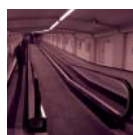
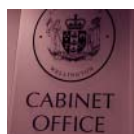
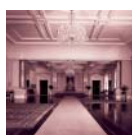
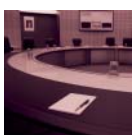


DMPC's capability – its systems and its people



The quality of DPMC's systems and its people are the two key "capability

factors" that mean DPMC can work towards its intended outcomes with the optimal use of its overall resources.

How we are organised

DPMC's appropriation for outputs during 2005/06 is broken down as follows:

Departmental Output Class	2005/06 Appropriation
1. Policy advice and secretariat and co-ordination services (includes Contributing Outcomes 1, 2 and 4)	\$7.010 million
2. Support services to the Governor-General and maintenance of the residences (includes Contributing Outcome 3)	\$3.337 million
3. Intelligence assessments on developments overseas (includes Contributing Outcomes 1 and 4)	\$3.097 million
TOTAL DEPARTMENTAL APPROPRIATION	\$13.444 million

DPMC has the following seven business units:

The **Cabinet Office** has 24 staff and it:

- provides impartial secretariat services to the Executive Council, Cabinet and Cabinet committees
- provides impartial advice to the Governor-General, the Prime Minister and other ministers on constitutional and procedural issues
- administers the conventions and practices contained in the Cabinet Manual

- assists in the co-ordination of the government's legislative programme
- administers the New Zealand Royal Honours system.
- retains responsibility through the Cabinet Secretary, as Clerk of the Executive Council, for the overall policy and administration of the Office of the Governor-General.

The **Policy Advisory Group** has 15 staff and it:

- provides impartial advice on issues of the day directly to the Prime Minister and, on occasion, to other ministers
- co-ordinates the advice coming in from different government departments, so that the Prime Minister is given coherent and impartial advice
- contributes to policy development across the full range of government business.

The **External Assessments**

Bureau has 29 staff and it:

- makes objective assessments of external events and developments to inform government decision making, using the widest possible range of information from available open and classified sources.
- produces reports to inform the members of inter-departmental watch groups that co-ordinate New Zealand's responses to external crises and threats to New Zealand.

The **Corporate Services Unit** has 14 staff and it:

- co-ordinates the production of the statement of intent, annual report, output plan, and other reporting requirements under the Public Finance Act 1989 and the State Sector Act 1988

the staff-selection process for appointees to key roles must be extremely rigorous

- negotiates and administers employment agreements, and co-ordinates the selection and appointment of new staff
- maintains personal files and leave records, and develops and implements human-resource policies
- supplies accounting services, financial reporting, and payroll services – and plays a significant role in information-systems management, planning, development and support to the rest of DPMC
- negotiates terms and conditions for paid government-agency advertising and publicity.

The **Domestic and External Security Group** has 6 staff and it:

- co-ordinates central government action aimed at protecting New Zealand's domestic and external security, including intelligence, counter-terrorism, crisis management, and overseas deployments
- advises the Prime Minister on security matters
- provides support for the Officials Committee for Domestic and External Security Coordination (ODESC).

Government House has 30 staff and it:

- provides administrative and support services for the Governor-General to enable her to carry out the functions of the office
- maintains Government House and its grounds in Wellington, as well as the smaller Government House in Auckland.

The capabilities we need to achieve our outcomes

The systems and structures of government are complex. Problems and issues change – often in subtle ways, and significant new events are always occurring. The ability to work well with all parts of the public service is central to DPMC's effectiveness in dealing with complex public-policy issues. The adaptability and associated ability of staff members to learn quickly is also central to DPMC's success – particularly in its "troubleshooting" and issues-management role, or when it needs to quickly assess, analyse and respond to a new development.

Many of the significant responsibilities of key staff members are specific solely to the needs of executive government – so a great deal of staff learning must take place on the job. Some key positions are skilled specialist roles that are the only ones of their type in the country, which means that the staff-selection process for appointees to key roles must be extremely rigorous.

Because of its strong servicing functions and explicit whole-of government responsibility for issues, capability issues are central to the DPMC's ability to perform its role and achieve its outcomes. "Capability" for DPMC resides in its ability to organise its overall resources to increase the likelihood of meeting its intended outcomes. Sufficient flexibility is needed to change this mix progressively as outcomes change and evolve over time. DPMC also needs the ability to reallocate resources extremely rapidly to deal with major "sudden" issues. Our desired departmental capabilities are overviewed below.

responding flexibly and quickly to issues

High-performing staff

Our staff require high-level conceptual, analytical and communication skills; specialist knowledge; a strong work ethic; impartiality and integrity; and a high level of commitment. They need to collectively show:

- *adaptability* – the ability to detect and respond quickly and effectively to new issues and situations
- *good judgement* – the ability to weigh all relevant considerations and to provide good advice, assessment or action as required
- *effective engagement of others* – the ability to lead, mobilise and inspire results-oriented action by other stakeholders.

