

New Zealand Government

HELPING PEOPLE ACCESS JUSTICE



Legal Services
Agency
Pokapū Ratonga Ture

STATEMENT OF INTENT 2008 to 2011

HELPING PEOPLE ACCESS JUSTICE

LEGAL SERVICES AGENCY STATEMENT OF INTENT 2008 TO 2011

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 2008 to 2011. 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 the Legal Services Agency.



Carole Durbin
Chair



Joy Liddicoat
Board Member

STATEMENT OF INTENT CON

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FROM THE CHAIR AND THE CHIEF EXECUTIVE

We are pleased to present our 2008–2011 Statement of Intent. In going forward, we are conscious that we are building on a period of major change. Of particular note was the implementation of the Legal Services Amendment Act which made more people eligible for legal aid. There have been significant changes to our granting and debt operations, and cementing in these changes will continue.

It is vital that everyone who is entitled to legal aid schemes can access them. We rely on the willingness and commitment of legal aid lawyers. Government increased our funding for legal aid in 2008-09 and as a result we will increase the rates for legal aid lawyers by 10%. This follows a review by an Advisory Panel that developed a cost of production model which is designed to be updated regularly. We intend reviewing legal aid lawyers' remuneration rates again in 2008/09.

We will be assessing whether the current arrangements for delivering legal aid and related services are value for money and will be providing advice to the Government on that issue.

Already we have piloted an in-house criminal legal aid service. Our Public Defence Service (PDS) is in its fifth year. It has demonstrated its worth through quality and value for money and there is a strong case for it to be made permanent. We will give effect to any Government decisions on the future of PDS.

It is important that all legal lawyers can interact with the Agency in a streamlined way, with the Agency still retaining its stewardship of public funds. In 2008-09, we will be making improvements to how we grant family legal aid. Other areas of law will also be under consideration.

Alongside that, we will improve our ability to undertake our daily business as well as advancing important initiatives. We intend undertaking an operational review that will assess objectively whether we are currently cost effective and what it will take to succeed.

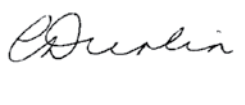
We are fortunate to have Government funding to replace our archaic IT system. This will be a great help as much of our operations and desired changes rely heavily on it.

Overriding all these considerations is our involvement with legal aid lawyers and community law centres. Along with our Public Defence Service staff, they are the cornerstones of effective services to people who need legal help.

We have a high regard for Community Law Centres and the work they do. They deal with the every day legal needs of people who would otherwise not be able to get legal help. We have been fortunate over the last few years to have increased revenue for funding these services. The Special Fund is derived from the interest of nominated solicitors' trust accounts. The effect of the declining housing market on this fund will need to be kept under careful watch. We are keen to achieve our aims to get optimum and a fair distribution across the country while ensuring that centres have sufficient funding to be effective.

Helping people access justice relies on many people. We need legal aid lawyers, community law centres and our staff to continue to help us meet the challenges.

We are very grateful for the support we receive.



Carole Durbin
Chair



Tim Bannatyne
Chief Executive



THE AGENCY

ROLE OF THE AGENCY

GOVERNANCE, ORGANISATION AND COMMITMENTS

ROLE OF THE AGENCY

Statutory position

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

The Agency's statutory functions provide the basis for the following more detailed descriptions of the Agency's roles.

Administration of legal aid and related schemes

The Agency's fundamental purpose is to help people with unmet legal needs and insufficient means to pay to access justice. It does this through the administration of the legal aid scheme and two related schemes, the Duty Solicitor scheme and the Police Detention Legal Assistance scheme.

The legal aid scheme provides grants of legal aid that enable eligible applicants to be represented in criminal, civil, family and Waitangi Tribunal legal matters. Legal aid can be granted for a range of civil matters, including general civil litigation, mental health, refugee, ACC, employment, and for cases before the Māori Land and Māori Appellate Courts. Administration of the legal aid scheme involves five 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 to be, or that has been, 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
- managing debt repayment by the legally aided person, where required.

The Police Detention Legal Assistance scheme, (PDLA), funds lawyers to advise and assist people being questioned, arrested or held by the Police. The Duty Solicitor scheme provides funding for lawyers to be present in district courts to give initial advice and representation, and to help with applications for legal aid.

Since May 2004, the Agency has also been piloting the Public Defence Service (PDS), an in-house criminal legal aid service, at the Auckland and Manukau District Courts. The primary objective of the PDS is to provide high quality, consistent, independent and value for money services to legally aided persons. The PDS pilot is scheduled to end in April 2009.

Administration of community legal services

Community law centres (CLCs) are organisations whose primary function is, or includes, providing community legal services to communities with unmet legal needs, and in particular to people with insufficient means to pay for legal services. There are currently 27 CLCs. Some have a geographic focus and others focus on the needs of specific communities of interest, for example, young people.

The principal source of funding for CLCs is the interest earned on solicitors' nominated trust accounts. Under the Agency's National Funding Policy, which was finalised in 2006 after consultation with CLCs, the Agency distributes funding among CLCs to achieve a balance of:

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

The Agency contracts with CLCs to provide the following legal services:

- legal advice, assistance and representation
- legal information and law-related education
- law reform and advocacy work on behalf of the community.

Administration of law-related education and legal information

As part of promoting access to justice, the Agency makes law-related education and legal information available to the public or sections of the public. Law-related education and legal information services provided to the public cover:

- rights and responsibilities under the law
- how to avoid legal problems
- how to address legal problems
- solutions to legal issues and problems.

The Agency may also undertake or fund research into existing or proposed legal aid schemes and community legal services, and the unmet legal needs of communities.

Advice to the Minister

The Agency investigates and advises on any matters referred to it by the Minister of Justice. The Agency also supports the Minister in meeting obligations to Parliament.

The Legal Aid Review Panel

The Agency funds and provides administrative support for the operation of the Legal Aid Review Panel, (the Panel), which was set up in accordance with section 62 of the Act. The Panel's role is to enable legal aid applicants and lawyers to obtain an independent review of Agency decisions. The Panel may uphold Agency decisions or direct the Agency to reconsider. The Agency may appeal decisions on points of law to the High Court.

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
- Joy Liddicoat
- Jane Taylor.

The Board generally meets nine 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. The Board has also delegated responsibility for establishing and operating a risk management programme to the Chief Executive.

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 three external members. The other external members are Dame Margaret Bazley DNZM and Ross Tanner. 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 (PAC) 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 CLCs
- 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 of PAC and the sectors they represent are shown in the following table.

Lynne Barraclough	Māori
Deb Christiansen	People with disabilities
Jim Guest (co-chair)	Legal profession
John Hancock (co-chair)	Youth
Penelope Nicholas	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

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

Offices and Staff

The Agency has a Head Office, a Debt Management Office and 12 legal aid offices in four regional groupings. The two Public Defence Service offices are located in Auckland and Manukau. Contact details for all offices are shown in Appendix 2.

As at 1 May 2008, the Agency employed 242 staff (212.36 Full Time Equivalents), of whom 41 (36.24 FTEs) were on fixed term contracts, including 25 in the pilot Public Defence Service.

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 (MOU) which is negotiated on an annual basis. The MOU 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 MOU, the Agency reports three times each year on progress towards the achievement of its outputs. Through these four-monthly reports in 2008/09, the Agency will also provide the Minister with updates on:

- operation of the new eligibility criteria and debt management provisions implemented under the Legal Services Amendment Act 2006
- the review of provider remuneration rates
- changes in provider coverage
- the Public Defence Service pilot
- progress towards streamlining the administration of standard family legal aid grants
- improvements to the initial criminal legal services
- modernisation of the Agency's information technology
- the effectiveness of Community Law Centres
- other significant issues that the Agency wishes to draw to the attention of the Minister.

Commitments

The Agency is committed to the following:

Mission

Helping people access justice.

Vision

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

Values

- Fairness
- Integrity
- Responsiveness
- Respect

Guiding principles

Applying the guiding principles of:

- equality before the law
- delivering effective and high quality services based on need
- recognising choice in responding to diverse communities
- being innovative and progressive in developing solutions
- being consistent, transparent, and accountable in decision-making
- working collaboratively with government agencies, community organisations and key stakeholders to help people access justice services.

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STRATEGIC DIRECTION

OPERATING ENVIRONMENT

CONTRIBUTION TO GOVERNMENT PRIORITIES
AND JUSTICE SECTOR OUTCOMES

OUTCOME 1 – LEGAL AID AND RELATED SCHEMES

OUTCOME 2 – COMMUNITY LEGAL SERVICES

OUTCOME 3 – LAW-RELATED EDUCATION AND
LEGAL INFORMATION

CAPABILITY

OPERATING ENVIRONMENT

Demand and eligibility

The Agency funds and provides public legal services to the community in a context where the changing complexity of peoples' personal and social problems may be reflected in their need for legal services.

