

Statement of Intent

*Parliamentary Counsel Office
Te Tari Tohutohu Pāremata*

*for the period 1 July 2005
to 30 June 2008*



PARLIAMENTARY
COUNSEL OFFICE
TE TARI TOHUTOHU
PĀREMATA

Statement of Intent

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*For the period 1 July 2005
to 30 June 2008*

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 2006 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 (2005/06 Estimates) Bill.

Signed

Countersigned



George Tanner QC
Chief Parliamentary Counsel
Date: 29 April, 2005

Julia Kennedy
Manager Support Services
Date: 29 April, 2005

Preface

This SOI sets out the PCO's operating intentions for the coming three years. The document differs from previous years' SOIs, in part because of the amended requirements of the Public Finance Act 1989, and in part from a desire to communicate more clearly to Parliament and 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 2005 to 30 June 2008. It identifies key features of the environment and describes the PCO's future operating intentions, including strategic objectives and risk management. In Part 3 the focus narrows to the 2005/06 year and includes the forecast service performance and the forecast financial statements. Part 4, the appendices, comprises the PCO mission and vision statements and the organisational structure.

The passages that describe the PCO's environment and anticipated challenges are a new feature in this SOI. This information is drawn largely from 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.

Government Bill

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

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 bodies under powers conferred by an Act of Parliament. Statutory Regulations and deemed regulations are both types of delegated legislation.

local Act

An Act which 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

Member's/Private Member's Bill. A Bill introduced to the House by an MP, but not as a Minister of the Crown.

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/reprinted Act or reprinted Statutory Regulations

Acts and Statutory Regulations, incorporating amendments since they were enacted or made, 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. And, at the direction of the Attorney-General, the PCO also drafts Members' Bills.

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 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 57–57C, 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 placed before Parliament by Ministers of the Crown, and in some cases by Members of Parliament, for Parliament’s consideration. It also drafts amendments to those Bills for Parliament’s consideration. The PCO also drafts regulations and other legislative instruments to be made by the executive if it thinks fit.

Another way in which the PCO supports Parliament and the executive in their law-making functions is in making legislation available to the citizens of New Zealand, both individual and corporate.

The PCO tries to ensure, so far as it can, that the statutes that Parliament enacts and the delegated legislation made by the executive:

- comply with the rights and freedoms guaranteed 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 legal principle
- are clear and effective in implementing the policies embodied in them
- in the case of delegated legislation, will withstand challenge in the Courts.

And 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 accessible 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 38.

How the outputs are achieved: the process

Law Drafting Services

The drafting services provided by the PCO are part of the process of implementing new policy or changes in policy through the enactment of legislation. The PCO is first 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. It is also central to the process for managing the Government’s legislation. The Legislation Coordinator, a member of staff of the Cabinet Office, 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 legislative drafter is to translate policy decisions into effective, principled, and clear law. Drafting legislation is not, as some people perceive it, 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 legislative drafter’s work.

Drafting is an iterative process, sometimes requiring many rounds of revision and many months of work. It 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, what follows depends on whether the legislation is a Bill or draft regulations. 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, during which time 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, when 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 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. Now an Act, the work of publishing falls under the PCO's Access to Legislation output.

Access to Legislation

The PCO provides access to legislation through publishing in pamphlet form and bound volumes, and through 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, without amendments incorporated), to SOPs and Bills, and to reprints published since November 2002.

PART 2: THE NEXT THREE YEARS, 2005–2008

The environment

As indicated in the introduction to this SOI, 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. There are also other environmental factors that impact on the way in which the PCO drafts legislation and makes it available to Parliament and the public. Some of these factors are not static, and pose challenges and risks (but also opportunities) for the PCO as it seeks to operate in a changeable environment.

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. For example, New Zealand's response to the threat of international terrorism arising out of the September 11, 2001 World Trade Center attack required the drafting of a number of pieces of legislation.² Similarly, the drafting of the Weathertight Homes Resolution Services Act 2002 was a legislative response to a crisis in the home building industry and was followed by a new Building Act 2004 and a Registered Architects Act 2005. The Foreshore and Seabed Act 2004 arose out of a decision of the Court of Appeal³ recognising the possibility that a successful claim under Te Ture Whenua Maori Act 1993 (Maori Land Act 1993) could lead to orders conferring private fee simple title to parts of the foreshore and seabed. 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.

Impact of MMP

Parliaments elected under the Mixed Member Proportional Representation (MMP) electoral system 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, as follows:

- there is greater consultation on draft Bills before they are introduced. This often results in instructions to begin drafting legislation being issued by departments before the

² For example, the *Transnational Organised Crime Bill 2002* resulted in the enactment of the *Crimes Amendment Act 2002*, the *Immigration Amendment Act 2002*, the *Mutual Assistance in Criminal Matters Amendment Act 2002*, and the *Passports Amendment Act 2002*. And the *Terrorism Suppression Act 2002* implemented obligations under two United Nations conventions for the suppression of terrorist bombings and the financing of terrorism as well as obligations under United Nations Security Council Resolution 1373.

³ *Attorney-General v Ngati Apa (2003) 3 NZLR 643*.

policy is finally settled. The PCO can then become 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

- there is an 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 in 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
- the 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 and the Corrections Bill 2003
- it is a feature of MMP that 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, Prostitution Reform Act 2003, and 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 absence
- 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 much 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 on the amount of 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. But 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.

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 the law 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 law.

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, sometimes in a clearly obvious way but more often subtly and almost imperceptibly. The challenge to 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 especially focused on the day-to-day business of responding to the Government’s and Parliament’s requirements for legislation.

The recent establishment of the New Zealand Supreme Court as a locally based court of final appeal to replace the Privy Council may have an impact on the approach of the New Zealand Courts to the interpretation and application of legislation. This is a development that the PCO will need to monitor closely.

Public sector

The best Bills and the best subordinate legislation result 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 but is often overlooked. Some departments perform this role exceptionally well. However, it is the PCO’s perception that there has been a loss of institutional and specialist knowledge and capability in government departments, and in particular in government legal sections, in recent years. This is reflected in the variable quality

of the instructions received by the PCO, and the input provided by departmental officials in the course of the drafting and legislative process. It is the PCO's experience that, in some departments, there has been a loss of knowledge of the department's functions, particularly of the legislation that it administers, the policy behind the legislation, operational experience with that legislation, and in some cases, knowledge of the legislative and parliamentary processes. As a result, the balance between the role played by instructing departments and the role played by drafters has altered, and the PCO's drafters are 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.