Agency credibility

DPMC aims to obtain the voluntary co-operation of stakeholders in achieving outcomes through maintaining their confidence in DPMC's impartiality, honesty, discretion, analytical rigour, and broad viewpoint. This includes having a track record of integrity from serving different administrations and supporting the continuity and stability of executive government.

Good networks

DPMC must have excellent working relationships, based on high levels of trust, with all agencies that could influence or affect the business of government. This is necessary for gathering information, developing and testing policy advice, and generally gaining stakeholders' engagement in policy implementation.

Effective infrastructure

Effective infrastructural support includes the various corporate, administrative and information-support services, together with personal processes of interaction that support the work of staff members and promote high levels of consultation and sharing of information and knowledge across DPMC.

Technology capability remains essential to DPMC's role of co-ordinating government policy and responding flexibly and quickly to issues that appear on the political radar with little warning.

DPMC has a medium-term replacement strategy for its computer hardware and software. The intention is to work on a four-year life cycle, but with progressive upgrading of key hardware components and operating system and applications software within this timeframe. For instance, one-third of desktop computers will be replaced each year as part of the strategy, and software systems will be upgraded so that DPMC is no more than one version behind the latest release.

Strong information management

DPMC's information strategy is built around the key themes of commonality, effectiveness and efficiency. The main priority will be to focus on areas that support common needs across the department, while recognising that specific business-unit needs may require unique solutions. Standardising on common systems, software, hardware and policies will minimise overhead costs and make sure the department complies with public-sector information management standards. DPMC will be working



closely with other agencies at the parliamentary complex to identify areas for greater collaboration.

The department deals with an increasing volume of information in the form of documents, but its key strength is in how its staff members use their knowledge by applying individual and collective experience, making comparisons, and using rigorous judgement in evaluating and analysing that information.

DPMC wishes to enhance these “knowledge activities”, but we first need to improve staff access to information by embedding good information systems, practices, rules, and processes into our normal business activities – which in turn will free-up staff from some of the administrative burden of managing information.

Some key activities for 2005/06 are to:

- review information-systems delivery so that staff have access to appropriate expertise
- conduct training-needs analysis across the department, and extend existing training programmes as required
- integrate, without compromising security requirements, the Government House and Cabinet Office networks with the department’s corporate network to make the overall system more functional for staff, and to reduce the costs of system administration, software licensing and hardware
- begin implementing a new Electronic Document and Records Management System (EDRMS), which will provide a better link between paper and electronic records; eventually, this system

will evolve into a one-stop shop for access to information and business processes

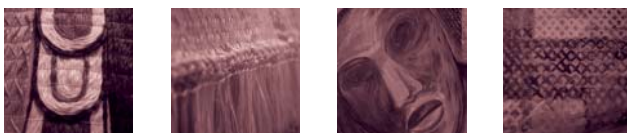
- further develop an intranet strategy for Insite (the department’s intranet) and eventually integrate it with the EDRMS to become the front-end for all information-management processes
- improve collaboration with other agencies in the parliamentary complex.

How we are enhancing our capabilities

Our response as an organisation over 2005/06 will be to:–

Ensure that we provide all possible opportunities for individuals to obtain job satisfaction and appropriate training within a working environment that supports and values excellent performance:

- Spending on professional development now averages around \$1,000 a year per staff member, and is likely to continue at this level for the coming year as we work towards increasing capability across the organisation.
- Work continues on further developments as part of the work/life balance initiative. The focus for the coming year is on communicating to staff the full range of work/life balance initiatives, practices and policies available within DPMC. The work/life balance group will be developing policy guidelines on phased retirement and flexible working options, as well as investigating any other work/life balance issues within the department.
- In late 2004/05 the first staff “climate” survey for some years was carried out. The survey provided important baseline data on the organisational health and morale of the DPMC. In terms of



overall staff satisfaction and “engagement” in DPMC’s activities, the results were extremely positive across the department’s business units. A work programme will be developed in 2005/06 to investigate and address those areas where the department can introduce positive change. A second survey will be conducted in 2005/06 to provide a comparison with the 2004/05 results and to feed into the Human Resources work plan for 2006/07.

Enable our staff to work across existing branch boundaries on projects and services. Intra-departmental groups are an important part of the way DPMC operates. Current working groups include the DPMC Health and Safety Committee, Internal Audit Committee, IT Governance Group, Intranet Steering Group, and the Work/Life Balance Group. Groups are also established for one-off projects such as the review of the DPMC conditions of employment, which will be completed early in the 2005/06 year.

