

Statement of Intent

*Parliamentary Counsel Office
Te Tari Tohutohu Pāremata*

*For the period 1 July 2006
to 30 June 2009*

Presented to the House of Representatives under
section 39 of the Public Finance Act 1989



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Statement by the responsible Minister

This Statement of Intent meets the requirements of the Public Finance Act 1989. The information it contains is consistent with the policies and performance expectations of the Government.

Signed



Hon Dr Michael Cullen
Attorney-General

Statement of responsibility

The information contained in this Statement of Intent (SOI) has been prepared in accordance with sections 38 to 42 of the Public Finance Act 1989.

As Chief Parliamentary Counsel, I acknowledge, in signing this statement, my responsibility for all the information contained in this SOI.

The forecast financial statements and the forecast service performance for the year ending 30 June 2007 are as agreed with the Attorney-General, who is the Minister responsible for the vote administered by the Parliamentary Counsel Office (PCO).

The information provided in this SOI is consistent with all existing appropriations, and with the appropriations set out in the Appropriation (2006/07 Estimates) Bill.

Signed

Countersigned



George Tanner QC
Chief Parliamentary Counsel
Date: 3 May 2006

Julia Kennedy
Manager Support Services
Date: 3 May 2006

Preface

This SOI sets out the PCO's operating intentions for the coming three years. It is intended to communicate both to Parliament and to the general public the PCO's role and its strategies for the future.

In Part 1, the SOI explains the constitution of the PCO, what it does, how it does it, and how the PCO relates to the other organisations with which it works. Part 2 focuses on the three years from 1 July 2006 to 30 June 2009. It identifies key features of the environment and describes the PCO's future operating intentions, including strategic objectives and risk management. Part 3 relates specifically to the 2006/07 year and includes the forecast service performance and the forecast financial statements. Part 4, the appendices, comprises the PCO mission and vision statements, and an outline of its organisational structure.

The passages that describe the PCO's environment, anticipated challenges, and the PCO's response to those challenges are based largely on work done collectively by all levels of management within the PCO and in consultation with the Attorney-General. Further input has come from staff, all of whom have been invited to comment on the document. This is important since both the service performance and the priority projects reflect the future contribution of PCO staff.

Act

A law passed by Parliament. Acts are also sometimes called statutes. There are three main types of Acts: public Acts, private Acts, and local Acts.

Bill

A proposed Act.

deemed regulations

Instruments that are required to be treated as regulations for the purposes of the Regulations (Disallowance) Act 1989, but are not published in the Statutory Regulations series because the authorising legislation excludes the application of the Acts and Regulations Publication Act 1989. Deemed regulations can include rules, guidelines, standards, and codes.

delegated legislation

Laws made by the Governor-General, Ministers of the Crown, and certain other individuals and bodies under powers conferred by an Act of Parliament. Statutory Regulations and deemed regulations are both types of delegated legislation.

Government Bill

A Bill introduced to the House by a Minister of the Crown.

local Act

An Act that deals with matters of public interest but only affects a particular part of New Zealand. A local Bill becomes a local Act when enacted.

Member's Bill

A Bill introduced to the House by an MP, but not as a Minister of the Crown. Members' Bills are also sometimes known as Private Members' Bills.

outcome

A state or condition of society, the economy, or the environment, or a change in that state or condition.

outputs

Goods or services that, in the context of this document, are supplied by the PCO.

PAL Project

The Public Access to Legislation Project.

PCO

The Parliamentary Counsel Office.

private Act

An Act that deals with the particular interest or benefit of a person or body. A private Bill becomes a private Act when enacted.

public Act

An Act that applies to almost everyone. It generally deals with matters of public policy.

reprint

Acts and Statutory Regulations, incorporating subsequent amendments, are compiled and published by the PCO. These are known as reprints.

SOP

See Supplementary Order Paper.

Statutory Regulations

Laws made under statutory authority that are required to be published in the Statutory Regulations series in accordance with the Acts and Regulations Publication Act 1989. These include regulations or rules made by Ministers or agencies whose rules are required to be treated as regulations for publication purposes. They also include certain instruments that affect the status of Acts of Parliament, such as an Order in Council that brings an Act into force or that extends the scope of an Act. Regulations generally deal with matters of detail or administration, or matters that are subject to frequent change.

Supplementary Order Paper

A Supplementary Order Paper (SOP) is a document that sets out proposed amendments to a Bill at the committee of the whole House stage.

PART 1: INTRODUCTION

Nature and scope of the PCO's functions and operations

The Parliamentary Counsel Office (PCO) is constituted as a separate Office of Parliament by the Statutes Drafting and Compilation Act 1920. The PCO is under the control of the Attorney-General or, if there is no Attorney-General, the Prime Minister.

Under the Statutes Drafting and Compilation Act 1920, the PCO is responsible for the drafting of Government Bills and Statutory Regulations. This includes drafting amendments to Bills required by select committees and by Ministers at the committee of the whole House stage. However, it excludes the drafting of certain Bills administered by the Inland Revenue Department,¹ which are drafted by that department.

The PCO also examines and reports on local Bills and private Bills. This involves providing drafting advice and assistance (including the preparation of draft Bills) to the promoters of the Bills and their legal advisers. The PCO also drafts Members' Bills if directed to do so by the Attorney-General.

The PCO also compiles reprints of Acts and Statutory Regulations with their amendments incorporated.

Under the Acts and Regulations Publication Act 1989, the PCO is responsible for the publication of Acts of Parliament (including reprinted Acts), Statutory Regulations (including reprinted Statutory Regulations), and the annual bound volumes of Statutes and Statutory Regulations.

The PCO is also responsible for supplying printed copies of Bills and Supplementary Order Papers (SOPs) to the House, and publishing printed copies of Bills and SOPs. The PCO publishes the annual *Tables of New Zealand Acts and Ordinances and Statutory Regulations in Force* in printed form, and in electronic form on the Internet free of charge, and four interim indexes to the Statutory Regulations for each year. The PCO makes Acts and Statutory Regulations available in up-to-date form free via the Internet under an arrangement with Brookers, and makes Bills, SOPs, Acts, and Statutory Regulations as enacted or made, and reprints of Acts and Statutory Regulations published since November 2002, available free via the Internet under an arrangement with the Knowledge Basket and Blue Star Print Group (New Zealand) Limited (Blue Star).

The PCO is not part of the Public Service under the State Sector Act 1988, and thus is not under the direct control of the State Services Commissioner. However, the PCO is part of the State services within the meaning of the State Sector Act 1988, and is subject to certain provisions of that Act (eg sections 57 to 57C, which relate to the setting and enforcement of minimum standards of integrity and conduct).

¹ See *Inland Revenue Department (Drafting) Order 1995 (SR 1995/286)*.

Outcomes and outputs

Outcome: contributing to parliamentary democracy under the rule of law

In New Zealand, parliamentary democracy based on the rule of law is the outcome of many different factors and influences. The institutions of Parliament, the executive, and an independent judiciary existing within the framework of New Zealand’s constitutional law and conventions are central to that outcome. So too is respect for and adherence to the rule of law in its widest sense. The drafting of New Zealand’s laws and the making of those laws accessible to the citizen also contribute to the outcome.

Under New Zealand’s constitutional arrangements, Parliament has supreme law-making power. It exercises that power by passing Acts of Parliament. It also has the power to delegate law-making powers to the executive. It exercises that power by conferring on the executive, in the statutes that it enacts, the power to make regulations and other types of legislative instruments. In this context, the term “executive” includes the Governor-General in Council, Ministers of the Crown, and other individuals and agencies who are authorised to exercise delegated law-making powers.

In a modern state committed to upholding the rule of law, it is an overarching objective that legislation enacted by Parliament and made by the executive reflects the fundamental concepts inherent in the rule of law, is based on legal principle, is effective and clear, and is accessible to those to whom it applies.

Parliament has, through the New Zealand Bill of Rights Act 1990, enacted legislation that recognises the importance of ensuring that legislation embodies these principles. Parliament also scrutinises legislation made by the executive to ensure that it conforms with standards laid down by Parliament for principled law-making. As well, the courts may review delegated legislation to ensure that it is validly made, and apply well-established tests to determine questions relating to validity that come before them. Furthermore, it is a cornerstone of parliamentary democracy under the rule of law that for citizens to comply with the law they must know what the law is.

It is also a basic constitutional principle that the role of the courts is to interpret the meaning of legislation. In doing so, the courts apply common law principles of fundamental importance developed to protect the values of freedom and justice inherent in the rule of law.

The PCO contributes to parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making roles, and contributes to the Government’s objectives in two ways:

- first, by drafting changes in the law that are necessary to implement Government policies. This enables those departments and agencies that administer the legislation to meet their objectives
- second, by making the law accessible to the public.

The PCO drafts Bills, and amendments to those Bills, placed before Parliament by Ministers of the Crown, and in some cases by Members of Parliament, for Parliament’s consideration. The PCO also drafts regulations and other legislative instruments to be made by the executive if the executive thinks fit.

The PCO also supports Parliament and the executive in their law-making functions by making legislation available publicly.

The PCO tries to ensure, consistent with government policy, that the statutes that Parliament enacts and the delegated legislation made by the executive:

- comply with the rights and freedoms protected by the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
- are consistent with New Zealand’s obligations under international law and the Treaty of Waitangi
- are based on general legal principle
- are clear and effective in implementing the policies embodied in them
- in the case of delegated legislation, will withstand scrutiny by the Regulations Review Committee and challenge in the courts.

By making legislation available to the public, the PCO performs the equally important function of ensuring that the law is accessible to those who may benefit from it and those who must obey it.

Outputs

The PCO has two output classes that contribute to these outcomes. They are:

- Law Drafting Services
- Access to Legislation.

The primary work under Law Drafting Services involves the drafting of Government Bills and Statutory Regulations, but also includes the examination of, and drafting work on, local and private Bills and some Members’ Bills.

Access to Legislation involves the publishing of Acts, Bills, SOPs, and Statutory Regulations in printed form and, free of charge, in electronic form on the Internet. It also includes the compilation and publication of reprinted Acts and Statutory Regulations, and the supply of printed copies of Government Bills and SOPs to the House.

Full descriptions of these output classes are given under the statement of forecast service performance at page 39.

How the outputs are achieved: the process

Law Drafting Services

The law drafting services provided by the PCO are part of the process of implementing new policy or adjustments to policy through the enactment of legislation. The PCO is initially involved with new legislation during the development of the Government’s legislation programme, which establishes the priorities for development of the policy for and drafting of proposed legislation. That process is central to the management of the Government’s legislation. The Legislation Coordinator, a Cabinet Office staff member, plays a central role in this process and works closely with the PCO throughout the year.