The Agency, therefore, is to a large extent demand-driven. Furthermore, the demand for different legal services will be affected by different drivers. To illustrate, the demand for criminal legal aid and for PDLA and Duty Solicitor services may vary in relation to changes in the numbers of persons being detained and questioned by the Police, the numbers appearing before the Courts, and the seriousness of the cases. The demand for family legal aid may vary with changes in social and economic conditions, resulting in fewer or more people experiencing family problems such as domestic violence or difficulties in reaching agreement on arrangements for child care. The demand for legal aid to support Treaty claims and settlement negotiations is likely to change in response to changes in Government deadlines.

The demand for different types of legal aid over time will also be affected by changes in the number of people who meet the eligibility criteria. Thresholds for eligibility are set in Regulations under the Legal Services Amendment Act (1 March 2007). Eligibility is affected by changes in income from benefits, salaries or wages, and by changes in disposable capital, for example, the value of assets such as houses. New thresholds can be set if there is a 5% increase in the Consumer Price Index (based on the CPI All Groups Index which is measured quarterly). We anticipate changes to the thresholds during the period of this Statement of Intent. This will increase the number of people eligible for legal aid from the date any new regulations come into effect.

Access to legal aid lawyers

A defining feature of the legal aid and related schemes in New Zealand is the Agency's reliance on the expertise and commitment of private lawyers to advise and represent people.

The availability of legal aid lawyers varies across the country. Nationally, the number of legal aid lawyers for criminal cases has remained steady over time, but there has been a steady decline in the number of lawyers willing to undertake family legal aid cases. Under current conditions we envisage that these trends will continue. The national figures and trends, however, disguise variations in the supply of legal aid lawyers at local level. The Agency is observing greater difficulties for prospective legally aided persons in some provincial towns for family legal aid in particular. Where necessary, the Agency intervenes to address access issues in affected locations.

Simplification of criminal Court processes

The Agency currently contributes to the efficiency of criminal Court processes by:

- processing 93% of applications for legal aid for criminal cases within one working day
- providing overnight reports to the Ministry of Justice on legal aid assignments
- administering the Duty Solicitor scheme.

Initiatives by the Ministry of Justice to further reform and streamline Court processes and reduce waiting times for cases to be heard may have implications for duty lawyers, legal aid lawyers and the Agency's processes. The Agency has already identified ways of improving the operation of the Duty Solicitor scheme through testing at several district courts. During the term of this Statement of Intent, the Agency will consider introducing these arrangements on a permanent basis at the test courts and extending them to other busy courts.

Access to community law centres

The Agency's target population is people with insufficient means to pay and the greatest unmet need of legal services. This population is estimated at 465,000 people based on 2006 census data and information provided by the Ministry of Social Development. Currently an estimated 417,000 people, or 89% of the Agency's target population, have access to a CLC or CLC outreach services in the territorial local authority area (TLA) area where they live. Fifty nine TLAs (out of 73) have some form of CLC coverage in their area.

Waitangi Tribunal

The Agency supports the resolution of Waitangi Tribunal claims by funding legal aid for legal services to Māori groups who have claims registered with the Tribunal and also to mandated groups subsequently undertaking settlement negotiations with the Crown. The applicant for legal aid represents a group of people, unlike applicants in other civil proceedings.

The Agency is currently managing a total of 644 open files for Waitangi legal aid. In the nine months to 31 March 2008, 132 grants were made, an increase of 47% over the same period last year. Some of the increase can be attributed to the Government deadline of 1 September 2008 for the lodgement of all historical claims with the Tribunal. The increased number of smaller claims being registered in some Inquiry districts has also contributed to the increase.

The Agency anticipates an increase in applications for legal aid funding for settlement negotiations over the next few years as the Tribunal releases reports following the completion of inquiries.

CONTRIBUTION TO GOVERNMENT PRIORITIES AND JUSTICE SECTOR OUTCOMES

Justice sector contribution to Government priorities

The Government has set three high-level, long-term priorities for the next decade on which the success of the social, economic, political and cultural activities of the nation will be built.

- Economic Transformation
- Families – Young and Old
- National Identity

The sector's overall outcome 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 secure and that they live in a society where civil and democratic rights and obligations can be enjoyed.

An important civil right is that justice must be accessible to all who require it. Key components include access to information, advice and representation.

Accessible information is information that makes individuals aware of their rights and obligations. It includes information that 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 to culturally, geographically, socially, physically and economically diverse communities. It also needs to be available in a variety of forms, for example, on-line and in hard copy.

Advice and representation can only be accessible if they are relatively affordable and readily available in a timely manner and suitable location. Individuals and families are unlikely to feel secure in communities where only those who can afford to pay can access competent advice and representation.

The Agency makes a significant contribution to the sector outcome area *Accessible Justice Services*. It also contributes to the *Durable Settlement of Treaty Claims* outcome area by funding legal aid for claimants. A third contribution is to the *Trusted Justice System* outcome area by better meeting the needs of users, adapting to the changing needs of society, and being accountable for its decisions and actions.