Provide opportunities for the secondment of staff from other agencies to work with us for a fixed time to gain a whole-of-government approach to working with people and issues:

- There are currently eight staff from other departments working in DPMC – and the aim is to increase these numbers over the next three years.
- We also intend to develop stronger links with our alumnae elsewhere in the public service – particularly in the policy advisory area. The alumnae could act as mentors for new and existing advisers, help identify potential advisers

(including suitable candidates for staffing specialist DPMC taskforces) and aid succession planning for our senior management positions.

Maintain and develop a supportive work environment that values personal commitment to results-oriented work, while observing the highest standards of personal integrity and adherence to the values of the public service. The DPMC’s Code of Conduct will be updated and reviewed this coming year, together with the ethics and standards component of the DPMC induction programme.

Enable DPMC to learn from any results (intended or unintended) in order to systematically improve its business operation:

- During 2005/06 reviews or evaluations are planned for the department’s health and safety management systems, its training and development processes, and its performance-management systems. The recent “climate” survey has identified some areas for improvement and we will be examining these in more detail in 2005/06.
- After the disestablishment of the Foreshore and Seabed Group, the lessons learnt from setting up the group at short notice are being used to prepare a set of taskforce-establishment guidelines for Corporate Services staff and task-force managers.
- It is DESG’s standard practice to use external evaluators to review the relative success of exercises held throughout the year. These evaluation reports are then used as part of a continual improvement process.

access and manage relevant information within DPMC

Ensure that staff can access and manage relevant information within DPMC, and across the government sector, as efficiently as possible:

- Insite has already made a significant difference to information sharing within the department. The Human Resources section of Insite will be reviewed to ensure it meets the needs of staff and that it is easy to navigate. Planned developments include the increased use of Insite as an induction tool, and investigating the feasibility of a link between Insite and the department's payroll and leave-management systems.
- The department's information strategy will continue to be implemented during 2005/06 to continue the focus on common standards, integration across the department, better information management, and staff access.

Continue to monitor DPMC's strategic human resources in terms of succession planning and the retention of specialist skills within the department – with a particular emphasis on the turnover of key personnel. The department has made a number of key appointments at the senior management level in the past year and is looking to develop a stable and cohesive management team over the medium term.

STATISTICAL DATA ON DPMC STAFF

GENDER

Female 45.5%	Male 54.5%
--------------	------------

AGE

Under 20	1%
20-29	12%
30-39	29%
40-49	22%
50-59	26%
Over 60	10%

Average age: 45

ETHNICITY

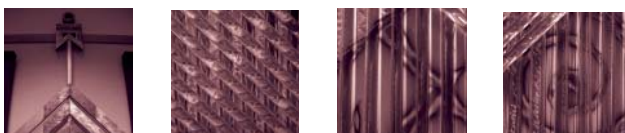
NZ European/Pakeha	79.5%
Maori	10.7%
Asian	1.8%
Pacific Island	1.8%
Other	2.7%
Not known	3.6%

LENGTH OF SERVICE

Average length of service is 5.8 years
– this is similar to recent years.

TURNOVER OF STAFF

Staff turnover is 19 per cent – a similar level to recent years. Of those staff members who left voluntarily to take up or search for an alternative job, 52 per cent took up another position in the public service.