Drafting starts with the receipt by the PCO of drafting instructions for a change in the law from the relevant government department. Parliamentary Counsel translate these instructions into draft legislation, working closely with the instructing department (and sometimes Ministers) and consulting with other interested agencies. Parliamentary Counsel are appointed as counsel to the Government in relation to its legislation. At its heart, the task of the drafter is to translate policy decisions into effective, principled, and clear law. Drafting legislation is not a simple process where a particular unit of input is matched by a corresponding unit of output. Legislation has to be consistent with the rest of the statute book, general legal principle, international law, and the common law. Ensuring that legislation is clear and accessible is also a critical component of the drafter’s work.

Drafting is an iterative process, sometimes requiring many revisions and months of work to produce a Bill or regulations. Drafting must also respond to changes in policy that can occur at any stage in the process.

After the draft legislation is settled with the department, the process that is followed depends on whether the legislation is a Bill or draft regulations. Draft regulations are referred to the Cabinet Legislation Committee, at which point the involvement of the Parliamentary Counsel usually ends. The regulations are submitted to Cabinet for final approval, and are made by the Governor-General in Executive Council.

The passage of a Bill is more complex. Throughout the process Counsel continue to work with departmental officials, and also with select committee members and the Office of the Clerk. After its referral to Cabinet, a Bill is introduced to the House for its first reading, and is then usually referred to a select committee. The select committee will hear submissions from the public and interested organisations, and considerable redrafting can be required as a result of the committee’s consideration of the issues. The Bill will then be sent back to the House. At the committee of the whole House stage, further redrafting may be called for by way of an SOP. The PCO drafts all amendments to Government Bills after they have been introduced. Post-introduction versions of the Bill with their amendments incorporated are prepared by the Office of the Clerk. Parliamentary Counsel check these versions to ensure that the amendments have been correctly incorporated and that the Bill as amended during its passage through the

House is correct. When the Bill has passed its third reading, the Office of the Clerk prepares the copy for Royal assent, which is signed by the Governor-General.

When the Act has been passed or the regulations made, the work of publishing becomes part of the PCO's Access to Legislation output.

Access to Legislation

The PCO provides access to legislation by publishing Acts and regulations in pamphlet form and in bound volumes, and by providing electronic access via the Internet. The compilation and publication of reprints (see Glossary) is also part of this output class, as is the publication of the *Tables of New Zealand Acts and Ordinances and Statutory Regulations in Force*.

The compilation of reprints involves applying all relevant amending legislation to an Act or a set of Statutory Regulations. The amendments are incorporated into the legislation, and the result is legislation current to the date of publication.

At present, the PCO contracts Blue Star, through its subsidiary SecuraCopy, to produce printed copies of Acts, regulations, reprinted Acts and regulations, Bills, and SOPs. These are sold in selected bookshops and are also available at larger public libraries.

The PCO also contracts Brookers to maintain a website that provides free public access to current legislation (www.legislation.govt.nz).

As part of the PCO's contract with Blue Star, legislative data is supplied to the Knowledge Basket. This allows the Knowledge Basket to provide free public access through its website (www.knowledge-basket.co.nz) to Acts and regulations in their uncompiled form (as originally enacted or made, without amendments incorporated), to SOPs and Bills, and to reprints published since November 2002.

While deemed regulations (see Glossary) are not drafted by the PCO, the PCO maintains and publishes on the PCO's website (www.pco.parliament.govt.nz) a list of principal deemed regulations that includes information on how to access them. In order to maintain the accuracy of the list, the PCO obtains regular updates from the agencies that make deemed regulations.

PART 2: THE NEXT THREE YEARS, 2006–2009

The environment

The PCO operates in the context of the legislative process (which in turn is part of the wider democratic process), and as one agency among many that are involved in that process. A key environmental factor that affects the operation of the PCO is that its work is essentially demand driven. The PCO does not initiate proposals for legislation, but must be in a position to respond to demands as they arise. This poses a challenge in terms of planning and capability. Additional environmental factors, some of which are dynamic and pose considerable challenges, include the following key factors.

International and national events

International and national events can drive demand for a legislative response, which is often unforeseen and unplanned. Complex legislation that responds to political, economic, and social issues can therefore be required at short notice.

Examples are:

- measures are needed to enable an effective response to pandemics such as those that could arise from avian influenza
- the United Nations Convention Against Corruption (2003) requires amendments to the Crimes Act 1961
- the growth in free trade agreements usually requires amendments to the Customs Tariff and other legislation
- Trans-Tasman harmonisation requires substantial legislative change, eg the regulation of therapeutic products
- adopting the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency influences insolvency law reform
- legislation dealing with spam
- international measures to deal with the threat of international terrorism are still evolving and can require a legislative response in New Zealand
- port security and biosecurity legislation is necessary to keep up with international measures.

Although it is not the PCO's role to anticipate or formulate any legislative response, the PCO needs the resources and capability to provide a timely and responsive legislative drafting service when events require a legislative response.

The electoral system and the impact of MMP

The electoral system, in both its three-year cycle and the MMP environment, has a significant impact on the work of the PCO.

The three-year cycle tends to generate peaks and troughs of demand for both the drafting and access to legislation teams. As the cycle draws to a close, some work will often become urgent while there is a lull in new drafting jobs. The demands made on the PCO when a new government is formed depend on its makeup, whether it is continuing a legislative programme from the previous Parliament or embarking on an entirely new programme, and on its level of support within the House. While a change in volume of work required from the PCO is likely after an election, the direction of the change cannot be predicted.

Parliaments elected under MMP have operated since the general election in 1996. As with any significant constitutional change, the effects of MMP have only become apparent over time, as Members of Parliament, Ministers, officials, and others adapt to the new system and adopt new ways of working. A number of trends have emerged that impact on the work of the PCO, including:

- greater consultation on draft Bills before they are introduced, which often results in instructions to begin drafting legislation being issued by departments before the policy is finally settled. The PCO may then be drawn into providing advice to the department during policy development, and be required to rework a succession of drafts in the light of the policy changes, sometimes experiencing long delays in the progress of the Bill
- increased demand from select committees for the PCO to draft amendments and options in order to assist the select committee deliberation process. Most Bills are further amended at the committee of the whole House stage as a result of consultation with other parties and late policy changes in order to gain majority support for the legislation
- lack of a Government majority on some select committees sometimes results in Bills being discharged from the select committee without amendment, even though a substantial amount of work has been done on the drafting of amendments for the select committee and resulting in the need for a substantial SOP. Examples of this include the Electricity Amendment Bill 2000, the Corrections Bill 2003, and the Families Commission Bill 2003
- priorities and, as a consequence, the programme of House business change at short notice, presenting significant challenges in the management of the Government's legislative programme. This also results in the need for the PCO to redirect drafting resources. Resourcing plans need to be constantly reassessed during the year to meet the changing requirements and to address conflicting priorities
- Members' Bills that gain support or are treated as *de facto* Government Bills increasingly require substantial drafting support by the PCO. Examples include the Smoke-free Environments Amendment Act 2003, the Prostitution Reform Act 2003, and the Human Assisted Reproductive Technology Act 2004
- the passage of Bills can be protracted, with some Bills remaining before the House for long periods. Extensive periods of inactivity in relation to a Bill can mean that drafters and advisers must refamiliarise themselves with the Bill after a lengthy hiatus

- reduction in the amount of House time available to the Government to progress its legislation has had an impact on the kinds of legislation that it is able to promote, and also on the structure of Bills themselves. In particular:
 - it has become more difficult for the Government to promote legislation that makes technical or minor changes or reforms. Standing Orders now impose major restrictions on omnibus Bills (Bills that contain amendments to more than one enactment). The Statutes Amendment Bill procedure has become less efficient, and possibly more politicised, as a result of the need for increased consultation with, and agreement among, a wider range of parties represented in Parliament. This development has major implications for the maintenance of the statute book, and the accessibility of legislation
 - it has also become more difficult for the Government to gain the support of opposition parties to promote legislation that corrects errors or technical defects in legislation
 - in order to save House time required for the committee of the whole House stage of a Bill, there is a natural inclination on the part of governments to have Bills divided into Parts, and to have as few Parts as possible. With fewer Parts, a feature of the structure of Bills that has become more common is the use of subparts within Parts. While structuring Bills in these ways may facilitate the passage of Bills, it does not necessarily promote the readability and therefore accessibility of the Acts that result, particularly in the case of Bills that are split up before enactment. Nor does it promote the kind of detailed scrutiny for which the committee of the whole House stage was designed.

Judicial approach to legislation

While Parliament enacts or authorises the enactment of legislation, it is the role of the judiciary to interpret legislation and apply it to everyday fact situations in the context of proceedings before the courts. The approach taken by the judiciary to the interpretation and application of legislation is therefore an important consideration in the drafting of legislation, and particularly in ensuring that the underlying policy is effectively communicated to those who interpret, apply, and implement the legislation.

Drafters therefore need to be aware of, and take into account, the principles of interpretation and other considerations (such as the effect of the New Zealand Bill of Rights Act 1990 and the relationship between domestic and international law) that the courts will apply in determining the meaning of legislation. However, those principles and considerations are not static, but alter and evolve over time. Some changes are obvious, others less so. The challenge for the PCO is to maintain an awareness of trends and changes in the judicial approach to the interpretation and application of legislation, assess their impact on drafting practice and style, and adopt and implement any necessary changes. This is particularly challenging in the context of an operation that has to be focused on the day-to-day business of responding to

the Government's and Parliament's requirements for legislation. For example, the New Zealand Supreme Court, which has replaced the Privy Council as the court of final appeal, may have an impact on the approach of the New Zealand courts to the interpretation and application of legislation. The PCO pays particular attention to decisions of the courts in this regard.

State sector

The best legislation results from proper collaboration between drafters and the officers of the instructing department, particularly the instructing departmental solicitor. The importance of the role that the instructing department (and other interested departments) plays in the successful development, drafting, and enactment or making of legislation cannot be overstated. Some departments perform this role exceptionally well.

The roles of instructing departments and drafters have altered in past years, and drafters are increasingly required to provide a greater input into policy making, provide more general legal advice, and take a greater role in educating instructors and other departmental officials about, and supporting them through the course of, the drafting and legislative process. This trend mirrors experience in overseas jurisdictions.

The PCO is also affected by the directives and influences that operate on the State sector. For example, a key imperative for all departments within the State sector is to contribute towards the Development Goals for the State Services. The PCO's response to the Development Goals is outlined in Strategic Objective 3. Compliance with the Public Records Act 2005 has also had an impact on internal recordkeeping capability at the PCO.