Figure 1: Justice sector contribution to government priorities

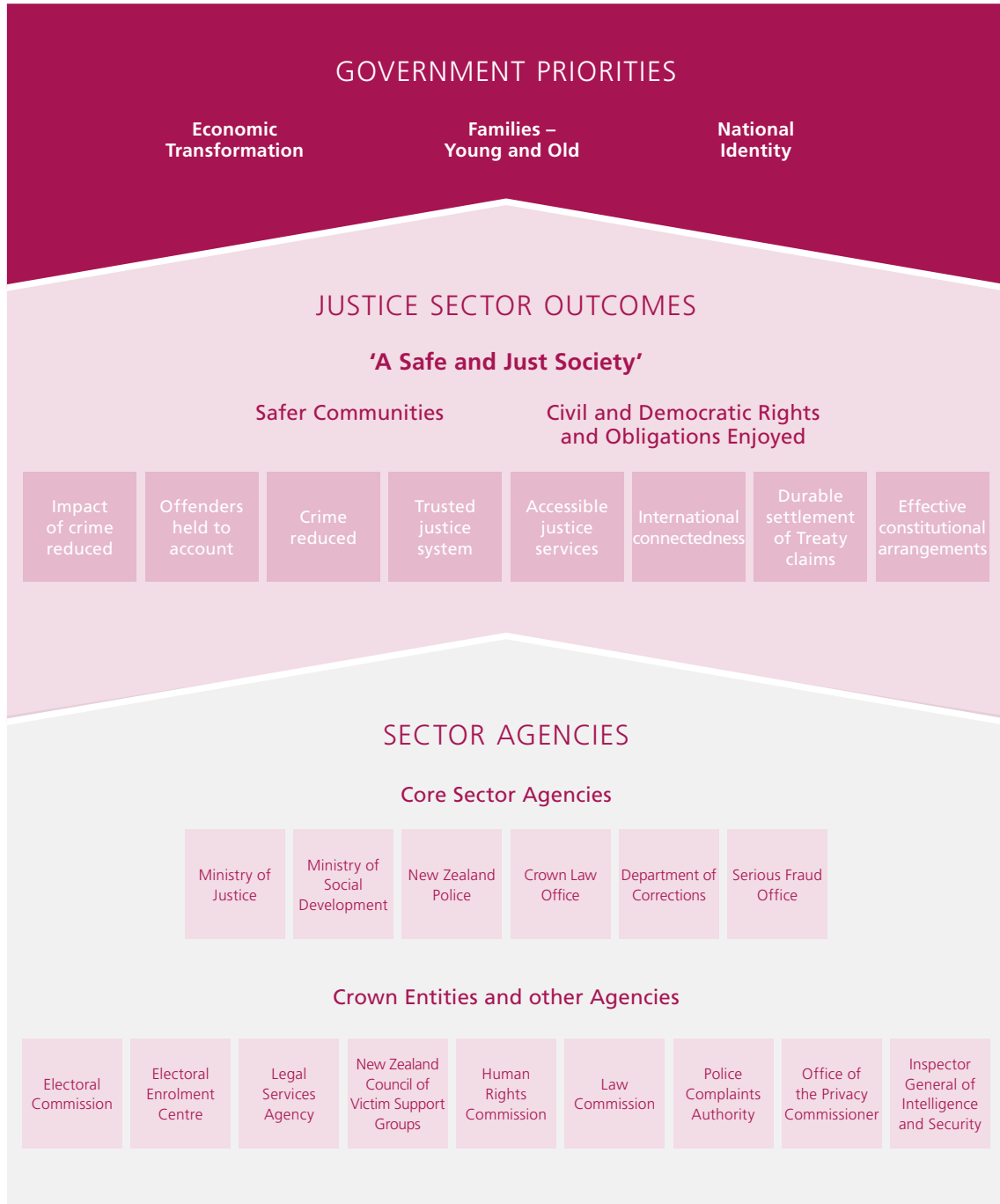
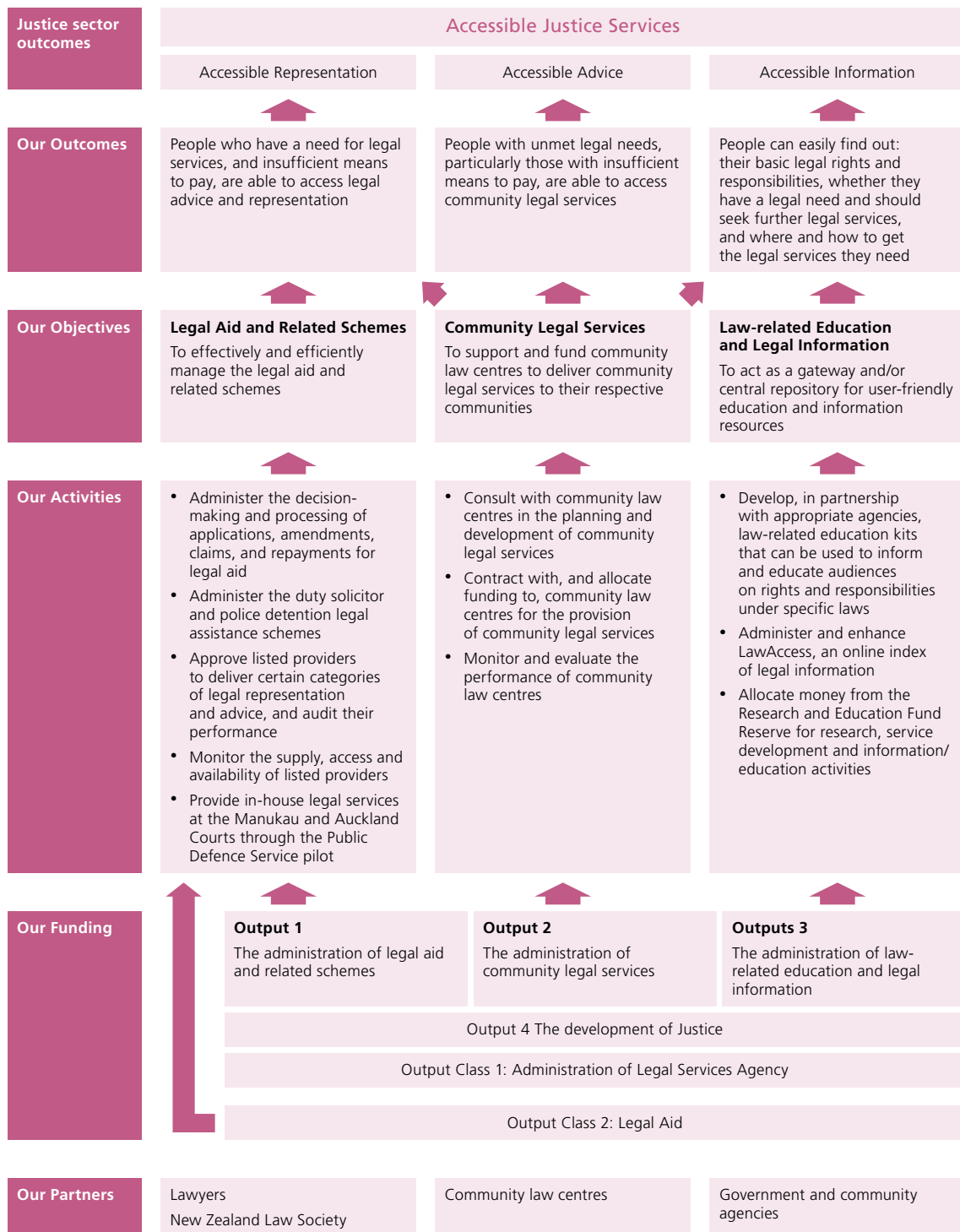


Figure 2: The Legal Services Agency Outcome Framework



OUTCOME 1 – LEGAL AID AND RELATED SCHEMES

People who have a need for legal services, and insufficient means to pay, are able to access legal advice and representation.

Medium-term intentions 2008–2011

The Agency will continue to:

- enable targeted communities of interest to be aware of, and understand eligibility for and access to, legal services provided under the Legal Services Act
- ensure adequate access to legal aid lawyers and duty solicitors in areas where difficulties are identified
- consolidate the significant changes of the last few years to ensure the quality of Agency decision-making and improve the efficiency of the administration of the legal aid schemes
- enhance the quality and availability of the initial legal services provided to those being questioned by the Police or making their first appearance before the Courts
- investigate options for further direct delivery of legal services.

Key priorities for 2008/09

In 2008/09, the Agency aims to:

- give effect to Government's decision on the future of the Public Defence Service
- implement Government's decision to fund increases in provider remuneration in 2008/09 and undertake a further review
- complete a review with the Ministry of Justice of the services provided using legal aid funding
- implement and continue to develop an audit programme that evaluates the quality and value of the services provided by legal aid lawyers
- implement solutions developed with local stakeholders to ensure that all people eligible for legal aid can access legal services
- implement the first phase of a streamlining approach to the administration of standard family legal aid grants
- implement a stakeholder relationship strategy for legal aid lawyers.

Risks and emerging issues

Legal aid lawyer availability

The Agency's annual report about the supply and distribution of legal aid lawyers listed with the Agency, and the assignment of matters to those lawyers shows that availability is variable across the country for different areas of law. There is a risk that availability might reduce still further in some locations if legal aid rates continue to fall behind rates in the private sector.

The Agency intends to manage supply risks through further analysis of the coverage data collected over the last three years to achieve a better understanding of trends in supply and demand and by developing targeted interventions such as arranging for lawyers from other locations to cover shortages and using alternative contracts where necessary.

Forecasting risks

The demand for legal aid is not 'capped' and is affected by a number of factors outside the influence of the Agency, including demographic trends, Government policies (e.g. new legislation that might affect immigration), economic well-being, policing priorities, and the number of police in different parts of the country. The challenge for the Agency is to be able to forecast legal aid in an uncertain environment and to allocate its resources to manage a variable case load in different parts of the country.

The Agency is managing this risk by continuing to improve its forecasting model to enable better fiscal projections to be developed, and improved understanding of the administration resource required to manage legal aid demand.

Compensation for historical sexual abuse

Several hundred individuals have been granted legal aid to pursue claims of historic sexual abuse against government care agencies and psychiatric institutions. The initial four cases were largely unsuccessful and all existing and new cases are now being reviewed on their merits, taking into account the judgements in these cases. The cost of legal aid and the cost of administering these cases have already been substantial. There is potential for these costs to continue to grow significantly, depending on the outcome of the reviews the Agency is undertaking.

Key financial and non-financial performance measures

During 2008/09, the Agency intends enhancing its outcome framework with a number of key intermediate outcomes to guide further development of its contribution to the justice sector outcomes of *Accessible Representation* and *Accessible Advice*. An enhanced framework will assist the Agency to identify a small number of key outcome and intermediate outcome measures that have a strong influence on the Agency's core business processes. Baseline data for some measures is available from the Agency's *Unmet Legal Needs Survey* which was first conducted in 2006.

The Agency made substantial progress during 2007/08 towards the development of a suite of performance measures for its debt management activities at all levels from the performance of individual staff to the proportion of debt that is recovered for the Crown from legally aided persons. The Agency expects to make decisions during the term of this Statement of Intent on suitable performance measures for debt for inclusion in future forecast statements of service performance.

The Agency has started developing and testing a Quality Audit Programme under section 78 of the Legal Services Act 2000 to provide a more comprehensive assessment of the quality and value of the services provided by legal aid lawyers. If implemented more widely, this programme may provide a source of quality performance measures for financial and non-financial aspects of Output Class 2, the provision of legal aid.

OUTCOME 2 – COMMUNITY LEGAL SERVICES

People with unmet legal needs, particularly those with insufficient means to pay, are able to access community legal services.