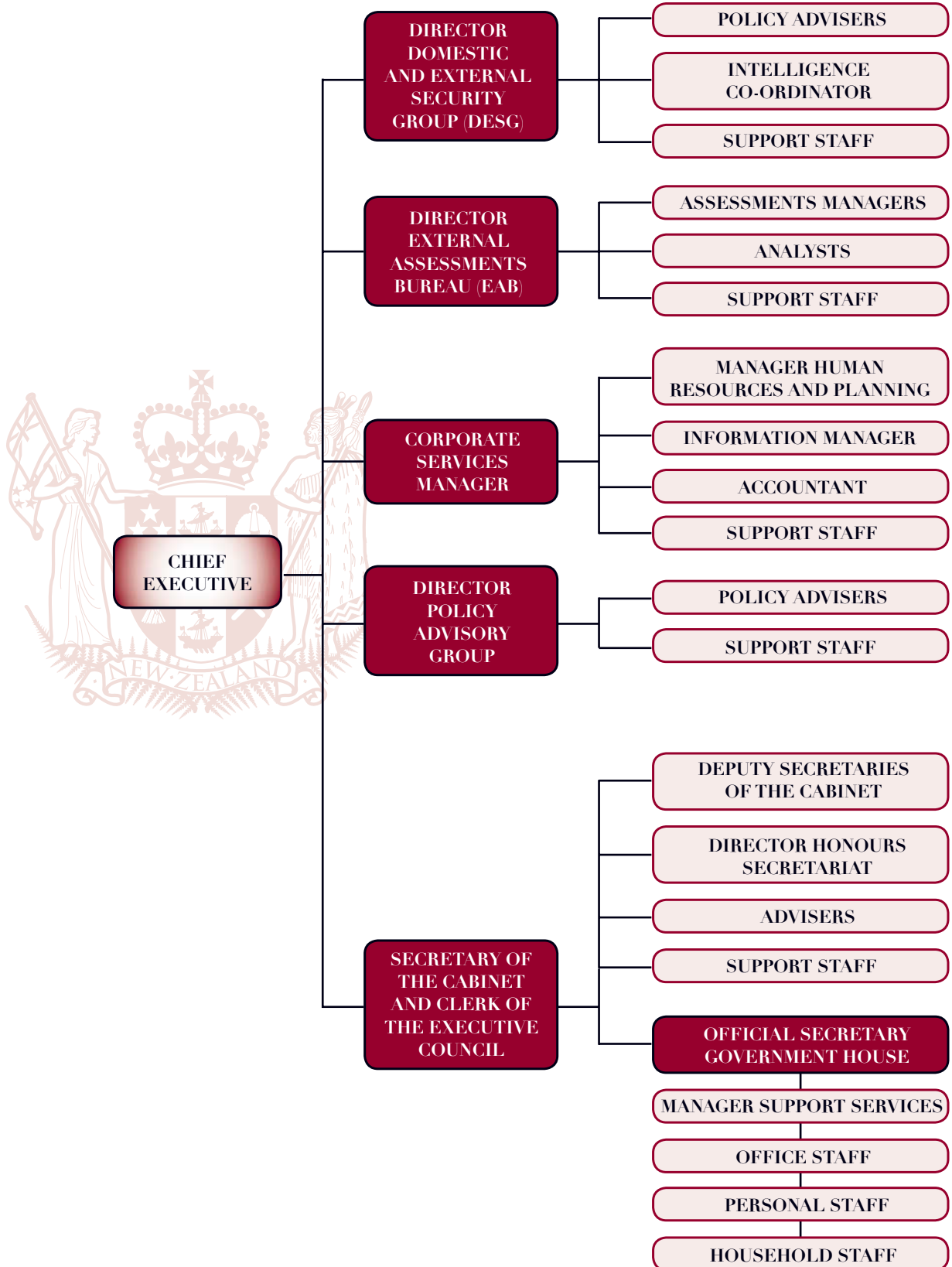
Risk management

By embodying its capability factors in all it does, DPMC can minimise the risk of unintended negative consequences resulting from departmental action. The key dimensions of this type of risk are performance and capability risks. Performance risk is inextricably linked with capability risk. If DPMC does not stay on top of the issues that can result in capability risk, then DPMC is exposed increasingly to performance risk. The interrelationship between capability risk and performance risk can be seen in the table on page 44, which summarises recent risk-management actions we have taken.

DPMC is currently working on its risk-management framework – particularly around its information systems and computer technology – and in our statement of intent for 2006/07 will outline the new approach we are taking to managing risk.

Performance Risk	Capability Risk
<p>Not maintaining the quality of advisory and support services, and so failing to understand or meet the requirements of the users of DPMC's services</p>	<p>Not developing and maintaining the necessary levels or mix of staff skills in DPMC.</p> <p><i>Our Response:</i></p> <ul style="list-style-type: none"> • implement findings from the capability audit of the Policy Advisory Group and Domestic and External Security Group • continue to fill vacancies in Cabinet Office, External Assessments Bureau and Policy Advisory Group. <hr/> <p>Not implementing and supporting available improvements in information and communications technology.</p> <p><i>Our response:</i></p> <ul style="list-style-type: none"> • investigate further development of the department's intranet for improving information management • continue the phased computer-replacement programme and review telecommunications systems • develop the department's information strategy and upgrade information systems across the department • implement findings of the review of the department's risk-management framework. <hr/> <p>Not developing a supportive but challenging work environment where people are motivated to achieve a high standard.</p> <p><i>Our response:</i></p> <ul style="list-style-type: none"> • continue to develop initiatives on work/life balance • conduct second staff "climate" survey in 2005/06.
<p>Failing to assess the nature or significance of changes in DPMC's operating environment</p>	<p>Not developing and maintaining the necessary levels or mix of staff skills in DPMC.</p> <p><i>Our response:</i></p> <ul style="list-style-type: none"> • continue to recruit excellent people for all of our vacancies • encourage further staff training.
<p>Not maintaining effective networks and processes of consultation with stakeholders</p>	<p>Not developing and maintaining the necessary levels or mix of staff skills in DPMC.</p> <p><i>Our response:</i></p> <ul style="list-style-type: none"> • develop relationships with the private sector and encourage secondments to the Policy Advisory Group • develop stronger networks with key staff in other agencies.