Developments in technology

The New Zealand E-government Strategy² states that:

The Internet, and its associated technologies and business models, is profoundly affecting the way government, business, and people interact. Government is adapting to this new environment in a way that will eventually transform how it operates. The design and delivery of services is already changing to meet the changing needs of New Zealanders.

Part of the mission of e-government is that by June 2007, networks and internet technologies will be integral to the delivery of government information, services, and processes, and that by June 2010, the operation of government will have been transformed through its use of the Internet.

There are several strategies contributing to these goals. For example, the E-government Interoperability Framework (e-GIF) requires that, where agencies work together, their technologies will also work together. The New Zealand Government Web Guidelines require that agencies' websites share similar features, so that they operate in a way that meets users' expectations, and are designed to work for as wide an audience as possible in order to

² *government.nz@your.service (E-government strategy) State Services Commission, 2001, available with updates at www.e.govt.nz/about-egovt/strategy.*

avoid the exclusion of users with older technologies, slow connections, or disabilities. In making information available to the public and managing information in-house, the PCO needs to be aware of, and respond to, these developments and to an increasing range of compliance requirements.

The PCO is one of New Zealand’s largest publishers, making legislation and legislation-related materials available in print and online. The PCO also needs to be aware of, and respond to, developments in the publishing industry. The demand for greater access to legislation in electronic form also has implications for the way in which the PCO produces and publishes legislation, particularly with respect to the technology that it uses as part of the drafting and publishing processes.

The PCO is part of the wider “parliamentary campus”, comprising the Office of the Clerk, Parliamentary Service (which includes the Parliamentary Library), Department of the Prime Minister and Cabinet, the Executive Government Support Unit of the Department of Internal Affairs, and the PCO. While these agencies are independent of each other and perform distinct functions, their client groups and areas of operation overlap. Representatives of the agencies meet together on a regular basis with the aim of harmonising developments in information and communications technology across the parliamentary campus. Initiatives being undertaken by those agencies, and which may impact on the work of the PCO, include an electronic select committee pilot being carried out by the Office of the Clerk, and a new and integrated website for Parliament (a project being undertaken jointly by the Parliamentary Service and the Office of the Clerk).

Developments in information technology provide challenges and opportunities in the way that the PCO works with other agencies. For example, agencies increasingly expect consultation on draft legislation to be conducted via email rather than by face-to-face meetings. While this provides opportunities for improving effectiveness and efficiency in communications with other agencies, it also provides a challenge in terms of protecting the confidentiality required for much of the PCO’s work. The development of the Public Sector Intranet and the Public Sector Law workspace also provides opportunities for the PCO to share information with others across government.

The requirement, under the Public Records Act 2005, that all significant electronic records, including electronic mail, must be preserved in the format in which they were created requires the PCO to develop recordkeeping systems that ensure compliance with the Act.

Public interest and involvement in legislation and the legislative process

The PCO’s two outputs, Law Drafting Services and Access to Legislation, require different responses from the PCO to enquiries from the public. The work of the PCO in drafting legislation is confidential. Any public release of information about a particular drafting job is at the discretion of the Minister for whom the drafting takes place, and any enquiries received by the PCO are directed to the Minister’s Office or the instructing department as appropriate.

On the other hand, as a publisher of legislation, the work of the PCO is to make material freely available. The PCO must maintain confidentiality in the one case and facilitate access to legislation in the other. Thus some enquiries can be answered freely, while others need to be referred to the responsible authority.

Enquiries received by the PCO from the public are not limited to legislation. Accessible State Services, Goal 5 of the Development Goals for the State Services, requires agencies to “enhance access, responsiveness, and effectiveness, and improve New Zealanders’ experience of State Services”. The short-term ideal is no “wrong door”: for all enquirers to be referred to the right place. The challenge for the PCO is to have appropriate systems in place to ensure that any enquiry received is handled appropriately, and that the information provided on the PCO’s website and in printed publications is effectively tailored to meet the needs of enquirers.

The Law Commission

The Law Commission is a central advisory body established by statute to undertake the systematic review, reform, and development of the law of New Zealand. The Law Commission investigates and reports to the Government on how New Zealand laws can be improved. It reviews the law and processes in specific areas selected by it or referred to it by the Minister responsible for the Law Commission, and assists government departments and Crown entities in reviews of the law. The aim is to help ensure that the law provides effectively for the current and future needs of society.

The PCO provides drafting assistance to the Law Commission. Work in this area is likely to increase significantly during the next three years. Recommendations made by the Law Commission in a number of major reports going back to the mid-1990s may be implemented in 2006/07. Drafters are already working with the Commission and the Ministry of Justice on drafting Bills to implement existing reports and are likely to draft Bills to implement further reports of the Commission. Similar arrangements for involvement of legislative drafters with the work of law reform agencies exist in other jurisdictions, notably Australia and England.

Legislation Advisory Committee

The Legislation Advisory Committee (LAC) is appointed by the Minister of Justice to provide advice to the Government on the development of legislative proposals and on public law issues. The LAC is chaired by Rt Hon Sir Geoffrey Palmer and the membership is made up of lawyers from private practice, government, the universities, two economists, a retired judge, and a serving judge. The Chief Parliamentary Counsel is also a member. Its most important work product has been the Legislation Advisory Committee Guidelines, which have been adopted by Cabinet as benchmarks for legislation to meet. The Guidelines are designed to assist lawyers and policy advisers in government with translating policy into effective and clear legislation and are kept under continuous review. The LAC conducts seminars for public and private sector lawyers and makes submissions on Bills before Parliament. Parliamentary Counsel assist the LAC in its work.

Employment environment

The PCO’s drafters are lawyers who are recruited from both the private and public sectors of the legal profession. Legislative drafting is a specialist skill that takes many years to acquire, and the PCO must be able to recruit and retain well-qualified and able lawyers who wish to make a career of legislative drafting. Legislative drafting needs to be seen as an attractive and professionally satisfying career. In the long term, salaries paid to legislative drafters will never compete with remuneration at partner level in large law firms. However, the ability of the PCO to recruit and retain legislative drafters is affected by public and private sector legal salary levels, and market movements in those salary levels.

There is a trend in the legal employment environment, the State Sector,³ and more generally, to provide staff with greater flexibility in working arrangements in recognition of the family responsibilities of staff and the need to attain a reasonable “work-life balance”. This is reflected in greater flexibility in such things as hours of work, the availability of part-time work, and the facility to work remotely from home. In addition, the recruitment by the PCO of additional drafters and access and support staff in recent years has resulted in changes to its profile, which now includes a greater proportion of younger people and women. This has resulted in a greater number of staff taking parental leave. In order to retain the services of these skilled staff, the PCO has to be able to offer more flexible working arrangements, including part-time work, when these employees wish to return to work. These developments have implications for the way in which the PCO is able to respond to the requirements of Ministers and select committees, and the need for staff to be available during the sitting hours of the House. They also impact on the ability of the PCO to recruit and retain staff, as private sector legal firms and other public sector agencies respond to the same issues.

Not only is the work of legislative drafters highly specialist but, as the PCO has increasingly implemented modern publishing systems, the work of the non-legal staff has also become more specialised. This can present recruitment challenges, with the PCO competing in a limited pool of expertise. It means it is not always possible to recruit staff with the requisite skills and, instead, staff may be selected on their potential to learn and use the PCO systems. This can result in an extensive training period.

The expansion of the PCO over the last ten years has brought with it an increase in the management overhead of the office. There has been a significant increase in the range and complexity of management issues faced, particularly human resource issues. The implementation of the projects needed to support the development of the PCO, and the need to develop and implement a framework of operational policies, has also presented challenges.

The employment environment requires the PCO to comply with relevant legislation as well as public sector standards, guidelines, and other initiatives. One example is the Government’s five-year action plan for pay and employment equity. The PCO intends to work through

³ See *Work-Life Balance: a resource for the State Services 2005 State Services Commission, available from the SSC website www.ssc.govt.nz.*

the requirement on pay and employment equity in collaboration with other parliamentary agencies during 2007.

The expansion of the PCO has also put pressure on accommodation. Changes in work practices, particularly the use of electronic media and the increased number of staff who work part time, require the PCO to consider making more efficient use of current accommodation.

Future operating intentions, 2006–2009

The future operating intentions for the period covered by this Statement of Intent are stated on the assumption that the two core functions of the PCO will continue unchanged. These functions are to draft legislation and make it publicly available.

A review of the funding and operations of the PCO was carried out in 2005 but was not completed. The terms of reference for that review and the considerations leading to its setting up were described in the PCO's Statement of Intent for 2005/08.⁴ A number of issues that gave rise to the previous review still remain, in particular, the appropriate organisational structure and management and administrative systems for the PCO. To assist with this process, a further review has now been commissioned and will be carried out by PricewaterhouseCoopers. The PCO will work with the Treasury and the State Services Commission to address these issues in 2006/07. This matter is discussed more fully at page 29.

There are three principal areas of focus for the PCO over the next three years. These are:

- ensuring the PCO has the capability to provide the legislative drafting services required by the Government and to improve the quality of those services
- successfully implementing the PAL system, including ensuring the effective operation of the hosting and housing arrangements for the system by Unisys New Zealand and the creation of an electronic database of New Zealand legislation that has authoritative status
- reviewing current organisational structure and administrative and management systems and implementing changes recommended by the PricewaterhouseCoopers review.

