee Entitlements

Employee entitlements are measured at nominal values on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave and time off in lieu earned up to but not yet taken at balance date, and sick leave entitlements.

Public Equity

Public equity is the Crown's investment in the Agency and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classified as administration, legal aid, Public Defence Service, community law centres, and research and education reserves.

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are recognised at the point at which the contingency is evident. Contingent assets are disclosed if it is probable that the benefits will be realised. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Statement of Cash Flows

The following are the definitions used in the *Forecast Statement of Cash Flows*:

Cash is considered to be cash on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Agency invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all receipts from the Crown, the New Zealand Law Society, legally aided persons, and other sources of revenue that support the Agency's service delivery. Cash outflows include payments made for legal aid, to community law centres, employees and suppliers, and for taxes.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities are those activities relating to changes in equity and the working capital structure of the Agency.

Goods and Services Tax (GST)

All items in the forecast financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the *Forecast Statement of Financial Position*.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the *Forecast Statement of Cash Flows*.

Taxation

The Agency is a public authority in terms of the Income Tax Act 2007 and is exempt from income tax. Accordingly, no charge for income tax has been provided for.

Property, Plant & Equipment

Property, plant and equipment consists of leasehold improvements, computer hardware, office equipment, furniture and fittings and motor vehicles.

Property, plant and equipment are shown at historical cost less accumulated depreciation and impairment.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item flow to the Agency and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is

acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposal

Gains and losses on disposal are determined by comparing proceeds with carrying amounts. Gains and losses on disposals are included in the *Forecast Statement of Comprehensive Income*.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably.

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than work in progress. The rates of depreciation will write down the cost of the assets to the estimated residual value over the useful life of the assets. The useful lives and associated depreciation rates of the major classes of assets have been estimated as follows:

Computer hardware	3 years	33%
Motor vehicles	3 years	33%
Office equipment	5 years	20%
Furniture and fittings	5 years	20%
Leasehold improvements	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, depending on which is shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated computer software is capitalised on the basis of the costs incurred to develop and bring to use the specific software.

Costs associated with maintaining computer software including internally generated software, are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Forecast Statement of Comprehensive Income.

The useful lives and associated annual amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	4 years	25%
Internally generated software	7 years	14%

Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite life are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

Intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Critical Accounting Estimates and Assumptions

The preparation of the forecast financial statements requires estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual result. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Legal aid debtors and repayment profile

At each balance date, the Agency reviews the legal aid system with the debt system. Assumptions such as interest rates, repayment rates and estimated credit losses are written in the Annual Report note 20.

Other assumptions made are that all interim repayments which are set up in the legal aid system exist in the debt system and all securities are recorded correctly in the debt system.

Assumptions are made with regards to the unsecured debt. For unsecured debt, it was discovered that outstanding debt does not reduce by the amount of payments received due to the higher write offs and adjustments. Therefore to project future repayments, there was a need to first project future outstanding debt.

Legal aid accrual

At each balance date the Agency uses an independently developed actuarial model to calculate an accrual figure for the three law types; criminal, family and civil. The assumptions are as follows:

- The model will not value any cases with a start date after the valuation date.
- The model will not work if there are any client cases that have a start date before the valuation date and an invoice date after the valuation date. In these instances an error message will occur enabling the Agency to correct the data.
- In the case of conflicting information in the raw data, the model will default to the appropriate action depending on the conflict.

At each balance date the Agency produces an accrual for Waitangi cases. The assumption is that providers do not invoice the Agency for work completed on a regular basis. On this assumption, the Agency cannot process the accrual through the actuarial model. A separate method has been adopted.

Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Changes in Accounting Policies

There have been no material changes in accounting policies, since the date of the last audited financial statements for the year ended 30 June 2008.

APPENDICES

APPENDIX 1: AGENCY ORGANISATION

APPENDIX 2: DIRECTORY

APPENDIX 1: AGENCY ORGANISATION

Risk Management Committee

The Agency has a Risk Management Committee to support the Board and Chief Executive with the management of risk. The Committee provides advice on the Agency's risk management and internal control framework and procedures, the internal audit programme and findings, and the external audit findings. The Committee is chaired by Basil Logan, one of two external members. The other external member is Ross Tanner. There is one vacancy. Two Board members, Carole Durbin (the Board Chair) and Jane Taylor, and the Chief Executive are also members of the Committee.