E-government

The New Zealand E-government Strategy⁴ 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 the strategy 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.

The strategy also notes that—

To be successful in this new environment agencies will need to work together more effectively, sharing resources and integrating their services. People and businesses will have a better, more consistent experience of government if agencies work together. This approach will also help reduce the costs of delivering services online and through other channels.

There is an increasing expectation of, and demand for, the availability of government information in electronic form via the Internet. The PCO is one of New Zealand's largest publishers, making legislation and legislation-related materials available in print and (to a lesser extent) online. The PCO needs to be aware of, and respond to, trends and 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

⁴ [government.nz/your service \(E-government strategy\) State Services Commission, 2001, available with updates at www.e-government.govt.nz/programme/strategy.asp](http://government.nz/your service (E-government strategy) State Services Commission, 2001, available with updates at www.e-government.govt.nz/programme/strategy.asp).

Affairs, and the PCO. While these agencies are independent of each other and perform distinct functions, their client groups and areas of operation overlap.⁵ 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 review of the parliamentary website being undertaken by the Parliamentary Service and the Office of the Clerk (the ultimate objective being to provide a new and integrated website for Parliament). There is also an increasing demand for the five parliamentary agencies to collaborate with respect to the delivery of the services they provide to members of Parliament and other client groups, particularly with relation to information and communications technology (ICT).⁶

Public interest and involvement in legislation and the legislative process

The New Zealand legislative process has for many years provided for a significant amount of public input, through the select committee process. E-government initiatives have raised awareness of that opportunity, and generated greater interest in the legislative process and legislation. Indeed, one of the objectives of the New Zealand E-government Strategy is that people will be better informed and better able to participate in government. The Public Access to Legislation (PAL) Project, and the improvements in public access to legislation in electronic form through the interim website and the Knowledge Basket website, have also raised the profile of the PCO, and generated increased requests to the PCO for information or advice about legislation, legal issues, and the legislative process.

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 highly specialist skill that takes many years to acquire, and the PCO needs to 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 both the legal employment environment 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

⁵ For example, the Office of the Clerk supports the parliamentary legislative process, but the PCO drafts and publishes Government Bills at each stage of the process.

⁶ See “Resourcing Parliament”, Report of the Review Committee on the Second Triennial Review of the Parliamentary Appropriations, November 2004, AJHR A.14 pp 41–44.

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 highly 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. For the PCO, these developments have implications for the way in which the office 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. These developments 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.

The PCO has steadily expanded in size over the last ten years, and this 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 imposed a significant burden. However, operational workloads have limited the contribution that the PCO's drafting team leaders and support staff coordinators have been able to make in this area, and this has limited the extent to which the PCO has been able to develop a fully effective middle management team. The bulk of the management burden has therefore continued to fall on the small number of people in the PCO's senior management team.

The issues that arise out of the workplace environment are relevant to the PCO review outlined on page 33, and form the basis for some of the terms of reference for that review.

Future operating intentions, 2005–2008

The PCO has essentially two core functions. Stated in their most simple terms, these are to draft legislation and to make it publicly available. They are statutory functions under the Statutes Drafting and Compilation Act 1920 and the Acts and Regulations Publication Act 1989. This statement of the PCO's future operating intentions for the next three years is premised on the basic assumption that the nature and scope of the PCO's functions will continue unchanged.

The focus of the PCO's future operating intentions is therefore on how well the PCO is able to perform those essential functions, and more particularly on improving how those functions are performed (the quality of the PCO's outputs in terms of drafted and published legislation) and on the capability of the PCO to perform them. Moreover, the specific initiatives that the PCO intends to implement over this period, and the speed and extent of the progress that can be made to implement them, must be understood in the context of the organisational development of the PCO over the past decade. The PCO has had to grow steadily over that period in order to get to the position where there is a realistic prospect that it can meet the Government's requirements for the drafting of legislation. That emphasis on growth, and the consequent need to train and develop the increased drafting capability, has limited the

capacity of the PCO to focus on the more qualitative aspects of its functions. While there is a continuing need to establish and maintain its core drafting capacity, the PCO is now better placed to pursue that qualitative focus.

The outcome of a review of funding and operations being undertaken in 2005 is likely to impact on the future operating intentions of the PCO over the next three years, particularly in the areas of capability and management. Further information about the review is included at page 33.

During the next three to five years, the focus of development is intended to build on the PCO's present organisational strengths to achieve capability that enables the PCO to:

- respond effectively to the demands of the Government
- ensure continuous improvement in the quality of law drafting services
- improve public access to legislation
- enhance the working relationship with departments, Parliament, and the legal profession
- provide a working environment that enables the recruitment and retention of the specialist staff needed.