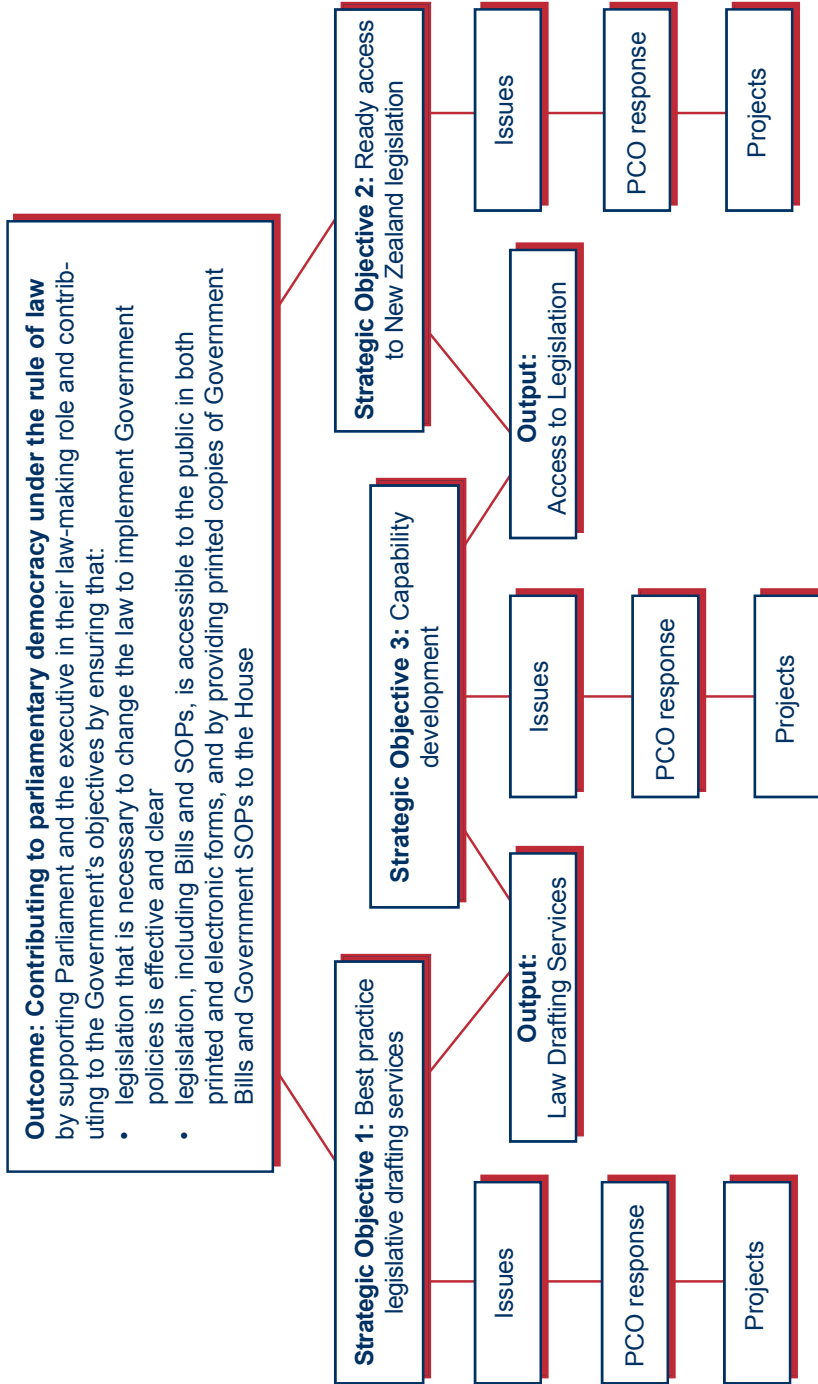
The framework for the PCO's future operating intentions is provided by three strategic objectives:

- best practice legislative drafting services
- ready access to New Zealand legislation
- capability development.

The following sections of the SOI set out, under each strategic objective, the key issues (including risks and challenges) and the PCO's intended response, including priority projects (see chart overleaf). The issues arise out of the environmental scan set out in the previous section.

⁴ Statement of Intent Parliamentary Counsel Office for the period 1 July 2005 to 30 June 2008, pp 32 and 33.

Relationship between the PCO's outcome, strategic objectives, outputs, and projects



Strategic Objective 1—Best practice legislative drafting services

The goal of this objective is to provide high quality legislative drafting services.

Issues

The PCO faces the following issues:

- ensuring that it is able to draft the legislation required by the Government in a demand-driven environment in a timely manner and to a high standard
- improving the overall quality of New Zealand legislation, in particular making legislation clearer and simpler while maintaining legal precision and eliminating error
- ensuring drafters keep up to date with developments in the law generally that impact on their work
- providing advice and assistance to departments in the development and design of legislation
- providing drafting assistance to the Law Commission.

PCO response

An effective response to these issues requires the PCO to have sufficient drafters and support staff. Capability remains a key issue for both the PCO’s drafting and publishing activities. For this reason, capability development, including training, is identified as a separate strategic objective (Strategic Objective 3).

The PCO has identified the following strategies and the projects for action in the next three years.

Improving drafting practice

Drafting practices and techniques have to be kept under constant review. The review of New Zealand legislation by Michèle Asprey in 2004⁵ remains a basis for considering changes to current practices. Developments in other jurisdictions can also be relevant and helpful. It is therefore important for drafters to have contact with counterparts in other jurisdictions. The PCO will continue to consider recommendations in Ms Asprey’s report and developments in other jurisdictions. The seminars and conferences run in conjunction with the Australian drafting offices and by the Commonwealth Association of Legislative Counsel are important in this regard. The PCO can do more itself to improve in this area, for example by holding regular meetings of drafters (a key recommendation by Michèle Asprey in her report). Drafters hold regular informal drafting meetings at which they share knowledge, ideas, and techniques.

Ensuring consistent application of drafting practice across the PCO

Consistency is an important element of good drafting practice and is supported by quality assurance measures that include the PCO Drafting Manual, the PCO Style Manual, a peer review system for drafters, and the proofreading of all legislation by the Editorial Services team.

⁵ See Report of the Parliamentary Counsel Office for the year ended 30 June 2005, p 15.

The PCO aims to complete the reissue of an updated PCO Drafting Manual in 2006. In addition, a process to ensure continuous revision has been developed.

The revised PCO Style Manual will be kept under review as part of a process of continuous improvement in drafting style and practice.

Departmental capability

As indicated on page 17 and in earlier annual reports, drafters have become increasingly involved in providing advice and assistance to departments in the development of legislative schemes. In 2005, the Legislation Advisory Committee (LAC) conducted a series of seminars for departments aimed at improving understanding of issues concerned with designing good quality legislation. The LAC plans to continue holding seminars on an annual basis. The PCO is in a good position to assist this objective and does so independently and in conjunction with the LAC.

Priority projects

The priority projects under Strategic Objective 1—Best practice legislative drafting services are:

- implement clear drafting recommendations
- consult with (and improve contact with) drafting offices in other jurisdictions, especially Australia
- continue to revise and reissue the PCO Drafting Manual
- keep the PCO Style Manual under continuous review.

Strategic Objective 2—Ready access to New Zealand legislation

The goal of this objective is to ensure New Zealand legislation (including Bills) is readily accessible to the public in a timely, accurate, and authoritative form.

Issues

The issues to be addressed under this strategic objective are:

- successfully completing the PAL Project, and ensuring that the new systems and processes introduced as part of the project are successfully bedded in
- responding in an adequate and timely way to the increased public interest in legislation, the legislative process, and the PCO
- maintaining and enhancing access to legislative material and information about the PCO through the Government web portal and the new parliamentary website
- responding to demands for better access to legislative material (especially deemed regulations (see Glossary))
- responding to changes in the legal publishing environment, such as the development of new products by commercial legal publishers

- participating in relevant e-government initiatives, the parliamentary environment, and keeping up to date with developments in other jurisdictions relating to access to legislation.

There are two further issues that are associated with the implementation of the PAL Project:

- giving official status to an electronic database of New Zealand legislation
- providing effective procedures for making legislative data available to legal publishers and other relevant agencies (such as the New Zealand Legal Information Institute (NZLII)), and facilitating use by legal publishers of PCO legislative data.

PCO response

PAL Project

The objectives of the PAL Project are to:

- make legislation available electronically and in printed form from a database owned and maintained by the Crown
- provide access to Acts and Statutory Regulations in electronic and printed forms as soon as possible after their enactment or making
- provide access to legislation with amendments incorporated as soon as possible after the legislation becomes law
- provide electronic access to Bills at key stages during their progress through the House
- provide free electronic access to Bills, SOPs, Acts, and Statutory Regulations via the Internet (including Acts and Statutory Regulations with their amendments incorporated)
- make it possible (in selected cases) to see the effects of proposed amendments on existing legislation
- make it easier to see the effect of amendments to proposed legislation during its passage through the House.

The PCO is undertaking the project in collaboration with the Office of the Clerk and the Tax Drafting Unit of the Inland Revenue Department (IRD). Unisys New Zealand Limited (Unisys) is the PCO’s implementation partner for the project.

The project is expected to be completed in late 2006/early 2007,⁶ and will have a significant impact on the PCO in the next three to five years. One result of the PAL Project will be the integration of systems at the PCO for drafting and publishing legislation. In addition, on completion of the project, Unisys on behalf of the PCO will house and maintain the new PAL system at Unisys’ Kapiti Data Centre.

⁶ The project was originally scheduled to go live in February 2003, but the commissioning of the new PAL system was deferred as a result of technical and commercial issues. As a result of the successful conclusion of negotiations between the PCO and Unisys on the commercial basis on which the project could be completed, the project resumed in March 2005.

There is further information about the immediate impact of this project on the PCO in the section on the 2006/07 year (see page 37).

The PAL Project is fundamental to achieving improvements in providing access to New Zealand legislation. Two improvements have already been made as a result of the project. These are the availability of up-to-date versions of New Zealand legislation (Acts and Statutory Regulations) on the Interim Website of New Zealand Legislation (www.legislation.govt.nz) and the new reprints publishing programme. A feature of this annual programme is effective consultation with users of legislation.

The PAL Project will use new technology for drafting and publishing legislation. This will give rise to significant change management issues in the PCO, the Office of the Clerk, and the Tax Drafting Unit of the IRD. There will also be changes to business processes, since the project will mean that prepublication services currently provided by Legislation Direct will be brought in-house. Because the PCO will provide these prepublication services to both the Office of the Clerk and the Tax Drafting Unit of the IRD, there will be an even closer working relationship between the PCO and those agencies, and a reliance on the PCO for the effective and efficient provision of those mission-critical services.

Longer-term projects that will arise out of the completion of the PAL Project include the officialisation of the database of New Zealand legislation that is being acquired from Brookers as part of the project, and the need for improved liaison with legal publishers since the PCO will be supplying them with raw electronic legislative data from the new PAL system. A strategy will also need to be developed to establish closer communication with users of legislation, with a view to seeking suggestions for ongoing improvements to the new PAL website.

Responding to increased public interest

The availability of the Interim Website of New Zealand Legislation, together with e-government initiatives, has raised public interest in legislation, the legislative process, and the PCO.⁷ The PCO has established procedures for providing responses to queries or transferring queries to the appropriate agency for response, and for keeping under review information available on the PCO website in the form of frequently asked questions.

In responding to demands for better access to other legislative material, the PCO has updated the list of deemed regulations on the PCO website, and has put procedures in place to ensure that this is updated regularly. The PCO plans to consult agencies responsible for the making of deemed regulations about the adoption of a standard naming convention, so that alphabetical lists can be used to find deemed regulations more easily.

Liaison with other agencies

As part of the response to e-government, the PCO is liaising with the State Services Commission E-government Unit, and has implemented procedures to add Functions of New Zealand and

⁷ The number of unique visitors to the Interim Website of New Zealand Legislation averages 26,000 per month, and is rising.