Medium Term Intentions 2008–2011

Over the next three-year period, the Agency plans to:

- work with CLCs to define and implement standards for service delivery
- achieve a balance of optimum coverage, equity of service delivery hours and effectiveness of CLCs within the funds available.

Key priorities for 2008/09

In 2008/09, through its funding programme of CLCs, the Agency aims to:

- work with CLCs to review definitions for contracted service delivery
- increase the level of service delivery to improve access to community legal services in Northland, West and Central Auckland, the Canterbury region and the West Coast.

Risks and emerging issues

Funding

For the year to June 2009, the New Zealand Institute of Economic Research has forecast a yield of \$9.4 million for the Special Fund from interest earned on solicitors' nominated trust accounts, but this is forecast to fall to \$7.8 million for the year to June 2010. This forecast was based on trends in house prices and sales and interest rates in October 2007. The Agency has adopted a more optimistic Purchase Plan for 2008/09 in anticipation that some of the impact of this loss of income will be offset by implementation of the Lawyers and Conveyancers' Act 2006. This will see an increase from 50% to 60% in the share of the Special Fund available to CLCs. While the Lawyers and Conveyancers' Act is expected to come into force on 1 August 2008, this is not yet confirmed. Maintenance of current service levels in 2009/10 may therefore require increased use of the Agency's CLC reserves. In the event of unanticipated funding decreases, the Agency will reconsider its priorities and may postpone plans to expand the community legal services available to some communities. In addition, some CLCs may need to reprioritise their existing service provision and operations to best fit within the available funding levels.

CLC capacity to meet the needs of additional clients

The Agency's *Unmet Legal Needs Survey* in 2006 showed that 48% of the population were aware of CLCs. Those who have never heard of CLCs include 62% of those with personal and household incomes under \$10,000. There is potential to increase awareness of community law services through national promotion. Any additional demand for existing services, or demand for new services may require some CLCs and their stakeholders to review and prioritise their existing programmes to ensure these are reflecting needs.

Key financial and non-financial measures

The Agency's target population is people with insufficient means to pay and the greatest unmet need of legal services. Currently around 417,000 people, or 89% of the Agency's target population, have access to a CLC or CLC outreach services in the territorial local authority (TLA) area where they live. Fourteen TLAs (out of 73) do not have CLC coverage in their areas.

Over the next three years, the Agency will obtain updated information about the following measures or suitable alternatives:

- the percentage of the Agency's target population with access to a CLC or CLC outreach services in their TLA area
- the number of TLAs that do not have CLC coverage
- the percentage of the NZ population who are aware of CLCs
- the percentage of the population with low personal or household incomes who have never heard of CLCs.

The Agency also intends to set up performance measures to provide information about progress towards achievement of two of the goals in the Agency's National Funding Policy, optimum coverage and equity of access.

Progress towards optimum coverage will be measured by tracking the number of people 15 years and over with low incomes in TLA areas where community legal services can be accessed within the funding available.

Progress towards equity of access will be measured by tracking the extent to which the additional hours of service delivery within the funding available enable CLCs to provide access relevant to the size and nature of their communities.

OUTCOME 3 – LAW-RELATED EDUCATION AND LEGAL INFORMATION

People can 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.

Medium Term Intentions 2008–2011

Over the next three-year period, the Agency will continue to work collaboratively with other justice agencies, non-government organisations and the wider public sector to improve people's access to legal information and law-related education resources.

The Agency will:

- extend the range of education and information materials and resources relating to rights and responsibilities under the law
- continue to develop and promote LawAccess as the central online source for New Zealand law-related information
- develop services that better meet the needs of Māori
- develop key information resources in languages other than English.

Key priorities for 2008/09

In 2008/09, the Agency will:

- expand the content of the LawAccess site by developing additional information on topics including consumer credit, family and domestic violence, youth justice and victims of crime
- undertake work to further understand the legal needs of Māori and the most appropriate channels to use to meet these needs.

Risks and emerging issues

No risks or emerging issues have been identified.

Key financial and non-financial measures

Major research conducted by the Agency in 2006 provides a rich source of baseline data about progress towards the justice sector outcome *accessible information*. The research showed that, of an estimated 780,000 people with serious problems, about one third said that they only wanted legal information so that they could sort the problem out for themselves. A further third wanted information and a basic level of support.

These two statistics have potential as future intermediate outcome measures. Other potential measures include:

- awareness of LawAccess, the Agency's website for law-related information
- the percentage of the population who were able to access the legal information they wanted.

The Agency expects to be able to provide updated information on these or suitable alternative measures within the term of this Statement of Intent.

CAPABILITY

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.

Medium Term Intentions 2008–2011

The Agency's success in ensuring all eligible people can access legal services in a timely and efficient manner depends on its people, its information systems and its relationships with key stakeholders. Over the next three-year period, the Agency will:

- continue to develop its organisational capability and implement strategies to recruit and retain quality staff
- continue to improve and develop the Agency's IT capability to support efficient and effective services.

Key priorities for 2008/09

In 2008/09, the Agency will:

- undertake a review of the cost effectiveness of the Agency's operations
- implement strategies to improve recruitment and retention of staff
- modernise the core IT system for processing legal aid applications, grants, and establishing and managing debts
- support grants and debt staff with training and resources in order to make further improvements to the consistency and quality of decision-making
- identify options to improve IT disaster recovery.

Risks and emerging issues

Funding pressures

The Agency is managing cost pressures associated with the cumulative impact of market movements on staff salaries, and higher information technology and other operating costs. During the period of this Statement of Intent, the Agency will review its current approaches to delivering access to justice with a view to identifying more efficient and effective ways of meeting clients' needs.

IT capability

A key risk is that the Agency is now reliant on large and complex IT systems that are increasingly expensive to operate. The Agency manages this risk by reviewing IT capability regularly to identify ways of ensuring that its systems, support services and human resources are adequate to meet growing and more complex business needs.

Recruitment and Retention

The Agency's high turnover remains an issue. It has been difficult to retain staff who feel under pressure from the increasing complexity and numbers of decisions they have to make within specified criteria for timeliness and quality. In addition, salary ranges have not been sufficient to attract suitably qualified applicants for some positions particularly in Head Office and Auckland. The Agency is attempting to manage these risks through new approaches to the recruitment of grants officers and a number of other "good employer" initiatives. The Agency takes some comfort from the fact that it is not the only organisation that is experiencing recruitment and retention issues.

Key financial and non-financial measures

The Agency has put in place the following key financial and non-financial measures to assess whether its medium term intentions for the period of the SOI have been met.

Quantity

- Net annual turnover of staff
- Average length of staff service for permanent employees.

Quality

The migration to a new core IT application meets provisions of the State Service Commission best practice guidelines for major IT upgrades which are relevant to a project of this scale and complexity.

Timeliness

By 30 July 2009, the Agency will have completed the modernisation of its core IT application through the Legal Services Management System project, and by 30 June 2011, will also have delivered further enhancements to the application within the existing project appropriation.

3

STATEMENT OF FORECAST SERVICE PERFORMANCE 2008/09

OUTPUT CLASS 1:
ADMINISTRATION OF LEGAL SERVICES AGENCY

OUTPUT CLASS 2: LEGAL AID

FORECAST STATEMENT OF FINANCIAL PERFORMANCE

FORECAST STATEMENT OF MOVEMENTS IN EQUITY

SUMMARY OF NET OPERATING ACTIVITIES

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

Output 1: The Administration of Legal Aid and Related Schemes

This output involves:

- managing the payment of legal aid funds appropriated to the Minister of Justice for the provision of legal aid for persons of insufficient means to pay for those services
- managing the decision-making and processing of legal aid applications, amendments, claims and repayments
- providing and administering schemes such as 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.