CHART 6: ORGANISATIONAL STRUCTURE



Statement of forecast service performance and forecast financial statements

Statement of responsibility

The information presented in this Statement of Intent of the Department of the Prime Minister and Cabinet for the year ended 30 June 2006 has been prepared in accordance with sections 38-42 of the Public Finance Act 1989.

The Chief Executive of the Department of the Prime Minister and Cabinet acknowledges, in signing this statement, that he is responsible for the information contained in this Statement of Intent.


The financial performance forecast to be achieved by the department for the year ending 30 June 2006 that is specified in the Statement of Intent is as agreed with the Prime Minister, who is the Minister responsible for the financial performance of the Department of the Prime Minister and Cabinet.

The forecast performance for each class of outputs to be achieved by the department for the year ending 30 June 2006 that is specified in the Statement of Intent is as agreed with the Prime Minister, who is responsible for Vote:Prime Minister and Cabinet.

We certify that the information contained in this report is consistent with the existing appropriations

and the appropriations contained in the Estimates for the year ending 30 June 2006 that are being laid before the House of Representatives under section 13 of the Public Finance Act 1989.

Signed:



Maarten Wevers, CNZM
Chief Executive

Countersigned:



Corporate Services Manager
Brent Anderson

9 May 2005

Statement of forecast service performance

1 policy advice and secretariat and co-ordination services

(Provided by the Policy Advisory Group, the Domestic and External Security Group, and the Cabinet Office.)

Description

This class of outputs involves:

- the provision of immediate, medium- and long-term policy advice of an impartial nature, delivered freely and frankly to the Prime Minister and, at the Prime Minister's request, to other ministers
- promotion and facilitation of interdepartmental co-ordination of policy development and the promotion of a greater collective approach to performance standards across the state sector through the formulation and implementation of the government's key goals
- the provision of advice to the Governor-General, the Prime Minister and ministers on constitutional issues relating to the conduct of executive government, and to support the conduct and continuity of government within accepted conventions and practices; this output will include preparations for the forthcoming general election and planning for the change of Governor-General
- the provision of impartial secretariat services to Cabinet, Cabinet committees and the Executive Council, and the promulgation of their decisions
- the provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees, including the review of policies and procedures where appropriate
- the co-ordination of the policy and administrative aspects of the legislative programme as

directed by Cabinet Legislation Committee

- the development and promulgation of information, advice and guidelines on the nature and operations of the central processes of executive government
- the provision of policy advice and administration services for the New Zealand Royal Honours system.

Performance measures – policy advice and co-ordination services

- (1) Provide high-quality information, analysis and advice to enable the Prime Minister to lead and manage the public-policy business of the government.

Performance standards for this measure are:

- | | |
|-------------------------------|---|
| <i>Quality & Quantity</i> | <ul style="list-style-type: none"> ▶ Advice meets the department's quality criteria for advice (see page 50). ▶ The Prime Minister is satisfied with the quality, appropriateness and timeliness of the advice and coordination services provided. ▶ Other key clients are satisfied with the advice and coordination services provided. |
| <i>Timeliness</i> | <ul style="list-style-type: none"> ▶ Advice is prepared within the timeframe required by the Prime Minister. |

impartial, efficient and effective secretariat services

Quality criteria for DPMC advice

Advice provided to our key clients will:

- be based on a full and impartial analysis of all information from all relevant sources
- relate, where appropriate, to the priorities and key goals of the government
- be of high quality (the purpose of the advice is clear, the assumptions used are explicit, and the arguments followed are logical; the facts are accurate, and adequate consultation with interested parties has been undertaken when appropriate; the advice is practical, is presented effectively, and is concisely summarised in plain English)
- be presented within specific and agreed deadlines or within an agreed timeframe.

Performance measures – secretariat services to Cabinet and Executive Council

(1) Impartial and effective advice is provided to the Governor-General, the Prime Minister and ministers:

- to support the proper and effective operation of the key institutions of Executive Government
- to ensure the constitutional processes involving the Governor-General, Prime Minister and ministers are appropriately facilitated and supported.

Performance standards for this measure are:

- Quality* ▶ Advice meets the department's quality criteria for advice (see above).

- ▶ Advice meets the requirements of the Prime Minister and the Governor-General.