Subjects of New Zealand thesauri metadata to legislation that will be made available on the new PAL website on completion of the PAL Project.

The PCO is also engaged in strategic information communication technology (ICT) planning with the other four parliamentary agencies.

As with Strategic Objective 1, liaison with other jurisdictions is important, and the PCO shares knowledge and experience with other agencies, jurisdictions, and organisations such as NZLII and AustLII⁸ through visits and participation in conferences.

Priority projects

The priority projects under Strategic Objective 2—Ready access to New Zealand legislation are:

- complete the PAL Project
- provide better access to other types of legislation (deemed regulations)
- monitor developments in access to legislation in other jurisdictions and share information and knowledge.

Strategic Objective 3—Capability development

The goals of this objective are that:

- the core capabilities of the PCO, including the management capability of staff, are maintained and enhanced
- the PCO has appropriate and effective organisational structure and management systems
- a challenging and rewarding work environment is provided, and the whole of office dynamic is enhanced
- the PCO has effective and well-documented workplace policies, practices, and procedures, that also take account of the family responsibilities of staff
- technology is used effectively
- internal and external communication is improved
- the PCO complies with its legislative obligations.

The PCO Management Team continues to focus on capability development in order to ensure that changes implemented in recent years are consolidated and that the PCO retains the capability to deliver high quality drafting and publishing services.

Issues

The PCO has a staff of 80, comprising over 30 lawyers engaged in legislative drafting and other specialist and support staff. This compares with a staff of 28 in 1996. This growth in staff numbers

⁸ *New Zealand Legal Information Institute and Australian Legal Information Institute.*

has been both necessary and rapid. The current Management Team faces considerable challenges in dealing with the range of issues that inevitably arise in an organisation of this size. The PCO combines two functions that are closely linked: legislative drafting and publishing. The implementation of the new PAL system will involve the introduction of new and complex technology, a new drafting tool, and a completely different way of publishing legislation. The new system will have to be integrated with the PCO's current IT environment and publishing function and managed effectively. It is therefore appropriate to assess whether changes are necessary to current organisational structures and management and administrative systems.

Successive governments have addressed the consequences of significant long-term underfunding to the point where the PCO now has a sufficient number of well-qualified lawyers to be able to meet the Government's requirements for legislative drafting services for the foreseeable future. In a demand-driven environment like legislative drafting, it is difficult to strike the right balance between under-resourcing and over-resourcing. The PCO believes that balance is currently about right. It is important to ensure that this level of capacity is maintained and that the PCO can manage the impact of retirements and resignations of experienced drafters, parental leave, study leave, and other factors. In this regard, the PCO must continue to focus on training and professional development opportunities for its drafting staff, as well as for all other staff.

The current issues in capability development can be summarised as:

- appropriate and effective organisational structure, and management and administrative systems
- the best use of technology and the techniques of information management
- consistency of practice across the PCO
- training and professional development.

PCO response

The PCO response is described under the following headings:

- organisational capability
- effective use of technology
- development of best practice guidelines.

Organisational capability

Over the last decade, the PCO has followed a policy of developing and maintaining capacity in all areas of its operations. This has enabled it to get to the position where there is a reasonable prospect that it can meet the Government's requirements for the drafting and publication of legislation. However, the increase in the size of the PCO over that period has brought with it a number of challenges and issues. As indicated earlier in this Part, the increased size of the office and the complexity of the employment environment has increased the management overhead of the office, and there has been a significant increase in the

range and complexity of management issues faced, particularly in the human resources area. The implementation of the new PAL system also means that the PCO needs to have in place appropriate and effective strategies and capability to lead and manage the strategic development of its information and publishing systems.

It is therefore timely to assess the organisational capability of the PCO. The PCO has commissioned PricewaterhouseCoopers to recommend changes to existing organisational structures and management and administrative systems that may be necessary or desirable, with a particular focus on:

- the management of the PCO’s non-drafting activities
- human resources advice and systems
- capability development, including training
- accounting and financial advice and systems
- strategic development and management of information systems and publishing systems
- the development of a career structure within the PCO for both drafting and non-drafting staff.

A related issue, but one independent of the review, relates to the Statutes Drafting and Compilation Act 1920 which no longer meets current needs. The PCO will identify in what ways it needs updating.

Effective use of technology

The PAL Project will provide a system that integrates the drafting and publishing functions of the PCO, and will have a major impact on the way the PCO uses technology to deliver its outputs (its objectives have been described under Strategic Objective 2). The project has an immediate impact on the capability of the PCO. As well as supporting the project through a project office (with a specialist project manager and project administrator), staff from a number of operational areas in the PCO are required to contribute to the development of the project. There is therefore a need to ensure that appropriately skilled staff are available to respond to operational demands and to participate in the project. The number of law drafters’ secretaries is being increased to support testing of the new system and to improve the ratio of secretaries to drafters during the implementation of the new system.

Although the PAL system will be hosted and supported by Unisys, the PAL Project will have a major impact on the PCO’s internal IT system and support arrangements. The project implementation plan provides for an increase in the number of IT staff to boost Helpdesk support and to provide business analysis skills to support the ongoing development of the system. These developments will need to be properly incorporated into the PCO’s strategic planning before the go-live of the project.

The PCO will continue to use technology to improve internal communications and communication with the public. Further enhancements are planned to the PCO Intranet, which

has simplified the way in which staff access information and perform administrative tasks. In regard to the PCO website, the PCO is working to achieve compliance with the New Zealand Government Web Guidelines. A review of the structure and content of the site is also planned in response to the website’s continued growth and its importance as a vehicle for providing information to the public.

Development of best practice guidelines

Documenting policies and practices, and maintaining them in an up-to-date form, is important both in promoting consistency of practice across the organisation and in ensuring that, when staff leave, their specialist knowledge and contribution to best practice is retained as far as is possible. (The examples of the PCO Drafting Manual and the PCO Style Manual have been referred to under Strategic Objective 1.)

All manuals and documentation are being reviewed to ensure a consistent approach and a standard format when appropriate to facilitate access in both printed and electronic forms. New systems and business processes resulting from the PAL Project are being identified and documented.

Training is also important in the context of best practice. Staff are making increased use of training opportunities, and a regular drafters’ forum provides an opportunity to exchange knowledge and ideas. During 2006/07, the majority of PCO staff will undertake specialist training in the new PAL system. However, there remains an ongoing need for management training for those in management positions.

Priority projects

The priority projects under Strategic Objective 3—Capability development are:

- implement the results of PricewaterhouseCoopers’ review
- provide management training for appropriate PCO staff, taking particular account of the need for succession planning
- review the PCO’s strategic information plans relating to both systems and data, in the context of both the PAL Project and the office as a whole
- review the documentation developed to support operational systems across the PCO
- develop a programme of regular training and make it available to staff
- review the PCO website.

Measuring results

The Public Finance Act 1989 requires the PCO to report on the main measures and standards that it intends to use to assess and report on matters relating to its future performance, including the impacts, outcomes, and objectives achieved or contributed to and the cost effectiveness of the interventions that it delivers.

Standards and measures for measuring impacts, outcomes, and objectives

The role of the PCO is to draft and publish legislation. In carrying out this role, the PCO contributes to parliamentary democracy under the rule of law. The way it does so, that is, the relationship between the outcomes and interventions, is more fully explained on page 10. The PCO is only one of many contributors to this outcome. For this reason, measuring the extent of the PCO’s contribution to the outcome is not simple. Well-drafted legislation that is readily available to all who are affected by it is a prerequisite for effective parliamentary democracy.

The PCO is mandated by statute to draft and publish legislation: the Statutes Drafting and Compilation Act 1920 and the Acts and Regulations Publication Act 1989. The PCO is a centralised, government-funded legislative drafting office. In this respect it is similar to legislative drafting offices in the Commonwealth and the United States. Centralised legislative drafting offices provide a critical mass of expertise together with the associated benefits of effective quality assurance and a coherent statute book. Any other arrangement (for example, outsourcing legislative drafting to the private sector) is likely to put those benefits, which are not easily quantified and valued, at risk.

The PCO has two outputs, Legislative Drafting Services and Access to Legislation. The measures and standards for service performance for these outputs—quantity, quality, timeliness, and cost—are set out in the Statement of Forecast Service Performance on page 39. The same measures are used each year so that performance can be tracked over time.

For Output Class—Law Drafting Services, the performance measures are applied as follows: Quantity takes account of the number of published pages of legislation drafted by the PCO.

Quality takes account of:

- whether the legislation was drafted reflecting policy intentions
- whether the drafting standards and conventions, including editorial and peer review processes, were applied consistently
- the results of feedback from the annual client satisfaction survey, and the detection of technical flaws in legislation after its enactment
- the results of feedback from select committees, and from other sources such as the judiciary and academics.

Timeliness takes account of whether:

- Government Bills have been drafted in accordance with the Government’s priorities and supplied to Parliament within the applicable deadlines
- other legislation has been drafted and supplied within a reasonable time frame.

For Output Class—Access to Legislation, the performance measures are applied as follows:

Quantity takes account of the number of pages of legislation published by the PCO, the number of printed copies of Bills and Supplementary Order Papers that are provided to the

House, the number of reprinted Acts and reprinted Statutory Regulations that are compiled and published, and amount of work required to maintain the database of legislation.

Quality takes account of:

- the accuracy of the published legislation, in that it correctly reproduces what is authorised to be published, and the standard of printing
- the accuracy of the database of legislation in correctly stating the law, and the functionality of the database in terms of searching, browsing, and other features
- the availability of published legislation to the House, through designated bookshops and by subscription, and via the Internet
- whether the reprints published correctly state the law enacted or made by the legislation reprinted and by the amendments (if any) to that legislation, and whether the authority conferred by section 17C of the Acts and Regulations Publication Act 1989 to make changes in reprints has been properly exercised
- the responsiveness of the annual reprints programme to users' requirements as identified through the annual survey of users of legislation.

Timeliness takes account of:

- whether the requirements of the House for printed copies of Bills and SOPs are met
- how speedily legislation is provided for sale at designated bookshops and by subscription after Bills are introduced or pass through subsequent stages in the House, SOPs are released, Acts are assented to, and Statutory Regulations are made
- how soon after the end of the calendar year the annual bound volumes of Acts and Statutory Regulations for that year are published
- whether reprints are compiled and published in accordance with the annual reprints programme
- how early in the year the *Tables of Acts and Ordinances and Statutory Regulations in Force* for that year are published in printed and electronic forms
- how frequently the database of legislation is updated with Bills as they are introduced or pass through subsequent stages in the House, with Supplementary Order Papers as they are released, and with Acts and Statutory Regulations as they are passed or made, and how frequently principal Acts and Statutory Regulations are updated with their amendments.