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Quantity		
No of criminal legal aid applications administered	61,800 – 63,800	60,000 – 65,000
No of civil legal aid (family) applications administered	21,700 – 23,700	23,000 – 27,000
No of new civil legal aid (other) applications administered	2,450 – 2,950	2,300 – 2,700
No of criminal legal aid debts established	26,000 – 28,000	15,000 – 20,000
No of civil (family) legal aid debts established	4,000 – 6,000	7,500 – 10,000
No of civil (other) legal aid debts established	670 – 1,170	1,000 – 1,500
No of Active Final Repayment Plans under the Legal Services Act 2000 as amended in 2006.	6,000 – 8,000	
Percentage of Active Final Repayment Plans on target	80%	
Repayments received against forecast under the Legal Services Act 2000:		
• amount	\$7.4 million	
• percentage	100%	
Repayments received against forecast under the Legal Services Act 2000 as amended in 2006:		
• amount	\$4.1 million	
• percentage	100%	
Number of provider applications administered	550 – 600	550 – 600
Timeliness		
Percentage 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%

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Percentage of family applications that are processed within the turnaround standard of:		
• 5 working days	75%	75%
• 15 working days	95%	95%
Percentage of criminal applications processed within the turnaround standard of:		
• 1 working day	93%	93%
• 15 working days	95%	95%
Number of files reviewed in provider compliance audits	114	114
Quality		
% accuracy of granting decisions for compliance with relevant legislation, regulations and Agency policy	95%	95%
% accuracy of debt recovery decisions for compliance with relevant legislation, regulations and Agency policy	95%	95%
% of inbound phone calls to the Debt Management Group that meet Agency quality criteria	80%	

Output 2: The Administration of Community Legal Services

This output involves:

- consulting with community law centres in the planning and development of community legal services
- contracting with and allocating funding to community law centres, in accordance with the National Funding Policy, for the provisions of community legal services
- monitoring and evaluating the performance of community law centres through a programme of receiving regular reports, visits, audits and assessments/reviews.

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Quantity		
Number of contracts with CLCs managed by Agency	27–30	
Number of CLC compliance audits undertaken	3	
Quality		
Approach and practices used to enter into and monitor contracts for community legal services are consistent with Agency quality expectations.	95%	
Timeliness		
Percentage of CLCs advised of approved funding levels by 16 June 2009	100%	100%

Output 3: The Administration of Law Related Education and Legal Information

This output involves the development and provision of law-related education (LRE) and legal information either directly by the Legal Services Agency or through contracts with other appropriate individuals or organisations. LRE and legal information assist an audience to better understand a law or body of laws, and promote access to justice by providing the audience with information required to exercise their legal rights and responsibilities.

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Quantity		
Number of legal information resources available from the Agency	40	
Number of legal information resources distributed to the community	30,000	
Number of law-related education resources available from the Agency	6	
Quality		
Percentage of law-related education and information resources supported by the Agency that meet criteria	100%	100%
Percentage of organisations whose resources are accepted for inclusion in LawAccess that meet criteria.	100%	100%

Output 4: The Development of Access to Justice

This output arises from the requirements of the Legal Services Act 2000 and involves the provision of information, research, analysis and advice on services. It includes providing the Minister of Justice with policy advice on issues relating to the provision of legal services, including research management and pilot plans.

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Quantity		
Policy advice and information that the Agency provides to the Board and the Minister on strategic developments to improve access to justice and the delivery of legal aid	As needed	As needed
Number of draft replies prepared to written Parliamentary Questions	50	50
Quality		
Policy advice will conform to quality criteria. It will display aims, logic, accuracy, options, consultation, practicality and presentation	95% of reports	95% of reports
Timeliness		
Policy advice and information will be provided in time to meet the requirements of the Board and Minister	95% of reports	95% of reports

Forecast Financial Performance Output Class 1

	2006/07 Actual	2006/07 Actual	2007/08 Budgeted	2007/08 Estimated Actual	2008/09 Forecast
	NZ GAAP \$000	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000	NZ IFRS \$000
Revenue					
Crown Funding – Administration	18,632	18,632	18,639	18,639	17,952
Interest – Research and Education Fund	724	724	600	600	600
Interest – administration funds	700	700	500	500	500
Other income	12	12			
Total administration revenue	20,068	20,068	19,739	19,739	19,052
Expenditure					
Administration expenditure	18,682	18,682	20,292	19,659	20,691
Operating – research and education	899	899	500	1,181	500
Total Expenditure	19,581	19,581	20,792	20,840	21,191
Operating (Deficit)/Surplus	487	487	(1,053)	(1,101)	(2,139)

OUTPUT CLASS 2: LEGAL AID

Forecast Service Performance

Objective:

The objectives under this output class are:

- to discharge the financial responsibilities of the Agency, mandated by the legislation, to make payments to:
 - legal practitioners for services provided in respect of legal aid, the Duty Solicitor scheme, and the Police Detention Legal Assistance scheme
 - Community Law Centres
- to fund the operation of the Public Defence Service pilot.

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Quantity		
Projected number of criminal cases granted	55,000 – 57,000	52,500 – 57,500
Projected number of family cases granted	19,700 – 21,700	20,500 – 26,000
Projected number of civil (other) cases granted	1,950 – 2,450	2,000 – 2,500
Projected number of Police Detention Legal Assistance scheme contacts	13,000 – 17,000	13,000 – 17,000
Projected number of hours delivered under the Duty Solicitor scheme	93,000 – 100,000	89,000 – 96,000

Public Defence Service pilot

Performance Measures	Performance Standard 2008/09	Performance Standard 2007/08
Quantity¹		
Number of criminal legal aid cases assigned to PDS	1,900 – 2,460	2,100 – 2,500
Number of Duty Solicitor hours provided	1,300 – 1,600	1,200 – 1,600
Quality		
PDS legal services quality meets the terms and conditions of the Statement of Service as set out below.	No more than 5% of complaints relating to the quality of legal service delivery are upheld	No more than 5% of complaints relating to the quality of legal service delivery are upheld
Timeliness		
PDS notifies LSA Grants of the closure of a case within 5 working days	95%	95%

¹ The standards for the number of legal aid cases and duty solicitor hours are based on the assumption that there will be no reduction in the number of cases assigned to the Agency in the period leading up to the end of the PDS pilot on 1 May 2009, and no reduction in rostered duty solicitor duties. It also assumes that the Agency will be able to retain sufficient staff to service these standards. Delivery of the standards is also subject to the way the Agency assigns cases, changes in demand and changes in court processes.

Forecast Financial Performance Output Class 2

For the year ending 30 June 2009

	2006/07 Actual NZ GAAP \$000	2006/07 Actual NZ IFRS \$000	2007/08 Budgeted NZ IFRS \$000	2007/08 Estimated Actual NZ IFRS \$000	2008/09 Forecast NZ IFRS \$000
Income					
<i>Government Grant – Legal Aid</i>					
Private providers	96,008	95,575	108,395	114,170	126,662
Public Defence Service	3,687	3,687	2,243	2,953	2,634
Community law centres	267	267	267	267	267
Crown Funding Accrual			23,874		
Total Government Grant – Legal Aid	99,962	99,529	134,779	117,390	129,563
<i>Contributions and Repayments by Legally-Aided Parties</i>					
Revenue from Contributions – 2000 Act Grants	8,713	8,713	26,640	6,159	7,427
Revenue from Repayments – 2006 Act Grants	1,219	1,219		1,884	4,081
Reduction in revenue where receivables exceed legal aid costs	(3,707)	(3,707)	–	–	–
Reduction in revenue where receipts from legally-aided parties exceed legal aid costs	(1,898)	(1,898)	3,250	–	–
Recognition of revenue from legal aid cost accrual	2,780	2,780	(8,323)	–	–
Movement in discounting of receivables to recognise the period of time it takes to recover debt	(3,787)	(3,787)	(3,713)	–	–
Reversal of revenue under NZ IFRS		(3,320)	–	(8,043)	(11,508)
Total Contributions and Repayments by Legally Aided Parties	3,320	–	17,854	–	–
New Zealand Law Society Fund – community law centres	8,815	8,815	9,918	9,918	12,100
Net impairment of receivables		5,560	–	6,000	6,000
Interest – legal aid	2,235	886	900	900	900
Interest – community law centres	139	139	300	300	300
Total Income	114,471	114,929	163,751	134,508	148,863
Expenditure					
Depreciation – Public Defence Service	–	–	99	99	83
Personnel – Public Defence Service	2,759	2,759	2,186	2,194	1,888
Other operating – Public Defence Service	–	–	778	778	656
Payments to private providers – legal aid	88,764	97,643	112,963	109,347	118,055
Legal aid accrual – legal aid	–	–	8,638	3,553	6,783
Operating – community law centres	8,399	8,399	10,332	10,388	11,556
Impairment of Payables	–	5,560	–	6,000	6,000
Total Expenditure	99,922	114,361	134,996	132,359	145,021
Operating (Deficit)/Surplus	14,549	568	28,755	2,149	3,842