Public Advisory Committee

The Agency has a Public Advisory Committee established in accordance with section 104 of the Act to provide advice to the Agency on:

- the legal aid and other schemes and services funded or delivered by the Agency
- unmet legal needs
- funding of community law centres
- ways of making the Agency's information and forms understandable to, and usable by, as wide a range of people as possible
- law-related education.

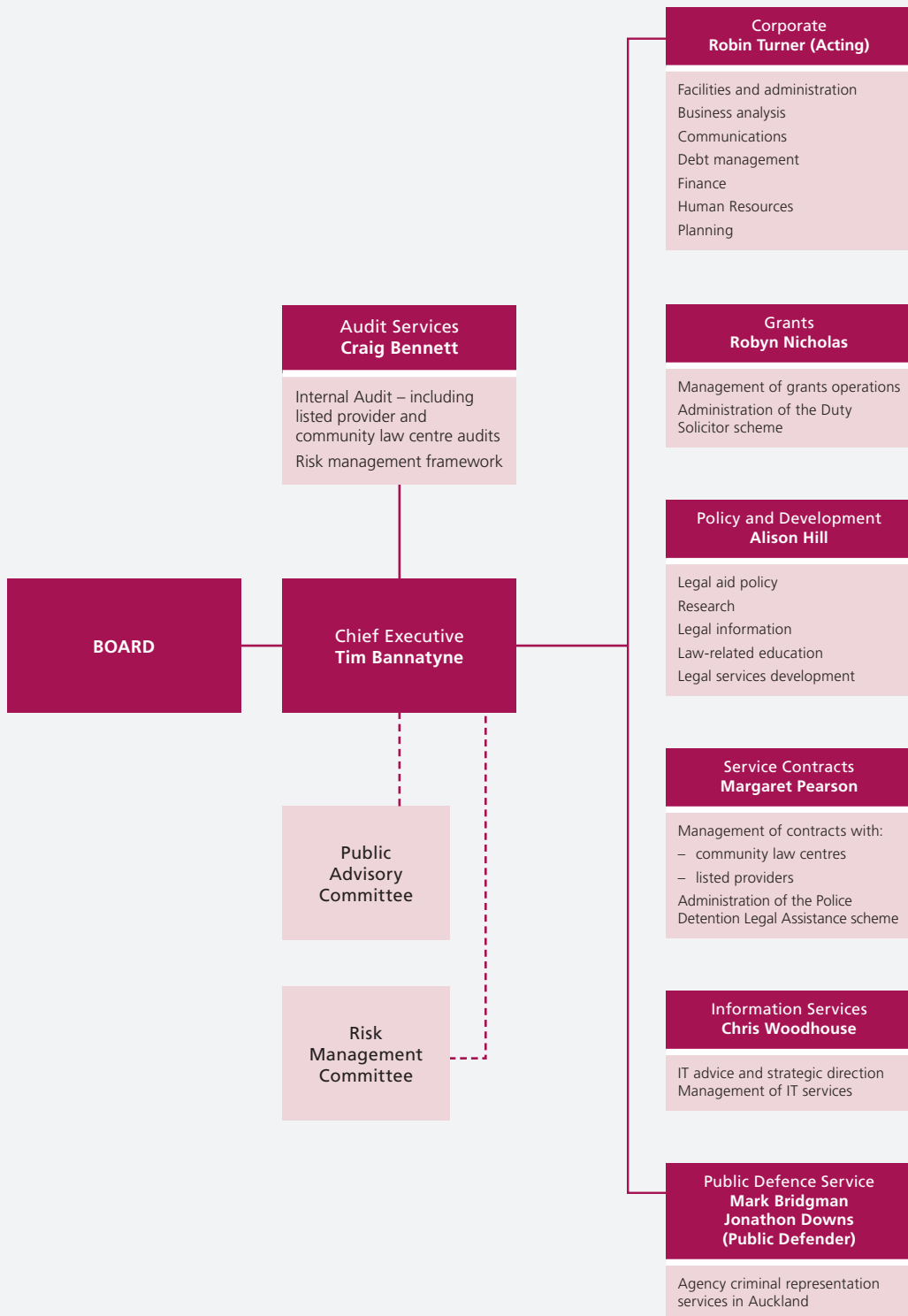
The members and the sectors represent are shown in the following table.