Legislation drafted in the PCO undergoes considerable scrutiny. Drafts of Bills are subject to the PCO's internal peer review and quality assurance processes. They are referred to government departments for consideration before introduction. Discussion drafts of Bills are sometimes released for public or targeted consultation before introduction. Improvements invariably result from these processes.

The Legislation Advisory Committee reviews Bills after introduction and is assisted in this by the Law Commission which reports on whether Bills comply with the Legislation Advisory Committee Guidelines.⁹ Among the many considerations in this regard are whether the legislation is understandable and accessible, complies with the basic principles of New Zealand’s legal and constitutional system, is consistent with the New Zealand Bill of Rights Act 1990, is consistent with New Zealand’s international obligations, and whether legislative powers have been delegated appropriately.

With the exception of Appropriation and Imprest Supply Bills, all Bills introduced into Parliament are referred to select committees where they receive extensive scrutiny informed by public submissions. This process is important in identifying problems with policy, design, and drafting. The Committee of the Whole stage in the House is also an opportunity to improve a Bill both as regards policy and technical drafting matters.

Statutory regulations drafted in the PCO are not subject to the same level of scrutiny as Bills since they are made by the executive. However, they stand referred to the Regulations Review Committee and are subject to scrutiny by that committee. The committee may bring a regulation to the attention of the House on any of the grounds set out in Standing Order 315. Statutory regulations are also subject to disallowance under the Regulations (Disallowance) Act 1989. Statutory regulations may be declared invalid by the courts if they are not within the delegated law-making powers of the Act under which they are made. The work of the Regulations Review Committee and court decisions on the validity of regulations provide useful measures for the PCO in regard to the drafting of Statutory Regulations.

In 2004, the PCO commissioned Ms Michèle Asprey to review the drafting of New Zealand legislation from a plain language perspective. This review is referred to on page 23. Such reviews, possibly at defined intervals, are another useful measure of assessing the PCO’s drafting output.

Cost effectiveness of outputs

Measuring the cost effectiveness of the PCO’s operations is not simple either. The PCO is a unique specialist office and there is no comparable organisation in New Zealand that could be used for bench-marking purposes. Bench-marking against legislative drafting offices overseas is problematic because not all offices have the same responsibilities and the legislative environments in which they operate are different. For example, some offices draft only primary legislation, not all offices have publishing responsibilities, and none operates in the equivalent of an MMP parliamentary environment.

The PCO is committed to continuous improvement in all areas of its operations. In 1998, a review of the effectiveness and efficiency of the PCO was undertaken for the PCO by PricewaterhouseCoopers. Recommendations from that review provided a strategic

⁹ The Guidelines are available in electronic format at www.justice.govt.nz/lac/index.html.

framework for the development of the PCO for a number of years. PricewaterhouseCoopers is now undertaking a review of the PCO's organisational structure and management and administrative systems. The reasons for this review and the terms of reference are set out on pages 28 and 29. While the focus of the review is not on cost effectiveness, recommendations on organisational structure and management and administrative systems will have an impact on cost-effectiveness of the PCO's operations. The review will thus provide an assessment of how well the PCO is performing from the perspective of its current organisational structure and management and administrative systems. In carrying out the review, PricewaterhouseCoopers will look at ways in which performance can be improved. PricewaterhouseCoopers has been asked to ensure that its recommendations come with performance indicators so that the steps taken by the PCO to improve performance can be monitored over time.

Measures and standards for organisational health

The PCO has followed a policy of developing and maintaining capability in all areas of its operations over the last ten years. An indicator of the success of this strategy is that the PCO now has the capability to meet the Government's requirements for drafting and publishing legislation. In terms of a traditional measure of organisational health, the PCO has maintained a low staff turnover during this period, although to some extent this is explained by the specialist nature of the work. In addition, it has monitored and continues to monitor the ratio of inexperienced to experienced drafting staff.

The PCO liaises closely with other public sector organisations to ensure that its personnel and other policies and practices are up to date and appropriate. In this way, the PCO is able to measure its own policies and practices against those of others. In relation to remuneration, the PCO monitors market movements through the use of information purchased from providers of remuneration advice and through liaison with other public sector organisations.

It might be possible to undertake a comparative analysis of the costs of providing legislative drafting services by the PCO, on the one hand, and private sector lawyers, on the other. Such an analysis would, however, be a crude comparative tool. A number of assumptions would have to be made, for example, the relative levels of seniority of private sector lawyers and their charge-out rates, overheads, and the cost of the quality assurance and typesetting processes currently provided within the PCO. Legislative drafting is, however, a highly specialised type of legal work undertaken by lawyers who have received extensive training extending over several years who work in the PCO. Although a small number of former Parliamentary Counsel work in private legal practice either as partners or barristers, there is no comparable critical mass of specialists in this work outside of the PCO.

The PricewaterhouseCoopers review will, to an extent, provide information on organisational health and a bench-mark against which to measure future development. A change readiness survey being undertaken as part of the PAL Project implementation will also provide information about organisational health. The PCO is considering using such surveys, which are common

in other organisations, on a regular basis in the future. Better analysis of data available on the PCO's management information databases will also assist in assessing the state of the organisational health of the PCO, for example, the extent to which staff are taking advantage of training opportunities.

Risk management

Risk management is integral to the operations of the PCO. Although the PCO has not yet undertaken a formal risk analysis, risk assessment and the mitigation of risk are an integral part of the way the PCO undertakes business-as-usual and specific projects.

PAL Project

The key areas of technical risk for the PAL Project relate to the integration and customisation of base technologies, the capacity of the technology to deliver the PCO's business requirements, and system performance. In any complex IT project, it is not possible to eliminate every risk. However, a great deal of knowledge and experience in the technologies has already been gained by Unisys and the PCO. That, coupled with the findings of a technical review of the project in 2003/04, has enabled officials and the independent quality assurance reviewers to be satisfied that the level of technical risk is low, and appropriate risk management strategies are in place for the remainder of the project. These cover:

- technology risk—integration and customisation
- technology risk—delivery of the PCO's business requirements
- system performance.

Key areas of business risk relate to the implementation of the new PAL system, and associated changes to business processes, as part of the day-to-day operations of the PCO, Office of the Clerk, and the IRD, and the change management associated with the project. The integration of drafting and publishing means that not only will there be a change to business processes, but that the PCO drafters and secretarial staff will be using new systems and tools. These risks are being managed through the development of appropriate implementation and change management strategies that focus on a staged implementation between the existing drafting and publishing system and the new PAL system, careful management of the conversion and migration of work in progress into the required new XML format, rigorous user acceptance testing, and adequate training and support to users of the new system.

Risks arising out the new relationships required between the three agencies that will use the new system will be managed through the development of appropriate service-level agreements between the PCO and the Office of the Clerk and the IRD. Risks arising out of the need to support the new system will be managed through an ongoing services contract between the PCO and Unisys.

Hewlett-Packard New Zealand (HPNZ) has also been engaged to provide independent quality assurance services in relation to the project management of the PAL Project, and a particular focus of HPNZ’s reviews continues to be the change management aspects of the project.

Other areas

Risks associated with changes to organisational structures and management and administrative systems may arise out of the PricewaterhouseCoopers review. The methodology of the review includes extensive consultation with staff, both individually and in groups, in order to provide the reviewers with insight into the change readiness of the PCO. One of the requirements of an implementation plan for any recommendations from the review will be the mitigation of any risks arising out of those recommendations.

Risk analysis has also been integral to the development of the PCO Security Policy, and part of the PCO’s disaster recovery planning and health and safety management. A review has been completed of the PCO’s legislative compliance requirements, and processes will be put in place to provide regular legislative compliance assurance. A review is also being undertaken of the PCO’s employment-related policies to provide assurance that they are comprehensive, appropriate to PCO requirements, and accurately reflect current employment law. The PCO will evaluate its compliance with the new Civil Defence Emergency Management Plan.

PART 3: THE 2006/07 YEAR

Priorities

Key priorities for the 2006/07 year include:

- reviewing the PCO's organisational structure and management and administrative systems, and implementing changes resulting from that review
- completing the PAL Project
- responding to recommendations on clear drafting and progressing other priority projects
- continuing to maintain and enhance capability.

The PCO review

The scope of this review is set out at page 29. Carrying out this review and implementing its recommendations will be a prime focus in 2006/07.

The PAL Project

After being delayed since early 2003, work on the PAL Project resumed in March 2005. The project is scheduled for completion in late 2006/early 2007.

The first stage of the resumed project has been completed, and involved the review and consolidation of the PCO's requirements for the new PAL system. These requirements were captured in:

- a Legislation Outputs Specification, which sets out a complete statement of the format of New Zealand legislation that the new PAL system must be able to produce. This is a comprehensive set of print output specifications and example documents for use in the design, development, and testing of the PAL system
- a Consolidated Functional and Non-Functional Specification, which integrates the original user requirements and functional specifications developed in Stage 1 of the project in 2001, together with requirements, issues, and defects identified during subsequent testing of the PAL system, the technical review, and the evaluation of alternative print rendering engines
- a revised Document Type Definition Guide.

As baseline documents, these specification documents now form the foundations for the remaining design, development, and testing phases of the project.

As part of the first stage of the resumed project, Unisys carried out a "proof of concept" exercise for key technology components highlighted during the technical review, in order to confirm that the proposed technology is capable of meeting the PCO's business requirements, and that certain business processes can be satisfactorily catered for in the new system. The

proof of concept exercise successfully confirmed these matters, including the capability and performance of the new print rendering engine (Arbortext E3).

A “spotlight review” undertaken by the PCO and Unisys at the end of the first phase confirmed the effort, deliverables, and time frame to complete the project. The remaining stages of the PAL Project involve design and development, systems integration testing, performance and stress testing, user acceptance testing, training, and implementation. User acceptance testing is scheduled to finish in the fourth quarter of 2006.

On this timetable, the main impact of the implementation of the PAL Project on the operations of the PCO (as well as the Office of the Clerk and the Tax Drafting Unit of the IRD) will occur in late 2006 and early 2007. The cut over to the new system will involve the conversion and migration of work in progress (including legislation being drafted at that time, and Bills and SOPs before the House or select committees). New and changed business processes will need to be documented. Since the PCO will be supplying prepublication services to the Office of the Clerk and Tax Drafting Unit of the IRD, arrangements and service-level agreements will also need to be agreed between the PCO and those agencies.