FORECAST STATEMENT OF FINANCIAL PERFORMANCE

For the year ending 30 June 2009

	2006/07 Actual NZ GAAP \$000	2006/07 Actual NZ IFRS \$000	2007/08 Budgeted NZ IFRS \$000	2007/08 Estimated Actual NZ IFRS \$000	2008/09 Forecast NZ IFRS \$000
Revenue					
Government Grant – Legal Aid					
Administration	18,632	18,632	18,639	18,639	17,952
Legal aid	99,695	99,262	134,512	117,123	129,296
Community law centres	267	267	267	267	267
Total Government Grant – Legal Aid	118,594	118,161	153,418	136,029	147,515
Contributions and repayments by legally-aided parties	3,320	0	17,854	0	0
New Zealand Law Society Fund – community law centres	8,815	8,815	9,918	9,918	12,100
Interest	3,798	2,449	2,300	2,300	2,300
Net impairment of secured payables	0	5,560	0	6,000	6,000
Other	12	12	0	0	0
Total Revenue	134,539	134,997	183,490	154,247	167,915
Expenditure					
Administration	18,682	18,682	20,292	19,659	20,691
Legal aid	88,764	97,643	121,601	112,900	124,838
Public Defence Service	2,759	2,759	3,063	3,071	2,627
Community law centres	8,399	8,399	10,332	10,388	11,556
Research and education	899	899	500	1,181	500
Impairment of receivables	0	5,560	0	6,000	6,000
Total Expenditure	119,503	133,942	155,788	153,199	166,212
Operating (Deficit)/Surplus	15,036	1,055	27,702	1,049	1,703

FORECAST STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 30 June 2009

	2006/07 Actual NZ GAAP \$000	2006/07 Actual NZ IFRS \$000	2007/08 Budgeted NZ IFRS \$000	2007/08 Estimated Actual NZ IFRS \$000	2008/09 Forecast NZ IFRS \$000
Net (deficit)/surplus	15,036	1,055	27,702	1,049	1,703
Total recognised revenue and expenses for year	15,036	1,055	27,702	1,049	1,703
Capital contribution from the Crown	0	0	376		3,737
Total capital contributions from the Crown	0	0	376	0	3,737
Public equity as at 1 July	(11,569)	19,924	2,870	20,979	18,291
Public equity as at 30 June	3,467	20,979	30,948	22,028	23,731

SUMMARY OF NET OPERATING ACTIVITIES

Summary Indicators \$millions	NZ GAAP 2003 Actual \$M	NZ GAAP 2004 Actual \$M	NZ GAAP 2005 Actual \$M	NZ GAAP 2006 Actual \$M	NZ IFRS 2007 Actual \$M	NZ IFRS 2008 Budget \$M
Total Revenue	107	103	113	126	135	183
Total Expenditure	105	105	114	128	134	156
Net operating activities (Deficit)/Surplus	2	-2	-1	-2	1	27

Summary Indicators \$millions	NZ IFRS 2009 Forecast \$M	NZ IFRS 2010 Forecast \$M	NZ IFRS 2011 Forecast \$M	NZ IFRS 2012 Forecast \$M
Total Revenue	168	168	168	168
Total Expenditure	166	166	166	166
Net operating activities (Deficit)/Surplus	2	2	2	2

FORECAST STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	2006/07 Actual NZ GAAP \$000	2006/07 Actual NZ IFRS \$000	2007/08 Budgeted NZ IFRS \$000	2007/08 Estimated Actual NZ IFRS \$000	2008/09 Forecast NZ IFRS \$000
Public Equity					
Administration	7,825	7,825	7,060	7,305	5,066
Legal Aid	(17,824)	(312)	10,539	1,740	4,471
Community law centres	4,081	4,081	4,031	4,178	5,289
Research and education	9,385	9,385	9,318	8,805	8,905
Total Public Equity	3,467	20,979	30,948	22,028	23,731
Represented by:					
Current assets					
Cash and cash equivalents	544	26,388	30,652	25,045	23,083
Short-term investments	25,844	0	0	0	0
Legal aid debtors		5,090	4,276	13,292	17,279
Crown funding receivable		34,581	29,637	39,356	41,762
Receivables	6,746	2,270	200	1,432	1,432
Total current assets	33,134	68,329	64,765	79,125	83,556
Non-current assets					
Legal aid debtors	12,074	11,097	12,532	13,335	17,335
Property, plant and equipment	3,204	1,930	2,423	1,573	3,189
Intangible assets		1,274		850	2,780
Total non-current assets	15,278	14,301	14,955	15,758	23,304
Total Assets	48,412	82,630	79,720	94,883	106,859
Current liabilities					
Payables	44,319	49,928	48,222	58,971	65,244
Employee entitlements	626	626	550	550	550
Total current liabilities	44,945	50,554	48,772	59,521	65,794
Non-current liabilities					
Legal aid liability	0	11,097		13,335	17,335
Total non-current liabilities	0	11,097	0	13,335	17,335
Total Liabilities	44,945	61,651	48,772	72,856	83,129
Net Assets	3,467	20,979	30,948	22,028	23,731

FORECAST STATEMENT OF CASH FLOWS

For the year ended 30 June 2009

	2006/07 Actual NZ GAAP \$000	2006/07 Actual NZ IFRS \$000	2007/08 Budgeted NZ IFRS \$000	2007/08 Estimated actual NZ IFRS \$000	2008/09 Forecast NZ IFRS \$000
Cash flows-operating activities					
<i>Cash provided from:</i>					
Supply of outputs to the Crown	18,632	18,632	18,639	18,639	17,952
Legal aid funding from the Crown	100,326	100,326	104,875	112,511	120,307
Community law centre funding from the Crown	267	267	267	267	267
Capital Contribution from Crown	–	–	376	376	3,500
Contributions and repayments by legally-aided parties	4,117	4,117	11,052	(26)	292
New Zealand Law Society Special Fund	8,815	8,815	9,918	9,918	12,100
Interest received	2,241	2,241	2,300	2,300	2,300
Other income	12	12	0	0	0
Net Goods and Services Tax	2,571	2,571	(460)	(676)	(782)
	136,981	136,981	146,967	143,309	155,936
<i>Cash applied to:</i>					
Payments for legal aid	102,080	102,080	108,977	109,513	118,055
Purchase of 1969 Act debt from the Crown	–	–	–	–	–
Payments to community law centres	8,543	8,543	10,332	10,388	11,556
Payments for research and education	856	856	500	1,181	500
Payments to employees	12,829	12,829	13,596	14,754	14,906
Payments to suppliers	7,282	7,282	8,498	8,199	8,773
	131,590	131,590	141,903	144,035	153,790
Net cash inflow/(outflow) from operating activities	5,391	5,391	5,064	(726)	2,146
Cash flows – investing activities					
<i>Cash provided from/(applied to):</i>					
Short-term investments with NZ banks	(2,236)				
Purchase of property, plant and equipment	(3,103)	(1,914)	(800)	(67)	(2,009)
Purchase of intangible assets	0	(1,189)		(550)	(2,100)
Net cash inflow from financing activities	(5,339)	(3,103)	(800)	(617)	(4,109)
Net increase/(decrease) in cash and cash equivalents	52	2,288	4,264	(1,343)	(1,963)
Opening cash and cash equivalents	492	24,100	26,388	26,388	25,045
Closing cash and cash equivalents	544	26,388	30,652	25,045	23,083

STATEMENT OF ACCOUNTING POLICIES

For the year ending 30 June 2009

Reporting Entity

These are the forecast financial statements of the Legal Services Agency, (the Agency), a Crown entity in terms of the Crown Entities Act 2004.

These 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 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.

Measurement Base

The financial statements have been prepared on a historical cost basis unless otherwise stated. An asset is recognised in the Forecast Statement of Financial Position only when it is probable that the future economic benefits will flow to the entity and the asset has a value that can be measured reliably.

The forecast financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). Compliance with NZ GAAP in this instance means that the forecast figures for the year ending 30 June 2009 comply with NZ International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The significant accounting policies and forecast assumptions all relate to the forecast figures which have been prepared under NZ IFRS.

Basis of Preparation

The accounting policies set out below have been applied consistently to the forecast financial statements.

The reporting period for the forecast financial statements is for the year ending 30 June 2009. These financial statements have been prepared on a historical cost basis unless otherwise stated.

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

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

These forecast financial statements comply with NZ IFRS.

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

Crown funding

The Agency derives the funding receivable due from the Crown to cover legal aid liability and legal aid debtors' receipts in advance, net of legal aid debtors. Funding is by way of annual appropriations from Vote Justice. The Agency records as revenue the amount receivable from the Crown.

Contributions and Repayments from Legally-Aided Parties

Revenue from legally-aided parties comprises contributions, and interim repayments or repayments (repayments) ordered by the Agency as a condition of the legal aid grant. Legally-aided parties are people who are eligible for, and have been granted legal aid by the Agency.