Dayle Takitimu	Māori
Ross Brereton	People with disabilities
Jim Guest (co-chair)	Legal profession
John Hancock (co-chair)	Youth
Jean Park	Consumers
Emily Maea	Community law centres
Evelyn Weir	Older people
Apii Rongo-Raea	Pacific peoples
Rubina Nawabi	Refugees and migrants
Colleen Tuuta	Women

Senior Management Team

The following organisation chart shows key elements of the Agency's structure and members of the senior management team.

AGENCY ORGANISATION CHART



APPENDIX 2: DIRECTORY

HEAD OFFICE

Legal Services Agency

Level 9, Prime Property Tower
86 – 90 Lambton Quay
PO Box 5333
WELLINGTON 6145
DX: SP22526
Phone: 04 495 5910
Fax: 04 495 5911

Debt Office

Level 21, Grand Plimmer Tower
Cnr Boulcott Street & Gilmer Terrace
PO Box 25324
WELLINGTON 6011
DX: SX11295
Phone: 0800 600 090
Fax: 04 473 6526

Northern Region

Whangarei Legal Aid Office

Cnr Grey & Norfolk Streets
PO Box 183
WHANGAREI 0110
DX: AP24532
Phone: 09 430 4990
Fax: 09 430 1081

Auckland Legal Aid Office

Level 1, Save and Invest Building
15 Huron Street
PO Box 33702
Takapuna
AUCKLAND 0622
DX: BP66014
Phone: 09 488 5440
Fax: 09 488 5441

Manukau Legal Aid Office

Level 2, Merial House
Putney Way
PO Box 98045
South Auckland Mail Centre
MANUKAU CITY 2104
DX: EP75512
Phone: 09 262 7750
Fax: 09 262 7759

Waitakere Legal Aid Office

Level 2, Westpac Building
Alderman Drive
Henderson
PO Box 69147
Glendene
WAITAKERE 0612
DX: CX10351
Phone: 09 837 9860
Fax: 09 837 1569

Midland Region

Hamilton Legal Aid Office

Level 1, Arcadia Building
Worley Place
PO Box 19204
HAMILTON 3204
DX: GX10053
Phone: 07 834 6124
Fax: 07 834 6129

Rotorua Legal Aid Office

Level 4, Zens Centre
Arawa Street
PO Box 1576
ROTORUA 3010
DX: JP30042
Phone: 07 350 1090
Fax: 07 35 1080

Napier Legal Aid Office

1st Floor, Dunvegan House
Cnr Hastings and Station Streets
PO Box 544
NAPIER 4140
DX: MP70001
Phone: 06 833 7750
Fax: 06 833 7759 or 06 833 6427

Central Region

Wellington Legal Aid Office

Level 19, Grand Plimmer Tower
Cnr Boulcott Street and Glimer Terrace
PO Box 24149
Manners Street
WELLINGTON 6011
DX: SP20503
Phone: 04 472 9040
Fax: 04 472 5250

New Plymouth Legal Aid Office

Level 1, Devon Centre
Cnr Liardet & Devon Street East
PO Box 590
Taranaki Mail Centre 4340
NEW PLYMOUTH 4310
DX: NP90031
Phone: 06 759 0451
Fax: 06 759 0476

Southern Region

Christchurch Legal Aid Office

Level 1, 256 Oxford Terrace
PO Box 130150
Armagh Street
CHRISTCHURCH 8011
DX: WX11123
Phone: 03 363 6500
Fax: 03 379 8742

Dunedin Legal Aid Office

Level 1, Radio Otago House
248 Cumberland Street
PO Box 5641, Moray Place
DUNEDIN 9016
DX: YP80502
Phone: 03 477 5035
Fax 03 479 2517

Invercargill Legal Aid Office

Level 3, Cue on Don
33 Don Street
PO Box 1301
INVERCARGILL 9810
DX: YA90024
Phone: 03 211 2130
Fax: 03 214 2689

PUBLIC DEFENCE SERVICE

Public Defence Service

Auckland Office
Level 10, AFFCO House
12 – 26 Swanson Street
PO Box 90243
Auckland Mail Service Centre
AUCKLAND 1010
Phone: 09 302 1961
Fax: 09 302 1962

Public Defence Service

Manukau Office
Ground Level, CST Nexia House
22 Amersham Way
PO Box 76 715
Manukau City
AUCKLAND 2104
Phone: 09 261 2501
Fax: 09 261 2502

New Zealand Government

HELPING PEOPLE ACCESS JUSTICE