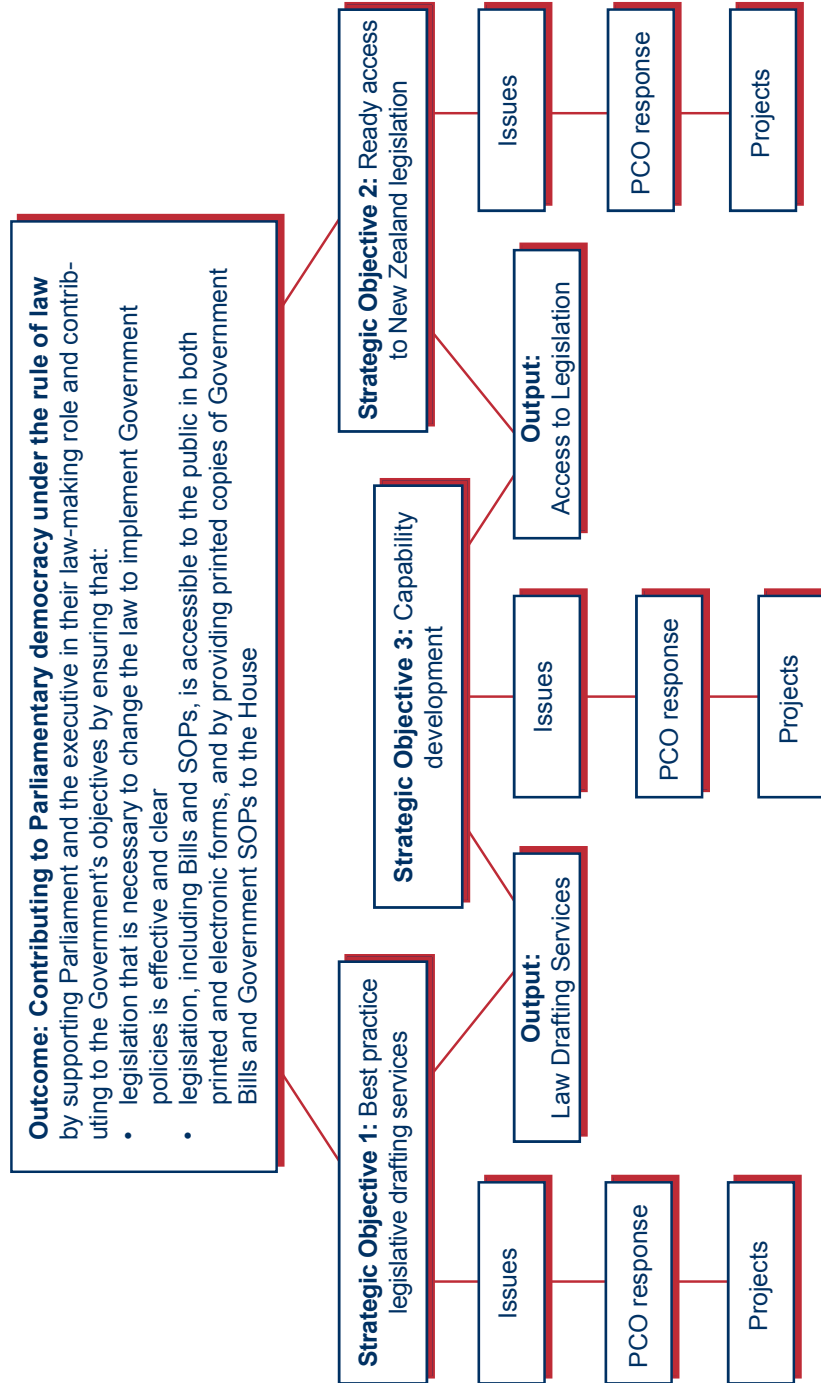
The organisational development of the PCO must also continue to take into account the complex environment in which the PCO operates, its relationship with other agencies, and, in particular, changes in technology and in the employment environment.

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 response, including priority projects (see chart opposite). The issues arise out of the environmental scan set out in the previous section.

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

In order to provide high quality legislative drafting services, the PCO needs to address the following issues that are generated by the environment in which the PCO works:

- responding to the demands for drafting that can be complex and urgent, in a demand-driven environment that is influenced by both national and international events
- managing a programme of improvements to the quality and timeliness of legislative drafting in an environment where there are peaks and troughs in the demand for drafting services
- responding to the demands on drafters created by the trends emerging from MMP
- increasing drafters’ awareness of judicial trends and legal knowledge in an environment of increasing legal complexity and uncertainty
- responding to the loss of institutional and specialist knowledge in the public sector
- meeting the challenge of making legislation clearer and simpler while maintaining legal precision and a low rate of error
- responding to requests for drafting advice and drafting assistance from Pacific Island States and from the New Zealand Law Commission.

PCO response

An effective response to these issues requires the PCO to have sufficient drafters and support staff to accommodate the range of demands. Capability, at this stage in the development of the PCO, 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).

In the context of Strategic Objective 1, capability development has required an increase in the number of drafters, the use of team drafting when appropriate, and provision for training and ongoing professional development. Training includes staff attending relevant courses, and the PCO providing in-house seminars and study leave.

The PCO has also taken steps to make improvements in drafting practice, to ensure its consistent application across the PCO, and to provide guidance for departmental instructors.

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

Improving drafting practice

Improvements in drafting practice have been made in recent years through a number of initiatives, including major changes to the format and design of the New Zealand statute book in 2000 and the use of team drafting for appropriate drafting projects.

A key strategy in improving drafting practice is the development of techniques and practices to make New Zealand legislation more accessible, such as the use of clear language and helpful drafting styles. The availability of legislation via the Internet has exposed New Zealand legislation to a wider audience than before, and raised expectations of and demand for improved accessibility. Legislation is not the exclusive preserve of a “priestly caste” of judges and lawyers and the best selling items of legislation do not include much of what might be described as lawyers’ law. The highest demand is for Statutes and regulations that directly affect citizens and organisations in their daily lives and work.

In order to strengthen clear drafting practice at the PCO, there is a need for PCO practice to be kept under review and for the PCO drafters to keep up-to-date with initiatives in other jurisdictions. During 2004, a report was commissioned from Michèle Asprey, an Australian lawyer and expert in plain language. The projects for development in the next three years include evaluating the recommendations of this report and implementing such of them as are considered appropriate and practicable.

One way that drafters keep up to date with developments overseas is by attending drafting forums held in collaboration with the Australian drafting offices and conferences of the Commonwealth Association of Legislative Counsel (CALC).

Ensuring consistent application of drafting practice across the PCO

Effective drafting practice requires its consistent application across the PCO. This is supported through a programme of quality assurance that includes the provision of 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.

The Editorial Services team was strengthened in the 2004/05 year, and there are now six Legal Publications Officers. Priorities for improvement in this area are the updating and reissue of the PCO Drafting Manual and the PCO Style Manual and improving the peer review system.

The PCO is also participating in a project with the Office of the Clerk to review the checking processes that take place after a Bill has been passed by the House and before it is sent to the Governor-General for Royal assent.

Providing guidance to departmental instructors

One result of the perceived loss of institutional knowledge in the public sector is that the PCO’s drafters are increasingly required to provide professional advice to assist in the development of policy objectives, the design of legislative schemes, and on the application of legislative principles and good drafting practice. It is an aim of the PCO to raise awareness and knowledge of legislative principles and good drafting practice in the public sector. Drafting team leaders have assumed responsibility for managing the relationship with a group of departments and other agencies. This has led to better identification of departmental requirements and achievable timetables.

There is the potential for the PCO to provide more guidance by way of explanatory materials and seminars. The PCO has an important role in promoting knowledge of and compliance with the Legislation Advisory Committee Guidelines.⁷ The PCO intends to make chapters of the PCO Drafting Manual available to departmental instructors once the revision is complete.

During the 2004/05 year, the newsletter used to convey news and information to instructing departments was upgraded, a regular publication schedule established, and the publication renamed the *PCO Quarterly*. Work is well advanced on a revised edition of the *Guide to Working with the PCO*, which provides information to assist instructing departments' lawyers and policy advisers to work with the PCO. It is intended that Parliamentary Counsel will conduct seminars for instructing departments in the 2005/06 year.