The contributions and repayments are based on an assessment of the ability of legally-aided parties to repay the grant received, either from disposable income or capital, or from proceeds arising from legal proceedings. The contributions and repayments may be secured by charges over property, which have been authorised by the legally-aided parties as condition of the legal aid grant. Since most of the secured debt of the Agency is registered under the Land Transfer Act 1952, it may be many years before the secured asset is sold and the Agency can recover the original debt.

Contributions and repayments ordered by the Agency are recognised as revenue up to the value of costs incurred on the case debt.

Interest

The Agency derives revenue from the interest earned on its short term bank deposits.

The Agency also derives revenue from the interest charged to legally aided persons on payment arrears.

Interest is recognised using the effective interest rate method.

New Zealand Law Society Special Fund

Revenue is received from the New Zealand Law Society (NZLS) Special Fund for the funding of community law centres. The NZLS derives this income from interest earned on solicitors' nominated trust accounts. The Agency records as revenue the amount actually received from the NZLS.

Expenditure

Legal aid – private providers

Legal aid is recognised as an expense and is payable up to the value of approved legal aid costs claimed and paid, the value of work performed that has been billed but not yet approved by the Agency, and 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.

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 Financial Performance*.

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.

Receivables

Legal aid receivables

Legal aid receivables are contributions, interim repayments and repayments of legal aid grants which are required to be paid by legally-aided parties up to the level of costs incurred on the related grant.

Legal aid receivables are initially measured at fair value and subsequently measured at amortised costs using the effective interest rate, less impairment changes. Legal aid receivables aged less than 12 months are recognised at their nominal value unless the effect of discounting is material.

Other receivables

Other receivables are stated at their fair value.

Crown funding receivables

Crown funding receivables represent the funding receivable due from the Crown to cover the legal aid liability, and legal aid debtors' receipts in advance, net of legal aid debtors.

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 Financial Performance*.

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.

Property, Plant and Equipment

The Agency has operational assets. These include leasehold improvements, computer hardware, office equipment, office furniture and motor vehicles.

Property, plant and equipment are shown at historical cost less accumulated depreciation and impairment. Historical cost is the value of consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

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 Legal Services 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. These are included in the *Forecast Statement of Financial Performance*.

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

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than assets under construction. The rates of depreciation will write 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%
Office furniture	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever 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.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Agency, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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

Computer software	4 years	25%
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Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite life are reviewed for impairment whenever 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.

Receipts in advance by legally-aided parties

Receipts in advance by legally-aided parties and contributions, interim repayments and repayments on legal aid grants ordered by the Agency, which exceed the legal aid costs incurred on each case. The liability is expected to be realised in less than 12 months.

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.

Creditors and other payables

Creditors and other payables are measured at fair value.

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. All entitlements are expected to be settled within 12 months.

Contingent Assets and Contingent Liabilities

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

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 parties, 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 *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 *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.

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.

Institutional Analysis

The Agency is not required to provide segment reporting as it is a public benefit entity.

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 2007.

NOTES

Explanation of transition to NZ IFRS

The Agency's financial statements for the year ended 30 June 2008 are the first statements that comply with NZ IFRS. The Agency has applied NZ IFRS 1 First-time Adoption of NZ IFRS (NZ IFRS 1) in preparing these financial statements. The Agency's transition date is 1 July 2006. The Agency prepared its opening NZ IFRS sheet at that date. The reporting date of these financial statements is 30 June 2008. The Agency's NZ IFRS adoption date is 1 July 2007.

Reconciliation of equity

The following table shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2006 and 30 June 2007.

	Note	Previous NZ GAAP 1-Jul-06 (\$000)	Effect on transition to NZ IFRS 1-Jul-06 (\$000)	NZ IFRS 1-Jul-06 (\$000)	Previous NZ GAAP 30-Jun-07 (\$000)	Effect on transition to NZ IFRS 30-Jun-07 (\$000)	NZ IFRS 30-Jun-07 (\$000)
Public Equity							
General funds							
Administration		7,170		7,170	7,825		7,825
Legal Aid	a,b,c,d	(31,551)	31,493	(58)	(17,824)	17,512	(312)
Community law centres		3,259		3,259	4,081		4,081
Research and education		9,553		9,553	9,385		9,385
Total Public Equity		(11,569)	31,493	19,924	3,467	17,608	20,979
Represented by:							
Assets							
Current assets							
Cash and cash equivalents	a	492	23,608	24,100	544	25,844	26,388
Short-term investments	a	23,608	(23,608)	0	25,844	(25,844)	0
Receivables	b	2,874	36,853	39,727	6,746	35,195	41,941
Total current assets		26,974	36,853	63,827	33,134	35,195	68,329
Non-current assets							
Receivables	b	11,667	808	12,475	12,074	(977)	11,097
Property, plant and equipment		922		922	3,204	(1,274)	1,930
Intangible assets	c					1,274	1,274
Total non-current assets		12,589	808	13,397	15,278	(977)	14,301
Total Assets		39,563	37,661	77,224	48,412	34,218	82,630
Liabilities							
Current liabilities							
Payables	d	41,684	2,786	44,470	44,319	5,609	49,928
Employee entitlements		355		355	626		626
Total current liabilities		42,039	2,786	44,825	44,945	5,609	50,554
Non-current liabilities							
Payables	d	9,093	3,382	12,475	0	11,097	11,097
Total non-current liabilities		9,093	3,382	12,475	0	11,097	11,097
Total Liabilities		51,132	6,168	57,300	44,945	16,706	61,651
Net Assets		(11,569)	31,493	19,924	3,467	17,512	20,979

Explanatory notes – Reconciliation of equity

a Current assets – Cash and cash equivalents

Short-term investments with a life of less than three months, are re-classified as Cash equivalents as per NZ IAS 7.

Current assets – Short-term investments

The Agency's investing policy states under Interest rate risk exposure that "Investment terms may not exceed 95 days". Under IFRS this is re-classified as Cash equivalents.

b Current assets and non-current assets – Receivables

Crown receivable (Current assets only) – receivables from the Crown to settle legal claims approved and accrued as Claims payable to Legal Aid Providers.

- Under NZ GAAP, the Agency did not recognise this receivable.
- Under NZ IFRS, an asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost value that can be measured reliably.

Legally aided parties receivable – receivables from legally aided parties (LAPs) to the extent that legal costs incurred exceed any payment from LAPs, up to the level of the Repayment/Interim Repayment or contribution/debt amount for 2000/1969 Act debt.

- NZ IFRS, NZ IAS 39 requires that all financial assets initially be recognised at fair value. LAP Receivables are valued using the discounted value of forecast cash flows, if the time value of money is significant. Receivables from legal aid provided are financial assets in terms of NZ IAS 32, and under NZ IAS 39 will be classified as loans and receivables.

c Intangible assets – computer software

Computer software was classified as part of property, plant and equipment under NZ GAAP. Computer software has now been reclassified as an intangible asset following the transition to NZ IFRS.

d Current liabilities and non-current liabilities – Payables

Claims payable (Current liabilities only) – payable to legal aid providers for approved services and any reliable estimate of work performed to date but not yet invoiced.

- Under NZ GAAP, the movement in grants made was recognised as an increase to the legal aid liability and expensed.
- Under NZ IFRS, this is represented by a legal aid liability for work performed to date but not yet invoiced, or invoiced, but not yet processed or certified. This liability is calculated on a monthly basis using an actuarial model. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Crown payable – payable to the Crown for amounts recovered and to be recovered from LAPs and remitted upon a receipt to the Crown. This payable reflects the fact that the receivable from the LAP is due to the Crown when received. As such its fair value is the value of the corresponding receivable from the LAP that is recognised.

- Under NZ GAAP, this payable was not recognised.
- Under NZ IFRS, a liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

LAP payments in Advance – payments received from LAPs to the extent that they can exceed the level of legal claims recognised to date. As these amounts are not expected to be held for significant periods, they should be measured at transaction value. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Reconciliation of surplus

The following table shows the changes in the Agency's surplus, resulting from previous NZ GAAP to NZ IFRS for the year ended 30 June 2007.