- Quantity* ▶ As required by the Prime Minister and the Governor-General.

- Timeliness* ▶ Advice is provided within the timeframe required.

(2) Provide impartial, efficient and effective secretariat services to Cabinet and Cabinet committees to ensure they operate smoothly and within Cabinet's rules.

Performance standards for this measure are:

- Quality & Quantity* ▶ Minutes are recorded accurately and impartially (at least 98 per cent of minutes will not require amendment).

- ▶ Well-judged summaries are prepared of submissions to Cabinet and Cabinet committees.
- ▶ Advice meets the department's quality criteria for advice (see above).
- ▶ Agendas and summaries are distributed in a timely manner to ministers (with most delivered two days before Cabinet and Cabinet committees).

- Timeliness* ▶ Minutes are timely (at least 80 per cent of minutes are distributed within two days of the meeting and 95 per cent of minutes are distributed within three days).

provide efficient and effective support to the Governor-General

- (3) Provide impartial and effective advice to the Prime Minister and ministers to support the proper operation of Cabinet and Cabinet committees.

Performance standards for this measure are:

- Quality**
- ▶ Advice meets the department's quality criteria for advice (see page 50).
 - ▶ Advice meets the requirements of the Prime Minister.
- Quantity**
- ▶ Policies and procedures relating to the central processes of executive government are reviewed as required.
 - ▶ Ministers and officials are informed of ongoing and new Cabinet guidelines and procedures.
- Timeliness**
- ▶ Advice is provided in the timeframe required.
 - ▶ The Prime Minister, ministers, officials, and government agencies are informed of Cabinet and Cabinet committee procedures and changes in a timely manner.

Cost

Policy advice, secretariat and coordination services will be provided within the sum of \$7.010 million to be funded by revenue: Crown. The department will also administer an appropriation of \$30,000 under permanent legislative authority (the NZSIS Amendment Act [No 2] 1999) for the Commissioner of Security Warrants.

2 support services to the Governor-General and maintenance of the residences

(Provided by Government House and the Clerk of the Executive Council.)

Description

This class of outputs involves:

- the provision of financial, administrative, communications, travel, and advisory services to the Office of the Governor-General; and domestic and personal services for the Governor-General
- the conducting of a range of official functions, investitures and receptions at Government House and hosting State and other dignitaries
- the general upkeep of the two Government Houses in Wellington and Auckland, including the maintenance and security of the buildings and the landscaping, development and maintenance of the gardens and grounds
- the maintenance of the other residences and buildings associated with the two Government Houses.

Performance measures – support services to the Governor-General

- (1) Provide efficient and effective support to the Governor-General to enable her to carry out the ceremonial and community roles of the Governor-General.



Performance standards for this measure are:

- Quality & Quantity*
- ▶ Events and funding run smoothly, and are organised to a high and appropriate standard that has been agreed with the Governor-General.
 - ▶ Services provided are efficient (cost effective and well organised).
 - ▶ The Governor-General's programme is well balanced.
 - ▶ The Governor-General is highly satisfied with all the services and functions.

- (2) Provide services to the Governor-General to ensure the efficient and effective running of the official programme and the household.

These services include advisory, administrative, function organisation and household activity.

Performance standards for this measure are:

- Quality, Quantity & Timeliness*
- ▶ All correspondence is appropriately actioned within one week of receipt.
 - ▶ All speech material is appropriate and provided to a high standard within a timeframe acceptable to the Governor-General.
 - ▶ All services are provided to meet the requirements of the programme that has been agreed with the Governor-General.

Performance measures – maintenance of the residences

- (1) Preserve and enhance the buildings and grounds of Government House as an appropriate residence of the Head of State and as an historic place.

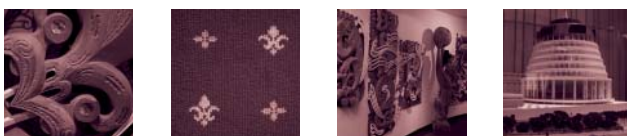
Performance standards for this measure are:

- Quality, Quantity & Timeliness*
- ▶ Maintenance programmes are implemented to appropriately meet the requirements of the government's policy on the management of historic heritage buildings.
 - ▶ All security systems, external doors, perimeter fencing, and lighting systems are regularly inspected, maintained and reviewed against changing security requirements.

- (2) Routine maintenance, rolling programmes, and development projects are carried out in a timely and satisfactory way.

Performance standards for this measure are:

- Quality, Quantity & Timeliness*
- ▶ The Governor-General is satisfied that the maintenance programmes undertaken meet her requirements.
 - ▶ The Governor-General's views on the quality and adequacy of buildings and grounds maintenance will be sought as part of the quarterly programme-review process.
 - ▶ All contracts let for development, maintenance, security, and gardening meet the required specifications and standards.