The implementation of the new PAL system will also involve significant change management issues for the PCO, since the introduction of the new system will affect key aspects of the work processes of the PCO, Office of the Clerk, and Tax Drafting Unit of the IRD. As well as ensuring that staff are well trained in the new system, the PCO will need to ensure that they understand and accept the need to learn and use the new system efficiently, and are adequately supported during and after the transition to the new system.

Although Unisys, on behalf of the PCO, will house and maintain the new PAL system at Unisys’ Kapiti Data Centre, the PCO will be responsible for first tier support of the system for the PCO, Office of the Clerk, and Tax Drafting Unit of the IRD. The PCO will need to recruit additional IT staff to boost Helpdesk support, and to provide business analysis skills to support the ongoing development of the system.

The challenge for the PCO will be to successfully manage the implementation and bedding-in of the new PAL system while still ensuring that the standard of service it provides to Ministers, departments, select committees, and the public is maintained.

Clear drafting and other priority projects

In the context of continuing to improve the clarity of New Zealand legislation, the PCO will continue to evaluate the recommendations made by Michèle Asprey. Some recommendations have already been implemented. The PCO will focus on a smaller number of priority projects in 2006/07 than in previous years, in order to maximise their success in terms of both quality and timeliness and provide the time and resources necessary to ensure successful implementation of the PAL Project.

It is expected that several projects begun in previous years will be completed, such as the revision of the PCO Drafting Manual.

Capability

Capability development remains a strategic objective of the PCO. This strategic objective, including the issues and the PCO response, is described on pages 27 to 30.

Statement of forecast service performance

Statement of Forecast Service Performance, Specifying the Performance Forecast for Each Class of Outputs for the Year Ending 30 June 2007

The PCO has agreed to provide outputs in 2006/07 that meet the requirements of the Attorney-General in terms of their nature, outcome emphasis, timeliness, quality and quantity specifications, and cost.

Output Class—Law Drafting Services

Description

Under this output class, the PCO will deliver a service that provides for:

- drafting Government Bills (including amendments) and Statutory Regulations
- examining and reporting on local Bills and private Bills, and drafting amendments to them.

Outcomes

Contributing to a parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making role and contributing to the Government’s objectives by ensuring that legislation that is necessary to change the law to implement Government policies is effective and clear.

Quantity, quality, timeliness, and cost

This output class is demand driven. It is accordingly difficult to estimate accurately the number of Government Bills and Statutory Regulations that will be drafted in any year, or the extent of the amendments required to Bills before the House. It is anticipated that:

- between 50 and 70 Government Bills will be drafted in the 2006/07 financial year and that amendments to the same number of Bills will be drafted during their passage through the House
- between 300 and 400 Statutory Regulations will be drafted

- between four and eight local Bills and private Bills will be examined, and amendments drafted to the same number.

The quality of the Government Bills and Statutory Regulations drafted and of the examinations of local Bills and private Bills is expected to remain high. The quality of the amendments drafted to Government Bills and to local and private Bills is also expected to remain high.

The Attorney-General’s views, and the views of instructing departments, as to the quality of the work in this output class will be sought.

Cost

Year	Cost GST excl. \$000	Total Revenue GST excl. \$000	Crown Revenue GST excl. \$000	Revenue Departmental GST excl. \$000	Revenue Other GST excl. \$000
2006/07	8,365	8,365	8,261	104	0
2005/06	8,365	8,365	8,261	104	0

Output Class—Access to Legislation

Description

Under this output class, the PCO will deliver a service that provides for:

- supplying printed copies of Government Bills and Government Supplementary Order Papers to the House and, on a selective basis, copies of Acts with proposed amendments incorporated
- publishing printed copies of Bills and Supplementary Order Papers, pamphlet copies of Acts and Statutory Regulations, and annual volumes of Acts and Statutory Regulations
- compiling reprints of Acts and Statutory Regulations with their amendments incorporated and publishing them
- providing the above for sale at designated bookshops and by subscription
- publishing the *Tables of New Zealand Acts and Ordinances and Statutory Regulations in Force* in printed form, and in electronic form on the Internet free of charge
- providing free public access via the Internet to an electronic database of Acts (both as enacted and with their amendments incorporated), Statutory Regulations (both as made and with their amendments incorporated), Bills, and Supplementary Order Papers, and maintaining the electronic database of legislation in an up-to-date form.

Outcomes

Contributing to a parliamentary democracy under the rule of law by supporting Parliament and the executive in their law-making role, and contributing to the Government’s objectives by ensuring that legislation, including Bills and Supplementary Order Papers, is accessible to the

public in both printed and electronic forms, and by providing printed copies of Government Bills and Government Supplementary Order Papers to the House.

Quantity, quality, timeliness, and cost

This output class is substantially demand driven. It is accordingly difficult to estimate accurately the number of Bills, Supplementary Order Papers, Acts, and Statutory Regulations that will be published in any year, or the number of printed copies of Bills and Supplementary Order Papers that will be provided to the House. It is anticipated that:

- between 50 and 70 Government Bills, and between 70 and 100 Supplementary Order Papers, will be supplied to the House and published
- between 80 and 120 Acts of Parliament will be published
- between 300 and 400 Statutory Regulations will be published
- the above will be provided for sale at designated bookshops and to subscribers within five working days of Bills being introduced, Supplementary Order Papers being released, and Statutory Regulations being made, and, in the case of Acts, within ten working days of being assented to
- the annual bound volumes of Acts for 2006 and the annual bound volumes of Statutory Regulations for 2006 will be published in the first half of 2007
- reprinted Acts and reprinted Statutory Regulations will be compiled and published in accordance with the PCO reprints policy and the annual reprints programme
- the 2006 edition of the *Tables of New Zealand Acts and Ordinances and Statutory Regulations in Force* will be published in both printed and electronic forms
- free public access to the database of Acts, Statutory Regulations, Bills, and Supplementary Order Papers will be provided on a 24/7 basis (24 hours a day, 7 days a week)
- the database will be maintained in accordance with the PCO database work programme.

A high standard of accuracy will be maintained. The printed versions of Acts and Statutory Regulations will remain the only authoritative versions until the PCO completes the work necessary to make the electronic database of legislation the official source of New Zealand legislation.

The Attorney-General’s views as to the quality of work in this output class will be sought at the end of the financial year.

Cost

Year	Cost GST excl. \$000	Total Revenue GST excl. \$000	Crown Revenue GST excl. \$000	Revenue Departmental GST excl. \$000	Revenue Other GST excl. \$000
2006/07	7,880	7,880	7,831	14	35
2005/06	7,517	7,517	7,468	14	35

Forecast financial statements**Introduction and Financial Highlights**

Appropriations for the PCO in 2006/07 total \$16.245 million (GST exclusive). The PCO expects to receive \$16.092 million (GST exclusive) from the Crown and \$0.153 million (GST exclusive) from departmental and other sources. The increase in revenue Crown of \$0.363 million (GST exclusive) compared to 2005/06 will contribute to the costs of completing the PAL Project.

The PCO expects to incur expenses of:

- \$8.365 million (51.5% of the Vote) on Law Drafting Services
- \$7.880 million (48.5% of the Vote) on Access to Legislation.

In addition, the PCO expects to incur departmental capital expenditure of \$3.852 million of which \$3.552 million is expenditure associated with the PAL Project.

Summary

	2006/07 Forecast \$000	2005/06 Estimated Actual \$000	2005/06 Budget \$000
Revenue—Crown	16,092	15,729	15,729
—departmental	118	118	118
—other	35	35	35
Output expenses	16,245	15,882	15,882
Net surplus	0	0	0
Taxpayers' funds	12,349	8,797	8,797
Net cash flows from operating activities	832	(779)	(779)

The forecast financial statements contain the following:

- financial performance
- estimated financial position and forecast financial position
- forecast cash flows
- reconciliation of net cash flows from operating activities to net surplus/(deficit) in the operating statement
- movements in taxpayers' funds (equity)
- objectives specifying the financial performance forecast
- summary of departmental output classes
- departmental capital expenditure
- forecast details of fixed assets by category
- significant underlying assumptions.

Statement of Financial Performance
for the year ending 30 June 2007

	2005/06 Budgeted ¹⁰ \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Revenue			
Crown	15,729	15,729	16,092
Departmental	118	118	118
Other	35	35	35
Total revenue	15,882	15,882	16,245
Expenses			
<i>Output expenses:</i>			
Personnel	7,186	7,186	7,649
Operating	7,683	7,683	7,169
Depreciation	480	480	767
Capital charge	533	533	660
Total expenses	15,882	15,882	16,245
Net surplus (deficit)	0	0	0

¹⁰ This incorporates both Main Estimates and Supplementary Estimates appropriations for 2005/06.

Statement of Estimated Financial Position
as at 30 June 2006

and of Forecast Financial Position
as at 30 June 2007

	Actual as at 30 June 2005 \$000	Forecast and Estimated Actual as at 30 June 2006 \$000	Projected as at 30 June 2007 \$000
Assets			
<i>Current assets:</i>			
Cash and bank balances	2,739	979	1,511
Prepayments	12	19	19
Receivables and advances	26	0	0
Debtor—Crown	1	0	0
<i>Total current assets</i>	<i>2,778</i>	<i>998</i>	<i>1,530</i>
<i>Non-current assets:</i>			
Physical assets ¹¹	6,413	8,862	11,947
<i>Total non-current assets</i>	<i>6,413</i>	<i>8,862</i>	<i>11,947</i>
Total assets	9,191	9,860	13,477
Liabilities			
<i>Current liabilities:</i>			
Payables and provisions	1,774	418	418
Provision for payment of net surplus	681	0	0
Provision for employee entitlements ¹²	215	357	422
<i>Total current liabilities</i>	<i>2,670</i>	<i>775</i>	<i>840</i>
<i>Long-term liabilities:</i>			
Provision for employee entitlements	353	288	288
<i>Total long-term liabilities</i>	<i>353</i>	<i>288</i>	<i>288</i>
Total liabilities	3,023	1,063	1,128
Taxpayers' funds			
General funds	6,168	8,797	12,349
Total taxpayers' funds	6,168	8,797	12,349
Total liabilities and taxpayers' funds	9,191	9,860	13,477

¹¹ Further details of physical assets are contained under Forecast Details of Fixed Assets by Category as at 30 June 2007.

¹² This includes leave and retirement entitlement provisions.