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
- revise and reissue the PCO Drafting Manual
- update and reissue the PCO Style Manual
- improve the peer review system
- review (with the Office of the Clerk) proof assent checking
- provide relevant publications for instructing departments, for example:
 - revise and reissue the *Guide to Working with the PCO*
 - make available chapters of the PCO Drafting Manual
- provide advice and run seminars for departmental instructors.

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

⁷ Legislation Advisory Committee, *Guidelines on the process and content of legislation, 2001 edition including the 2003 Supplement*, available from the Ministry of Justice, PO Box 180, Wellington, or at www.justice.govt.nz/lac/.

- 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))
- 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, 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 was originally scheduled to go live in February 2003, but the commissioning of the new PAL systems 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. It is expected that the project will take up to two years to complete, 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 systems at Unisys' Kapiti Data Centre.

There is further information about the immediate impact of this project on the PCO in the section on the 2005/06 year (see page 36).

The PAL Project is fundamental to achieving improvements in providing ready 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 as a result of the introduction of new technology. There will also be changes to business processes, since the project will also mean that the PCO will bring in-house the prepublication services currently provided by Legislation Direct. 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 systems. 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. 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 undertaken a project to update the list of deemed regulations on the PCO website, and has plans in place to ensure that this is updated regularly.

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 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 and jurisdictions. It maintains contact with other jurisdictions and relevant organisations (AustLII, NZLII)⁸ through visits and participation in conferences.

Priority projects

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

- progress 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
- 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 drafting and publishing services.

⁸ Australian Legal Information Institute, New Zealand Legal Information Institute.

Issues

There are a number of factors that affect the capability development of the PCO. The impact of the need to compete in the legal marketplace and the trend to provide more flexible working arrangements has been described under the heading “Employment environment” (page 18). A further factor affecting capability development is the specialist nature of the work. This affects all staff, not only law drafters. It requires the PCO to adopt new technology and specialist systems to support the drafting and publishing functions, for example the PAL system, for which specialist training is required. The gap created when experienced staff leave the PCO is a risk to maintenance of high standards. Training new staff takes time and resources.

The aim of capability development at the PCO is therefore to provide a level of staffing that is sufficient to manage the PCO’s variable work-flow and also to manage the risk resulting from the resignation or retirement of experienced staff. It is also to ensure the PCO has the specialist skills and the managerial capability to enable it to continue to perform its statutory functions.

The current issues in capability development can be summarised as:

- recruitment and retention of specialist staff
- training and professional development
- providing a challenging and rewarding work environment with competitive reward and remuneration systems
- change management
- ensuring consistency of practice across the PCO
- making the best use of technology and the techniques of information management
- maintenance of effective external and internal communication.

PCO response

The PCO response is described under the following headings:

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

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.

The role of the PAL Project has 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.

Although the PAL systems will be hosted and supported by Unisys, the PAL Project will have a major impact on the PCO's 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 in the 2006/07 year.

In recent years, the PCO has taken important steps in using technology to improve internal communications and communication with the public. However, two key areas require further development. A project to provide an intranet for PCO staff is well advanced and completion is expected in the 2005/06 year. This will provide a means of presenting and searching PCO information, including information on best practice and other operational guidelines.

A project to review the structure and content of the PCO's website has not yet begun. The Parliamentary Service and the Office of the Clerk are jointly undertaking a similar project. The PCO may be able to benefit from their findings, particularly in relation to the kind of enquiry being made about parliamentary information and the format in which information is best provided. The PCO intends to commence this project in the 2005/06 year.

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.)

A review of all manuals and documentation is now desirable in order to ensure that a consistent approach has been developed, and to encourage the use of a standard format when appropriate so as to promote ready accessibility.

Training is also important in this context. The need for management training has been described, but there is also scope for the development of a programme of regular training in other skills that will assist staff at the PCO.

Organisational health and capability

Successive governments have, over the last ten years, made additional funding available to enable the PCO to appoint more drafters and support staff. This has provided many benefits:

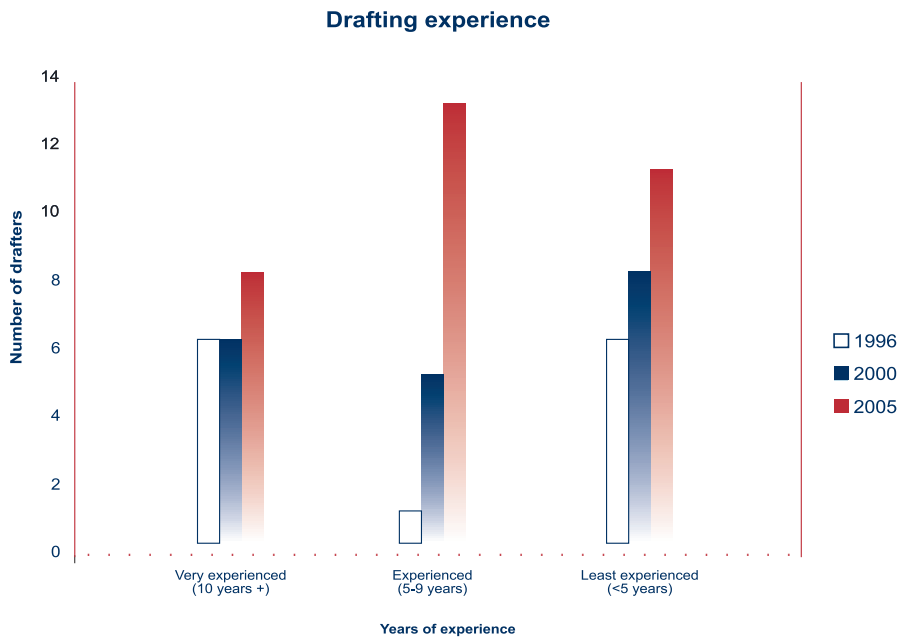
- increasing the number of drafters means that the PCO is now much better placed than it was a decade ago to draft the legislation required by the Government within the time constraints imposed upon it