Cost

Support services to the Governor-General and maintenance of the residences will be produced within the sum of \$3.307 million, to be predominantly funded from revenue: Crown and \$30,000 from revenue: other. The department will administer an appropriation of \$150,000 for the purchase and development of capital assets by the Crown.

An appropriation of \$777,000 is also administered under permanent legislative authority (the Civil List Act 1979) for the purposes of meeting the Governor-General's salary, allowances and travel.

A new appropriation of \$445,000 for depreciation for Crown assets has been included in the 2005/06 Estimates.

3 intelligence assessments on developments overseas

(Provided by the External Assessments Bureau.)

Description

This class of outputs involves the provision of information and reports on events and trends overseas affecting New Zealand's interests. It involves the collection, collation, and analysis of information on topics likely to affect New Zealand's foreign relations and external interests, as well as the preparation of intelligence assessments and reports on political, economic, environmental, biographic, strategic, military, and scientific subjects as required.

Performance measure

- (1) Ensure the effective provision of high-quality, accurate and succinct assessments of overseas developments that are of policy relevance to New Zealand.

Performance standards for this measure are:

- Quality*
- ▶ All assessments and reports will be:
 - factually correct
 - comprehensive (take into account all available information)
 - concise (no longer than necessary to convey the information)
 - pertinent and informative (reflect national priorities and address topics requested by readers).

- ▶ Feedback from the readers of assessments and reports is positive. No more than 5 per cent of readers make substantive complaints in terms of agreed performance standards.
- ▶ Ninety per cent of assessments submitted to the National Assessments Committee require no more than minor revision. External Assessments Bureau management will document weekly the committee's consideration of assessments.

- Quantity*
- ▶ Appropriate to the Prime Minister's requirements.
 - ▶ An annual report on work output, including the number of assessments and their nature and comparative historical data, will be provided to senior officials.

- Timeliness*
- ▶ All assessments and reports are delivered in a timeframe useful to policy makers.

Cost

Intelligence assessments on developments overseas will be produced within the appropriated sum of \$3.097 million, to be funded by revenue: Crown.

Forecast financial statements

Statement of Forecast Financial Performance for the Year Ending 30 June 2006 _____	56
Statement of Estimated Financial Position as at 30 June 2005 and Forecast Financial Position as at 30 June 2006 _____	57
Statement of Cash Flows as at 30 June 2005 and Forecast Cash Flows to 30 June 2006 _____	58
Forecast Reconciliation of Net Cash Flows from Operating Activities to Net Surplus/(Deficit) in the Statement of Forecast Financial Performance for the Year Ending 30 June 2006 _____	59
Statement of Forecast Movements in Taxpayers' Funds (Equity) as at 30 June 2006 _____	60
Departmental Capital Expenditure (to be incurred in accordance with section 24 of the Public Finance Act 1989) _____	61
Forecast Details of Fixed Assets by Category as at 30 June 2006 _____	61
Statement of Forecast Service Performance Specifying the Financial Performance Forecast for the Department for the Year Ending 30 June 2006 _____	62
Statement of Significant Underlying Assumptions _____	63
Statement of Significant Accounting Policies _____	63

Statement of forecast financial performance

FOR THE YEAR ENDING 30 JUNE 2006

	2004/05		2005/06
	Budgeted \$000	Estimated actual \$000	Forecast \$000
REVENUE			
Crown	16,054	16,054	13,414
Other	58	58	58
TOTAL REVENUE	16,112	16,112	13,472
EXPENSES			
Personnel	10,129	9,779	9,340
Operating	5,588	4,901	3,707
Depreciation	300	293	330
Capital charge	67	67	67
TOTAL EXPENSES	16,084	15,040	13,444
NET SURPLUS/(DEFICIT)	28	1,072	28

Forecast financial statements

Statement of estimated financial position

AS AT 30 JUNE 2005 AND FORECAST FINANCIAL POSITION AS AT 30 JUNE 2006

	Actual financial position	Estimated financial position	Forecast financial position
	as at 30 June 2004 \$000	as at 30 June 2005 \$000	as at 30 June 2006 \$000
CURRENT ASSETS			
Cash and bank balances	1,430	1,690	1,081
Debtor – Crown	1,702	1,523	1,118
Receivables and prepayments	73	13	13
Inventory	368	400	400
TOTAL CURRENT ASSETS	3,573	3,626	2,612
PHYSICAL ASSETS	810	787	757
TOTAL ASSETS	4,383	4,413	3,369
CURRENT LIABILITIES			
Creditors, payables and provisions	1,828	1,530	1,530
Provision for payment of surplus	744	1,072	28
PROVISION FOR EMPLOYEE ENTITLEMENTS	459	459	459
TOTAL CURRENT LIABILITIES	3,031	3,061	2,017
NON-CURRENT LIABILITIES	512	512	512
Total liabilities	3,543	3,573	2,529
TAXPAYERS' FUNDS			
General funds	840	840	840
TOTAL TAXPAYERS' FUNDS	840	840	840
TOTAL LIABILITIES AND TAXPAYERS' FUNDS	4,383	4,413	3,369