**Statement of Forecast Cash Flows
for the year ending 30 June 2007**

	2005/06 Budgeted \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Cash flows from operating activities			
<i>Cash provided from:</i>			
Supply of outputs to: Crown	15,730	15,730	16,092
Departmental	138	138	118
Other	41	41	35
<i>Cash disbursed to:</i>			
<i>Cost of producing outputs:</i>			
Output expenses	(16,155)	(16,155)	(14,753)
Capital charge	(533)	(533)	(660)
Net cash flows from operating activities	(779)	(779)	832
Cash flows from investing activities			
<i>Cash provided from:</i>			
Sale of physical assets	0	0	0
<i>Cash disbursed to:</i>			
Purchase of physical assets	(2,929)	(2,929)	(3,852)
Net cash flows from investing activities	(2,929)	(2,929)	(3,852)
Cash flows from financing activities			
<i>Cash provided from:</i>			
Capital contribution from the Crown	2,629	2,629	3,552
<i>Cash disbursed to:</i>			
Payment of surplus to the Crown	(681)	(681)	0
Net cash flows from financing activities	1,948	1,948	3,552
Net increase/(decrease) in cash held	(1,760)	(1,760)	532
Opening total cash balance at 1 July	2,739	2,739	979
Closing total cash balances at 30 June projected	979	979	1,511

Reconciliation of Net Cash Flows from Operating Activities to Net Surplus/(Deficit) in the Operating Statement for the year ending 30 June 2006

	2005/06 Budgeted \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Operating surplus/(deficit)	0	0	0
<i>Add/(deduct) non-cash expenses/(revenues) from operating statement</i>			
Depreciation and amortisation	480	480	767
<i>Add/(deduct) non-cash working capital reductions/(increases) from balance sheet¹³</i>			
(Increase)/decrease in receivables and advances	26	26	0
(Increase)/decrease in debtor Crown	1	1	0
(Increase)/decrease in prepayments	(7)	(7)	0
Increase/(decrease) in payables and provisions ¹⁴	(1,279)	(1,279)	65
Net cash flows from operating activities	(779)	(779)	832

Statement of Movements in Taxpayers' Funds (Equity) as at 30 June 2007

	Forecast and Estimated Position as at 30 June 2006 \$000	Projected Position as at 30 June 2007 \$000
Net surplus/(deficit)	0	0
Capital contributions from the Crown	2,629	3,552
Movements in taxpayers' funds	0	0
Taxpayers' funds at start of period	6,168	8,797
Taxpayers' funds at end of period	8,797	12,349

¹³ These figures exclude changes in fixed assets, debtors, and creditors.

¹⁴ Excludes movements in provisions for employee entitlements.

Statement of Objectives Specifying the Financial Performance Forecast
for the year ending 30 June 2007

	Unit	2005/06 Budgeted	2005/06 Estimated Actual	2006/07 Budget
Operating results				
Revenue: departmental	\$000	118	118	118
Revenue: other	\$000	35	35	35
Revenue: interest	\$000	0	0	0
Output expenses	\$000	15,882	15,882	16,245
Operating surplus before capital charge	\$000	533	533	660
Net surplus	\$000	0	0	0
Working capital				
Liquid ratio ¹⁵	%	238.8	238.8	366
Net current assets	\$000	223	223	690
Current ratio	%	128.8	128.8	182.1
Average debtors outstanding	days	0	0	0
Average creditors outstanding	days	24.5	24.5	14.1
Resource utilisation				
<i>Physical assets:</i>				
Total physical assets at year end	\$000	8,862	8,862	11,947
Physical assets as % of total assets	%	89.9	89.9	88.7
Additions as % of physical assets	%	33.1	33.1	32.2
Taxpayers' funds at year end	\$000	8,797	8,797	12,349
Forecast net cash flows				
Surplus/(deficit) operating activities	\$000	(779)	(779)	832
Surplus/(deficit) investing activities	\$000	(2,929)	(2,929)	(3,852)
Surplus/(deficit) financing activities	\$000	1,948	1,948	3,552
Cash disbursed to producing outputs	\$000	(16,155)	(16,155)	(14,753)
Net increase/(decrease) in cash held	\$000	(1,760)	(1,760)	532

¹⁵ Total cash and bank balances and prepayments as a proportion of creditors and short-term (current) payables.

Summary of Departmental Output Classes

Departmental output classes to be delivered by the PCO, and their associated revenue, expenses, and surplus and deficit are summarised below:

Output Operating Statements 2006/07						
Departmental Output Class	Description	Revenue: Crown \$000	Revenue: Depts \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (deficit) \$000
Vote Parliamentary Counsel Output expense— Law Drafting Services	Drafting of Government Bills (including amendments) and Statutory Regulations; examining and reporting on local and private Bills and drafting amendments to them.	8,261	104	–	8,365	–
Output expense— Access to Legislation	Supplying printed copies of Bills and Supplementary Order Papers to the House and, on a selective basis, copies of Acts with proposed amendments incorporated. Publishing printed copies of Bills and Supplementary Order Papers, pamphlet copies of Acts and Statutory Regulations, and annual volumes of Acts and Statutory Regulations. Compiling reprints of Acts and Statutory Regulations with their amendments incorporated and publishing them. Providing the above for sale at designated bookshops and by subscription. Publishing the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations in Force</i> in printed and in electronic forms. Providing free public access via the Internet to an electronic database of legislation, including Bills and Supplementary Order Papers, and maintaining the electronic database of legislation in an up-to-date form.	7,831	14	35	7,880	–

Departmental Capital Expenditure to be incurred in accordance with section 24 of the Public Finance Act 1989

	Forecast 2006/07 \$000	Estimated Actual 2005/06 \$000	Budget 2005/06 \$000	Actual 2004/05 \$000	Actual 2003/04 \$000	Actual 2002/03 \$000	Actual 2001/02 \$000
Computer systems and office equipment	3,852	2,929	2,929	1,562	429	2,272	1,976
Furniture and fittings	0	0	0	126	594	139	291
Motor vehicles	0	0	0	0	30	41	0
Total	3,852	2,929	2,929	1,688	1,053	2,452	2,267

The category of computer systems and office equipment includes a significant increase for the 2006/07 year, representing the capital expenditure associated with the PAL Project. The balance relates to the routine replacement of the PCO's information technology and office equipment in accordance with the services to be delivered as set out in this SOI.

Forecast Details of Fixed Assets by Category as at 30 June 2007

	30 June 2006 Estimated Actual Position \$000	30 June 2007 Projected Position		
		Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Computer systems and office equipment	8,311	13,441	1,869	11,572
Furniture and fittings	542	1,618	1,233	385
Motor vehicles	9	71	81	(10)
Total	8,862	15,130	3,183	11,947

Significant Underlying Assumptions

These forecast financial statements have been compiled on the basis of Government policies.

These forecast financial statements have been prepared in accordance with section 38 of the Public Finance Act 1989 and comply with generally accepted accounting practice. The measurement base applied is historical cost.

The accrual basis of accounting has been used for the preparation of these forecast financial statements.

These forecast financial statements have been prepared on a going-concern basis.

The actual results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

Statement of Accounting Policies

Reporting entity

The PCO is a government department as defined by section 2 of the Public Finance Act 1989.

Accounting policies

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

Budget figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and amended by the Supplementary Estimates.

Revenue

The PCO derives revenue through the provision of outputs to the Crown and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Cost allocation

The PCO has derived the costs of outputs using a cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity usage information.

Criteria for direct and indirect costs

Direct costs are those costs directly attributed to an output. *Indirect costs* are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs assigned to outputs

Direct costs are charged directly to outputs. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged by actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output.

Basis for assigning indirect and corporate costs to outputs

Indirect costs are assigned to outputs based on a proportion of direct staff costs used for each output.

Debtors and receivables

Receivables are recorded at estimated realisable value after providing for doubtful debts.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods in which they are incurred.

Fixed assets

The initial cost of a fixed asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

All fixed assets costing more than \$1,000 are capitalised and recorded at historical cost.

Depreciation

Depreciation of fixed assets is provided on a straight line basis, other than assets under construction, so as to allocate the cost of assets, less any estimated residual value, over their useful lives. The estimated economic useful lives are:

Motor vehicles	5 years	20% (residual value 40%)
Office furniture	5 years	20%
Computing equipment	3 years	33%
Office equipment	5 years	20%
Fixtures and fittings	6 years	16.67%
PAL software	7 years	14.29%
PAL Project	20 years	5%

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Items under construction are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

Employee entitlements

Provision is made in respect of the PCO liability for annual leave, long service leave, and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay, while the other provisions have been calculated on an actuarial basis based on the present value of expected future entitlements.

Statement of cash flows

Cash means cash balances on hand and held in bank accounts.

Operating activities include cash received from all income sources of the PCO and record the cash payments made for the supply of goods and services.

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

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Foreign currency

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction.

Financial instruments

The PCO is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, and creditors. All financial instruments are recognised in the Statement of Financial Position, and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Goods and Services Tax (GST)

Figures in the forecast financial statements and the statement of forecast service performance are stated exclusive of GST. The Statement of Financial Position is exclusive of GST, except for prepayments, receivables and advances, and payables and provisions, which are GST inclusive.

Taxation

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Taxpayers' funds

This is the Crown's net investment in the PCO.

Changes in accounting policies

There have been no changes in accounting policies, including cost allocation accounting policies, since the date of the last audited financial statements.

All policies have been applied on a basis consistent with other years.

PART 4: APPENDICES

Appendix 1—PCO mission and vision statements

Mission statement

The Parliamentary Counsel Office aims to—

- provide high quality legislative drafting services and advice in a professional, impartial, and responsive manner
- ensure, so far as it can, that New Zealand legislation is based on sound legal principles
- ensure that New Zealand legislation is readily accessible.

Vision statement

A Parliamentary Counsel Office committed to the following objectives:

To improve access to legislation by ensuring—

- that legislation is drafted as clearly and simply as possible
- the timely and high quality publication of legislation
- the timely and high quality compilation of legislation.

To improve the delivery of services to Ministers, government departments, select committees of Parliament, and the Office’s other clients by—

- liaising with clients
- keeping clients well-informed
- reviewing and improving the systems used to deliver those services.

To establish and maintain a reputation, among the Government, the Parliament, the Courts, and the wider public, for—

- providing high quality legislative drafting services and advice in a professional, impartial, and responsive manner
- ensuring, so far as it can, that New Zealand legislation is based on sound legal principles
- ensuring that New Zealand legislation is readily accessible.

To undertake the continuous, systematic review and improvement of management systems, information systems, work practices, and use of resources.

To promote a collegial approach to the work of the Office.

To promote—

- communication among the staff of the Office
- a high level of consultation with staff
- participation by staff in decision-making.

To establish and maintain a supportive working environment that—

- ensures the recruitment of persons best qualified and able to contribute to the achievement of the Office’s mission
- provides proper training to staff
- promotes the professional development of staff
- encourages staff to perform to the highest levels of their ability
- recognises the contributions of staff by principled and fair performance assessment.

Appendix 2—Organisational plan