- dependence on key individuals with legislative drafting experience in particular areas has been largely eliminated
- large and complex pieces of legislation can now be drafted by teams of drafters and, as a result, the pressure placed on individual drafters to draft many major reform measures on their own has been significantly reduced. Governments now require rapid legislative responses and are not prepared to wait indefinitely for a single drafter to draft a large and complex Bill
- the PCO has been able to respond to the extra demands of MMP and to the changing nature of the modern work environment
- time and resources have enabled the PCO to promote the use of plain language drafting policies and to make technical improvements in legislative drafting and in the format and design of the statute book
- a formalised training system for newly appointed drafters enables them to acquire the necessary expertise in legislative drafting quickly
- a peer review system has been developed and implemented
- drafters and support staff have the opportunity to undertake professional development and training
- the PCO has developed policies and practices covering a wide range of matters including training, performance management, leave, study leave, security, discretionary expenditure, and computer and internet use
- the PCO has been able to respond to the need to provide advice to departments on issues relating to the development of legislative policy, the design of legislative schemes, and parliamentary processes
- significant time and resources have been devoted to the design of new systems and processes utilising modern technology for the drafting and publication of legislation in printed and electronic forms (PAL Project)
- the PCO has also been able to provide drafting assistance to the Law Commission and to the Government of Niue
- the establishment of a specialist proofreading and publications unit has led to improvements in the overall quality of legislation and enabled the PCO to publish the annual volumes of Statutes and Statutory Regulations in a more timely fashion than formerly
- the establishment of a specialist IT unit has enabled the PCO to operate and maintain IT systems at a high level of reliability
- the establishment of a reprints unit has resulted in the compiling and publication of reprinted Acts and Statutory Regulations according to a reprints policy and an annual reprints programme that more effectively targets legislation that needs reprinting, and in a marked increase in the quantity of legislation reprinted

- the PCO has relocated to leased accommodation in the Reserve Bank of New Zealand building.

The number of drafters has increased on a full time equivalent basis from 10 in 1995 to 31. This brings numbers in the PCO closer to those in some overseas drafting offices.

Recruitment and retention strategies have improved the experience profile of the drafting staff and staff in other key areas. The graph below shows this trend.



Direct investment in terms of funding and indirect investment in terms of development of capability have been necessary to create an experience profile that will, over time, show a good balance between highly experienced drafters on the one hand and, on the other, drafters well on the way to being able to draft complex legislation without direct supervision. The PCO has, over the last decade, followed a policy of developing and maintaining capacity in all areas of its operations.

A review of the numbers of Acts passed and Statutory Regulations made in the last ten years might suggest that, even with a significant increase in the number of drafters, the PCO

is producing roughly the same amount of legislation today as it was a decade ago. Page numbers have remained relatively constant over that period. Does this indicate that the significant extra investment has not resulted in significantly greater output? On the face of it, that might appear to be the case. However, that would be a simplistic analysis that overlooks a number of important considerations.

First, although in 1995 the PCO had a small number of quite experienced drafters, it had been seriously under-resourced for many years and was unable to meet the requirements placed upon it in regard to both its drafting and access to legislation functions. Its operations were not sustainable. Too much was demanded of too few. Secondly, MMP has created an environment in which legislating has become far more challenging than in the days when governments commanded clear-cut majorities in Parliament. Finally, few of the developments listed above under Organisational health and capability would have been possible without the additional investment provided by successive governments.

As mentioned earlier (page 18), the modern workplace environment demands greater flexibility in working arrangements that recognise the responsibilities of working parents with young families. The development of new employment policies and strategies, including better stress management, has been and remains a key priority.

Despite increases in its funding, the PCO has still found it difficult to make progress in a number of important areas. Work on revising the PCO Drafting Manual, the PCO Style Manual, and other publications has not progressed as quickly as it should. The peer review system is operating unevenly. Progress with plain language initiatives in drafting legislation has slowed to the point where enthusiastic drafters and others may consider there is no longer a serious commitment to this objective. Management training needs to be undertaken by staff with management responsibilities. The organisational structure and administrative and management systems need reviewing to assess whether they are appropriate and effective.

What constitutes an appropriate level of funding for a legislative drafting office is not easily determined. There is only one legislative drafting office in New Zealand, so local comparisons are not possible. Comparison with overseas offices may go some way towards providing a benchmark, but in many instances their functions differ and the environments in which they operate are not identical. For example, the drafting offices in the Australian states draft only State legislation. Australian commonwealth legislation is drafted in a separate drafting office in Canberra. That office drafts Bills; it does not draft any delegated legislation. Apart from scrutinising certain instruments, the Parliamentary Counsel Office in London only drafts Bills. The PCO drafts all New Zealand Statutes (except the tax Statutes) and Statutory Regulations.

While recognising the need for increased funding for the PCO in 2004/05 and 2005/06 and out-years, the Treasury considered that it would be appropriate to undertake an independent

review of the funding and operations of the PCO. The State Services Commission supported the review, as did the PCO. Consequently, a review of the resourcing and operations of the PCO is being carried out by Michael Walls, a business consultant, former investment banker, and managing partner in a large national law firm, and Richard Clarke QC, a Wellington barrister, former partner in two national law firms and a former Parliamentary Counsel.

The review is expected to be completed by the middle of 2005. One of the principal purposes is to identify the PCO's future funding needs with a view to limiting the need for annual increases in appropriations. The focus of the review is to identify:

- factors influencing the demands on the PCO for drafting and access to legislation services
- strategies and resources that would enable the PCO to better respond to those demands
- changes to existing strategies for recruiting and retaining drafting, access to legislation, and support staff
- the organisational structure and administrative and management systems required to support the PCO
- the level of funding required to enable the PCO to carry out its statutory functions.

The PCO has undergone extensive growth and development over recent years. While considerable progress has been achieved in some areas, challenges remain in others. The review provides a timely opportunity to assess the organisational health and capability of the PCO. The review will also identify principles that can assist the central agencies and the PCO in consideration of future funding requirements and ways in which the PCO can perform more effectively.

Priority projects

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

- implement the results of the PCO review
- provide management training for appropriate PCO staff, taking particular account of the need for succession planning
- review employment policies and procedures
- review the PCO's strategic information plans relating to both systems and data in the context of the PAL Project
- 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

Output classes

Measurement of the PCO’s performance for each of the two output classes is described in the statement of forecast service performance (page 38). The measures are presented in terms of quantity, quality, timeliness, and cost.

For Output Class—Law Drafting Services, performance measures include the views of instructing departments on the quality of the PCO’s work. As was described in the PCO’s 2004 annual report, there are limitations to the accuracy of the feedback that can be obtained using the present survey method, and it remains the intention of the PCO to devise a different system that will overcome these limitations. However, the PCO’s performance in the 2005/06 year will be evaluated using the present system.