	Notes	Previous NZ GAAP 30-Jun-07 (\$000)	Effect on transition to NZ IFRS 30-Jun-07 (\$000)	NZ IFRS 30-Jun-07 (\$000)
Income				
<i>Government Grant – Legal Aid</i>				
Administration		18,632		18,632
Legal aid	a	99,695	(433)	99,262
Community law centres		267		267
Total Government Grant – Legal Aid		118,594		118,161
Interest	b	3,798	(1,349)	2,449
Contributions and repayments by legally-aided parties	c	3,320	(3,320)	0
New Zealand Law Society Fund – community law centres		8,815		8,815
Net impairment of payables	d	0	5,560	5,560
Other		12		12
Total Income		134,539	458	134,997
Expenditure				
Administration		18,682		18,682
Legal Aid – Private providers	e	88,764	8,879	97,643
Legal Aid – PDS		2,759		2,759
CLC		8,399		8,399
R&E		899		899
Impairment of receivables	f	0	5,560	5,560
Total Expenditure		119,503	14,439	133,942
Operating (Deficit)/Surplus		15,036	(13,981)	1,055

Explanatory notes – Reconciliation of surplus

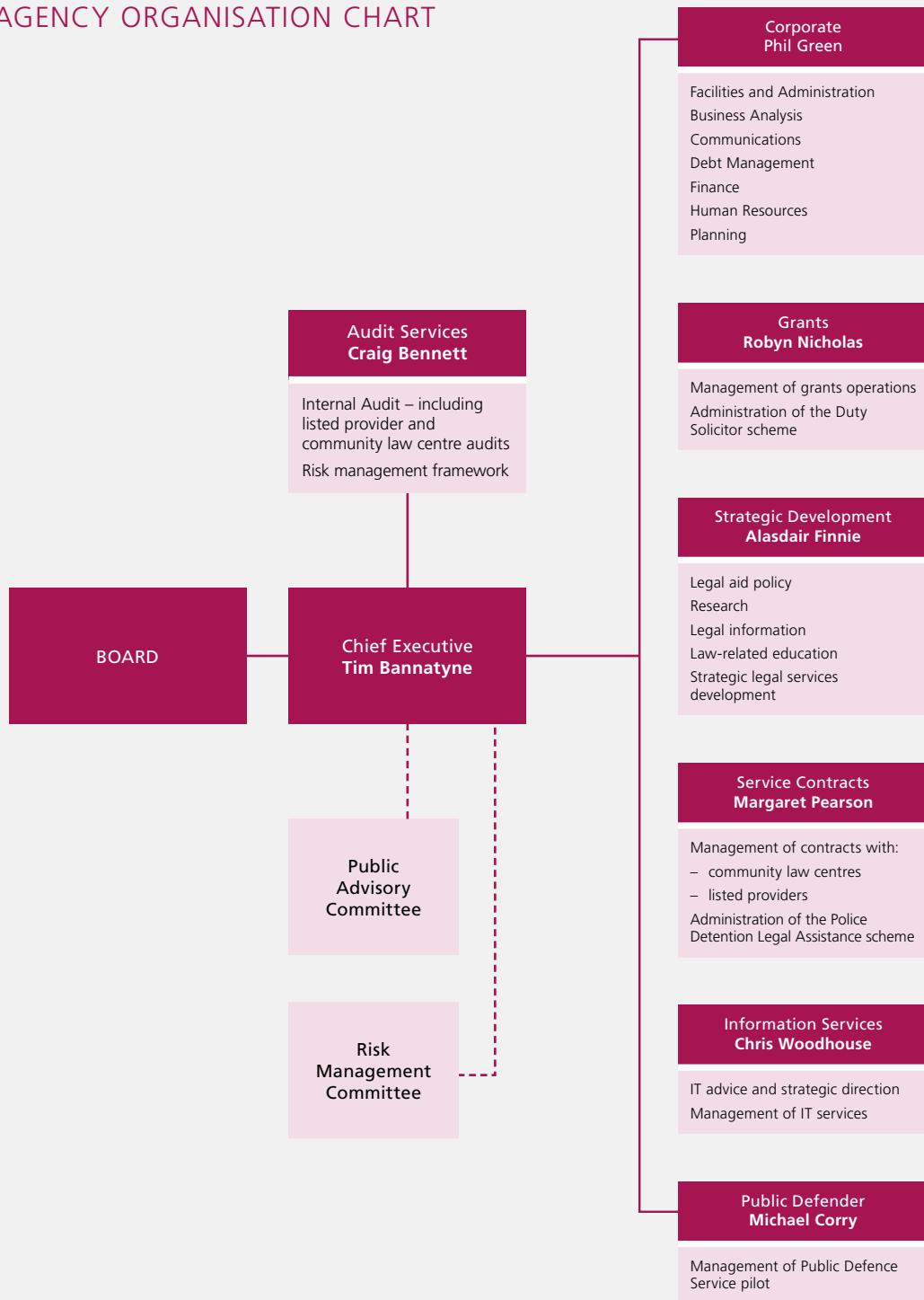
- a** Decrease in Crown receivable recognised under NZ IFRS.
- b** Reversal in 'interest received' of the unwind of effective interest on receivables measured at amortised cost.
- Under NZ IFRS, the unwind of effective interest on a receivable is measured at amortised cost. This amortised cost is treated as a reversal of the impairment recognised on initial measurement of the secured receivable. This is then recognised in 'net impairment of secured receivables' as an off-set against new impairment expenses recognised in the period – see note e below.
- c** Reversal of revenue arising from 'Contributions and Repayments by Legally-Aided Parties'.
- Under NZ IFRS, contributions and repayments made by legally-aided parties for their share of legal expenses are recognised as reduction in 'legal aid – private providers' expenditure.
- d** Recognition of 'net impairment of Crown payables'.
- Under NZ IFRS, the net 'net impairment of Crown payables' is made up of the net effect of:
 - income recognised from subsequent impairments to Crown payables
 - reduction in income recognised from the reversal of any previously recognised impairments
 - reduction in income recognised from the unwind of effect interest on Crown payables measured at amortised cost.
- e** Reversal in 'legal aid – private providers' expenditure of expenses arising from the write-off of secured receivables and the change in provision for doubtful debts relating to secured receivables.
- Under NZ IFRS, expenses arising from the impairment of secured receivables are recognised in 'net impairments to secured receivables' – see note e below.
- f** Recognition of 'net impairment of receivables'.
- Under NZ IFRS, the 'net impairment of receivables' is made up of the net effect of:
 - expense recognised on the initial measurement of a receivable at fair value
 - expense recognised from subsequent impairments to receivables
 - reduction in expense recognised from the reversal of any previously recognised impairments
 - reduction in expense recognised from the unwind of effective interest on the secured receivables measured at amortised cost.

APPENDICES

APPENDIX 1: AGENCY ORGANISATION CHART

APPENDIX 2: DIRECTORY

APPENDIX 1: AGENCY ORGANISATION CHART



APPENDIX 2: DIRECTORY

HEAD OFFICE

Legal Services Agency

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

Debt Office

Level 5
Laptop House
23 Waring Taylor Street
PO Box 25324
WELLINGTON 6146
Phone: 0800 600 090

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 33 702
Takapuna
AUCKLAND 0740
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
DX: EP75512
MANUKAU CITY 2240
Phone: 09 262 7750
Fax: 09 262 7759

Waitakere Legal Aid Office

Level 2, Westpac Building
Alderman Drive
Henderson
WAITAKERE 0645
PO Box 69 147, Glendene
DX: CX 10351
Phone: 09 837 9860
Fax: 09 837 1569

Midland Region

Hamilton Legal Aid Office

Level 1, Arcadia Building
Worley Place
PO Box 19-204
DX: GX10053
HAMILTON 3244
Phone: 07 834 6124
Fax: 07 834 6129

Rotorua Legal Aid Office

Level 4, Zens Centre
Arawa Street
PO Box 1576
ROTORUA 3040
DX: JP30042
Phone: 07 350 1090
Fax: 07 350 1080

Napier Legal Aid Office

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

Central Region

Wellington Legal Aid Office

Level 19, Grand Plimmer Tower
Cnr Boulcott Street & Gilmer Terrace
PO Box 24-149 Manners Street
WELLINGTON 6142
DX: SP20503 Boulcott Street
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
DX: NP90031
NEW PLYMOUTH 4340
Phone: 06 759 0451
Fax: 06 759 0476

Southern Region

Christchurch Legal Aid Office

Level 1, 256 Oxford Terrace
PO Box 130 150
Armagh Street
DX: WX11123
CHRISTCHURCH 8440
Phone: 03 363 6500
Fax: 03 379 8742

Dunedin Legal Aid Office

Level 1, Radio Otago House
248 Cumberland Street
DX: YP80502
PO Box 5641, Moray Place
DUNEDIN 9059
Phone: 03 477 5035
Fax: 03 479 2517

Invercargill Legal Aid Office

35 Don Street
PO Box 1301
DX: YA90024
INVERCARGILL 9840
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 1142
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 2241
Phone: 09 261 2501
Fax: 09 261 2502