Measuring the cost-effectiveness of the services delivered by the PCO is more problematic. This is because the PCO’s work (drafting changes in the law required to implement Government policies, and making the law accessible to the public) contributes only indirectly to the achievement of the societal, environmental, and economic outcomes sought by the Government. And in terms of the PCO’s outcome (contributing to parliamentary democracy under the rule of law), the PCO is only one of a number of agencies that contribute. There is therefore no readily quantifiable measure by which to assess the impact of the PCO’s services, and therefore their cost-effectiveness.

Projects and initiatives

Measuring results from the PCO projects and initiatives is a complex matter. In earlier SOIs, the PCO has presented a three-year plan for each project. It has not always been possible to achieve these timeliness goals. Unexpected and unplanned work, including large drafting jobs, may deflect resources and result in delays. The revision of the PCO Drafting Manual is a case in point, and it is a source of frustration that it has taken longer than expected.

Timeliness goals are only part of the picture. The PCO is seeking to adopt measures that will enable the impact of these initiatives and projects to be better evaluated. For example, in the case of clear drafting initiatives, consideration may be given to the use of focus groups of users of legislation to provide feedback on the clarity of the drafting.

Performance standards based on comparison with overseas drafting offices are sometimes useful, and can be used to bench-mark service levels, but differences in the role of the office or in the governance arrangements mean that direct comparison may not be possible.

During the 2005/06 year, the PCO intends to work towards establishing an improved system for the measurement of projects and initiatives.

Risk management

The key areas of risk to the PCO are:

- maintaining capability
- implementing the PAL Project.

Maintaining capability

The increase in staff numbers at the PCO has reduced the risk to capability but it remains a significant issue. The risk is compounded by the frequency with which operational pressures interfere with the successful implementation of many of the priority projects listed. Strategies planned for 2005/06 include a renewed focus on management training.

The environment in which the PCO staff work can at times be a demanding and stressful one, with complex drafting required within urgent time frames while maintaining high standards at all times. Highly motivated and high-performing staff can be particularly vulnerable to stress. The PCO has employed an Employee Assistance Programme Coordinator since 1998 to assist staff on an individual basis. In the 2005/06 financial year, the PCO plans to make more assistance available to staff for managing workplace stress.

PAL Project

Risk analysis and the mitigation of risk are an integral part of PAL Project planning. In any complex IT project, it is not possible to eliminate every risk. 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. 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 the technical review, has enabled officials and the independent quality assurance reviewers to be satisfied that the level of technical risk is low, and 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.

Other areas

Risk analysis has also been integral to the development of the PCO Security Policy, and part of the PCO disaster recovery planning and health and safety management. A review has been completed of the PCO's legislative compliance requirements, and during 2005/06 processes will be put in place to provide regular legislative compliance assurance.

PART 3: THE 2005/06 YEAR

Priorities

Key priorities for the 2005/06 year include:

- responding to recommendations from the review of PCO resourcing and operations
- progressing the PAL Project
- responding to recommendations on clear drafting and progressing other priority projects
- continuing to develop and sustain capability.

The PCO review

Consideration and implementation of the recommendations arising from the review of the PCO will be a prime focus in 2005/06.

The PAL Project

After being delayed since early 2003, work on the PAL Project resumed in March 2005. The project will not be completed until late 2006 at the earliest.

The first stage of the resumed project involves the review and consolidation of the PCO's requirements for the new PAL system. This work takes into account the findings of the technical review of the PAL system undertaken by InQuirion in 2003, and its subsequent evaluation of alternative print rendering engines (the software that takes the data prepared in the authoring tool and turns it into a file from which printed documents can be produced). These requirements will be captured in:

- a print output 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 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.

This work is expected to be completed in the last quarter of 2005, and will involve consultation between PCO, Office of the Clerk, and IRD Tax Drafting Unit staff.

Other work to be undertaken during the 2005/06 financial year includes:

- a "proof of concept" exercise for key technology components highlighted during the technical review, to ensure that the proposed technology is capable of meeting the PCO's business requirements. This includes the upgrade to the latest version of the print rendering engine (Arbortext E3)

- upgrades to the existing technology solution as a result of recommendations from the technical review and the period of time that has elapsed since the selection of the original software components of the PAL solution, and the design of the overall system. The PCO and Unisys have reviewed the other key components of the technology solution and the ability of the solution as a whole to meet the PCO's business requirements. This review has identified opportunities to upgrade to the latest versions of key software components such as the content management system (Documentum)
- design and development work arising out of the recommendations of the InQuirion technical review, the decision to upgrade certain components of the PAL solution, the need to resolve the problems identified during user acceptance testing of the system in early 2003, and the deferral of work on certain components of the PAL solution as a result of the decision in 2003 not to put the system into live production.

Further testing of the PAL system, including systems integration testing, performance and stress testing, and user acceptance testing, is currently scheduled to begin in the first quarter of 2006 and continue through to the third quarter of 2006.

On this timetable, the main impact of the implementation of the PAL Project on the operations of the PCO, and in particular the change management and operational issues identified under Strategic Objective 2 (PAL Project, page 25), will not occur until the 2006/07 financial year. The bulk of the PCO involvement in the project during 2005/06 will therefore continue to be by the PCO PAL Project team in conjunction with Unisys, the Office of the Clerk, and the Tax Drafting Unit of the IRD. However, in order to anticipate and address the change management issues that will arise later, it will be important to keep the rest of the PCO up-to-date with progress with the project, and consult with and involve as many other staff in relevant aspects of the project as is possible having regard to the demands of business-as-usual.

Clear drafting and other priority projects

In the context of continuing to improve the clarity of New Zealand legislation, the PCO will evaluate the recommendations made by Michèle Asprey. It is expected that this will involve consultation within and outside the PCO, and result in changes in some areas of current drafting practice.

The PCO will focus on a smaller number of priority projects in 2005/06 than in previous years, to maximise their success in terms of both quality and timeliness.

It is expected that several projects begun in previous years will be completed, such as the revision of the PCO Drafting Manual, reissuing the *Guide to Working with the PCO*, and providing better access to other types of delegated legislation, for example, deemed regulations.

Capability

Additional funding for more drafters and support staff continues the policy begun in the mid 1990s of progressively increasing the drafting capacity of the PCO to enable the PCO to respond effectively to the requirements of the Government for the drafting of legislation. 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 33.

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 2006

The PCO has agreed to provide outputs in 2005/06 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 60 and 80 Government Bills will be drafted in the 2005/06 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
2005/06	8,365	8,365	8,261	104	0
2004/05	7,565	7,565	7,513	52	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 60 and 80 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, Acts being assented to, and Statutory Regulations being made
- the annual bound volumes of Acts for 2005 and the annual bound volumes of Statutory Regulations for 2005 will be published in the first half of 2006
- reprinted Acts and reprinted Statutory Regulations will be compiled and published in accordance with the PCO reprints policy and the annual reprints programme
- the 2005 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
2005/06	7,517	7,517	7,468	14	35
2004/05	7,676	7,676	7,634	7	35

Forecast financial statements

Introduction and Financial Highlights

Appropriations for the PCO in 2005/06 total \$15.882 million (GST exclusive). The PCO expects to receive \$15.729 million (GST exclusive) from the Crown and \$0.153 million (GST exclusive) from departmental and other sources. The increase in revenue Crown of \$0.641 million (GST exclusive) compared to 2004/05 will contribute to the costs of completing the PAL Project, maintaining the new reprints programme, and appointing additional staff.

The PCO expects to incur expenses of—

- \$8.365 million (52.7% of the Vote) on Law Drafting Services
- \$7.517 million (47.3% of the Vote) on Access to Legislation.

In addition, the PCO expects to incur departmental capital expenditure of \$2.929 million of which \$2.629 million is expenditure associated with the PAL Project.

Summary

	2005/06 Forecast \$000	2004/05 Estimated Actual \$000	2004/05 Budget \$000
Revenue—Crown	15,729	15,147	15,147
—departmental	118	59	59
—other	35	35	35
Output expenses	15,882	15,241	15,241
Net surplus	0	0	0
Taxpayers' funds	8,797	6,168	6,168
Net cash flows from operating activities	532	(518)	(518)

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 2006

	2004/05 Budgeted ⁹ \$000	2004/05 Estimated Actual \$000	2005/06 Budget \$000
Revenue			
Crown	15,147	15,147	15,729
Departmental	59	59	118
Other	35	35	35
Total revenue	15,241	15,241	15,882
Expenses			
<i>Output expenses:</i>			
Personnel	6,622	6,622	7,383
Operating	7,709	7,709	7,509
Depreciation	417	417	467
Capital charge	493	493	523
Total expenses	15,241	15,241	15,882
Net surplus (deficit)	0	0	0

⁹ This incorporates both Main Estimates and Supplementary Estimates appropriations for 2004/05.

**Statement of Estimated Financial Position
as at 30 June 2005**

**and of Forecast Financial Position
as at 30 June 2006**

	Actual as at 30 June 2004 \$000	Forecast and Estimated Actual as at 30 June 2005 \$000	Projected as at 30 June 2006 \$000
Assets			
<i>Current assets:</i>			
Cash and bank balances	3,519	2,009	2,241
Prepayments	0	19	19
Receivables and advances	59	0	0
Debtor Crown	0	0	0
<i>Total current assets</i>	<i>3,578</i>	<i>2,028</i>	<i>2,260</i>
<i>Non-current assets:</i>			
Physical assets ¹⁰	5,144	5,227	7,689
<i>Total non-current assets</i>	<i>5,144</i>	<i>5,227</i>	<i>7,689</i>
Total assets	8,722	7,255	9,949
Liabilities			
<i>Current liabilities:</i>			
Payables and provisions	1,613	573	573
Provision for payment of net surplus	492	0	0
Provision for employee entitlements ¹¹	161	226	291
<i>Total current liabilities</i>	<i>2,266</i>	<i>799</i>	<i>864</i>
<i>Long-term liabilities:</i>			
Provision for employee entitlements	288	288	288
<i>Total long-term liabilities</i>	<i>288</i>	<i>288</i>	<i>288</i>
Total liabilities	2,554	1,087	1,152
Taxpayers' funds			
General funds	6,168	6,168	8,797
Total taxpayers' funds	6,168	6,168	8,797
Total liabilities and taxpayers' funds	8,722	7,255	9,949

¹⁰ Further details of physical assets are contained under Forecast Details of Fixed Assets by Category as at 30 June 2006.

¹¹ This includes leave and retirement entitlement provisions.

Statement of Forecast Cash Flows
for the year ending 30 June 2006

	2004/05 Budgeted \$000	2004/05 Estimated Actual \$000	2005/06 Budget \$000
Cash flows from operating activities			
<i>Cash provided from:</i>			
Supply of outputs to: Crown	15,147	15,147	15,729
Departmental	59	59	118
Other	81	81	35
<i>Cash disbursed to:</i>			
<i>Cost of producing outputs:</i>			
Output expenses	(15,311)	(15,311)	(14,827)
Capital charge	(494)	(494)	(523)
Net cash flows from operating activities	(518)	(518)	532
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	(500)	(500)	(2,929)
Net cash flows from investing activities	(500)	(500)	(2,929)
Cash flows from financing activities			
<i>Cash provided from:</i>			
Capital contribution from the Crown	0	0	2,629
<i>Cash disbursed to:</i>			
Payment of surplus to the Crown	(492)	(492)	0
Net cash flows from financing activities	(492)	(492)	2,629
Net increase/(decrease) in cash held	(1,510)	(1,510)	232
Opening total cash balance at 1 July	3,519	3,519	2,009
Closing total cash balances at 30 June projected	2,009	2,009	2,241

Reconciliation of Net Cash Flows from Operating Activities to Net Surplus/(Deficit) in the Operating Statement for the year ending 30 June 2005

	2004/05 Budgeted \$000	2004/05 Estimated Actual \$000	2005/06 Budget \$000
Operating surplus/(deficit)	0	0	0
<i>Add/(deduct) non-cash expenses/(revenues) from operating statement</i>			
Depreciation and amortisation	417	417	467
<i>Add/(deduct) non-cash working capital reductions/(increases) from balance sheet ¹²</i>			
(Increase)/decrease in receivables and advances	59	59	0
(Increase)/decrease in debtor Crown	0	0	0
(Increase)/decrease in prepayments	(19)	(19)	0
Increase/(decrease) in payables and provisions ¹³	(975)	(975)	65
Net cash flows from operating activities	(518)	(518)	532

Statement of Movements in Taxpayers' Funds (Equity) as at 30 June 2006

	Forecast and Estimated Position as at 30 June 2005 \$000	Projected Position as at 30 June 2006 \$000
Net surplus/(deficit)	0	0
Capital contributions from the Crown	0	2,629
Movements in taxpayers' funds	0	0
Taxpayers' funds at start of period	6,168	6,168
Taxpayers' funds at end of period	6,168	8,797

¹² These figures exclude changes in fixed assets, debtors, and creditors.

¹³ Excludes movements in provisions for employee entitlements.

**Statement of Objectives Specifying the Financial Performance
Forecast
for the year ending 30 June 2006**

	Unit	2004/05 Budgeted	2004/05 Estimated Actual	2005/06 Budget
Operating results				
Revenue: departmental	\$000	59	59	118
Revenue: other	\$000	35	35	35
Revenue: interest	\$000	0	0	0
Output expenses	\$000	15,241	15,241	15,882
Operating surplus before capital charge	\$000	493	493	523
Net surplus	\$000	0	0	0
Working capital				
Liquid ratio ¹⁴	%	354	353.9	394
Net current assets	\$000	1,229	1,229	1,396
Current ratio	%	253.8	253.8	261.57
Average debtors outstanding	days	0	0	0
Average creditors outstanding	days	15	15	6
Resource utilisation				
<i>Physical assets:</i>				
Total physical assets at year end	\$000	5,227	5,227	7,689
Physical assets as % of total assets	%	72	72	77.3
Additions as % of physical assets	%	9.56	9.56	38
Taxpayers' funds at year end	\$000	6,168	6,168	8,797
Forecast net cash flows				
Surplus/(deficit) operating activities	\$000	(518)	(518)	532
Surplus/(deficit) investing activities	\$000	(500)	(500)	(2,929)
Surplus/(deficit) financing activities	\$000	(492)	(492)	2,629
Cash disbursed to producing outputs	\$000	(15,311)	(15,311)	(14,827)
Net increase/(decrease) in cash held	\$000	(1,510)	(1,510)	232

¹⁴ Total cash and bank balances as a proportion to 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 2005/06						
Departmental Output Class	Description	Revenue: Crown \$000	Revenue: Depts \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (deficit) \$000
Vote Parliamentary Counsel Output—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—Access to Legislation	<p>Supplying printed copies of Bills and Supplementary Order Papers to the House and, on a selective basis, copies of Acts with proposed amendments incorporated.</p> <p>Publishing printed copies of Bills and Supplementary Order Papers, pamphlet copies of Acts and Statutory Regulations, and annual volumes of Acts and Statutory Regulations.</p> <p>Compiling reprints of Acts and Statutory Regulations with their amendments incorporated and publishing them.</p> <p>Providing the above for sale at designated bookshops and by subscription.</p> <p>Publishing the <i>Tables of New Zealand Acts and Ordinances and Statutory Regulations in Force</i>, in printed and in electronic forms.</p> <p>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.</p>	7,468	14	35	7,517	–

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

	Forecast 2005/06 \$000	Estimated Actual 2004/05 \$000	Budget 2004/05 \$000	Actual 2003/04 \$000	Actual 2002/03 \$000	Actual 2001/02 \$000	Actual 200/01 \$000
Computer systems and office equipment	2929	500	500	429	2272	1976	117
Furniture and fittings	0	0	0	594	139	291	40
Motor vehicles	0	0	0	30	41	0	0
Total	2929	500	500	1053	2452	2267	157

The category of computer systems and office equipment includes a significant increase for the 2005/06 year, representing the capital expenditure associated with the PAL Project. The project was put on hold in 2003. 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 2006

	30 June 2005 Estimated Actual Position \$000	30 June 2006 Projected Position		
		Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Computer systems and office equipment	4,633	8,529	1,253	7,276
Furniture and fittings	568	1,491	1,084	407
Motor vehicles	26	70	64	6
Total	5,227	10,090	2,401	7,689

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, short-term deposits, 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.

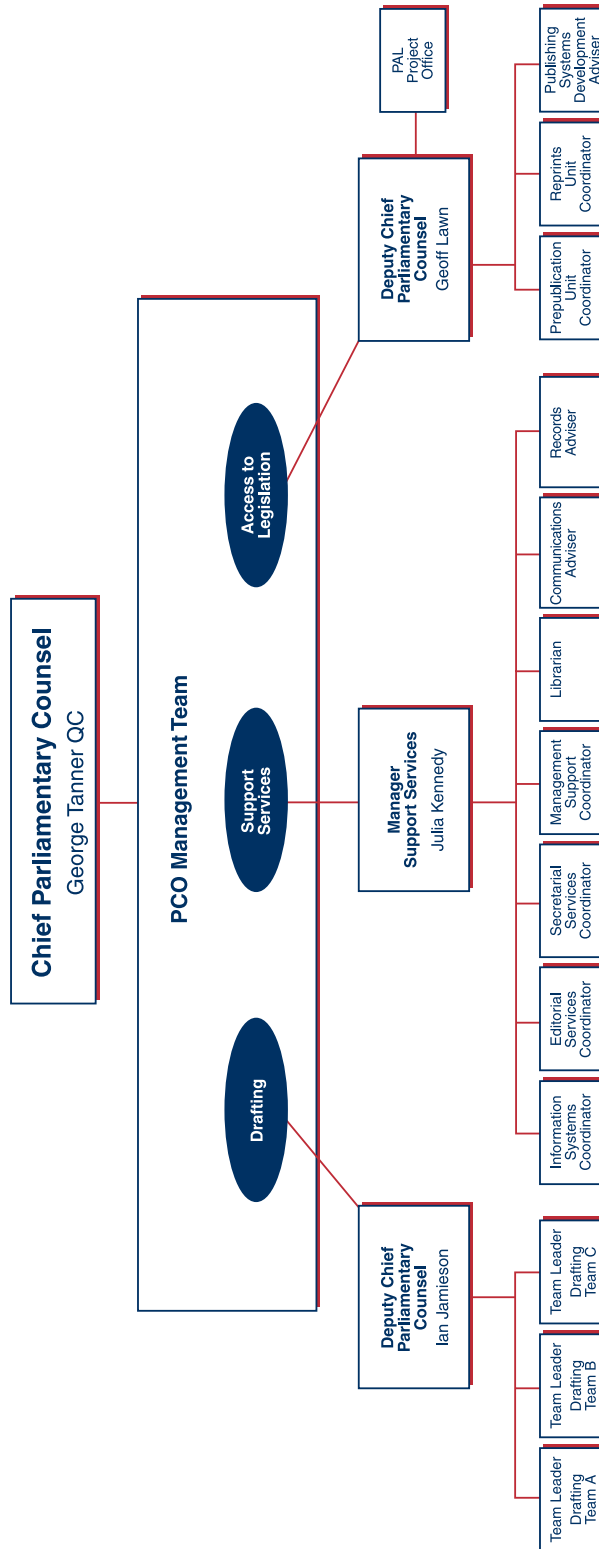
To promote—

- 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



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