Statement of cash flows

AS AT 30 JUNE 2005 AND FORECAST CASH FLOWS TO 30 JUNE 2006

	2004/05		2005/06
	Budgeted \$000	Estimated actual \$000	Forecast \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided from:			
Supply of outputs to			
Crown	16,233	16,233	13,819
Other	58	58	58
Cash disbursed to:			
Output expenses	(15,899)	(14,862)	(13,047)
Capital charge	(67)	(67)	(67)
NET CASH FLOWS FROM OPERATING ACTIVITIES	325	1,362	763
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from:			
Sale of physical assets			
Cash disbursed to:			
Purchase of physical assets	(358)	(358)	(300)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(358)	(358)	(300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash disbursed to:			
Capital repayment	(744)	(744)	(1,072)
Payment of surplus to the Crown			
NET CASH FLOWS FROM FINANCING ACTIVITIES	(744)	(744)	(1,072)
NET INCREASE/(DECREASE) IN CASH HELD	(777)	260	(609)
OPENING CASH BALANCE	1,430	1,430	1,690
CLOSING TOTAL CASH BALANCE AT 30 JUNE	653	1,690	1,081

Forecast financial statements

Forecast reconciliation of net cash flows from operating activities to net surplus/(deficit) in the statement of forecast financial performance

FOR THE YEAR ENDING 30 JUNE 2006

	2004/05		2005/06
	Budgeted \$000	Estimated actual \$000	Forecast \$000
SURPLUS/(DEFICIT) FROM STATEMENT OF FORECAST FINANCIAL PERFORMANCE	28	1,072	28
ADD/(DEDUCT) NON-CASH ITEMS			
Depreciation	300	293	330
MOVEMENTS IN WORKING CAPITAL ITEMS			
(Increase)/decrease on debtor – Crown	179	179	405
(Increase)/decrease in inventory	(32)	(32)	
(Increase)/decrease in receivables and prepayments	60	60	
Increase/(decrease) in payables and provisions	(210)	(210)	
ITEMS CLASSIFIED AS INVESTING ACTIVITIES			
Net (gain)/loss on sale of physical assets			
NET CASH FLOWS FROM OPERATING ACTIVITIES	325	1,362	763

Statement of forecast movements in taxpayers' funds (equity)

AS AT 30 JUNE 2006

	Estimated position	Forecast position
	as at 30 June 2005 \$000	as at 30 June 2006 \$000
TAXPAYERS' FUNDS AT START OF PERIOD	840	840
Prior-period adjustments		
Amended taxpayers' funds at start of period		
Taxpayers' funds at end of period	840	840
Change in taxpayers' funds during the period		
Less change in taxpayers' funds through contributions from owners		
Less provision for retirement leave		
Add change in taxpayers' funds through transfer		
CHANGE IN TAXPAYERS' FUNDS		

Forecast financial statements

Departmental capital expenditure

(TO BE INCURRED IN ACCORDANCE WITH SECTION 24 OF THE PUBLIC FINANCE ACT 1989)

DEPARTMENTAL CAPITAL EXPENDITURE	Actual 2000/01 \$000	Actual 2001/02 \$000	Actual 2002/03 \$000	Actual 2003/04 \$000	Budget 2004/05 \$000	Estimated Actual 2004/05 \$000	Forecast 2005/06 \$000
OFFICE PLANT AND EQUIPMENT	498	384	163	199	270	270	300

The forecast capital expenditure for the 2005/06 financial year is primarily routine replacement and upgrading of the department's information technology and office equipment, to help our staff efficiently deliver the services set out in this Statement of Intent.

Forecast details of fixed assets by category

AS AT 30 JUNE 2006

	30 June 2005	30 June 2006 forecast position		
	Estimated actual position \$000	Cost \$000	Accumulated depreciation \$000	Net book value \$000
Furniture and fittings	526	981	540	441
Motor vehicles	17	140	121	19
Plant and equipment	57	1,174	1,157	17
Computer equipment	187	2,697	2,417	280
TOTAL	787	4,992	4,235	757

Statement of forecast service performance specifying the financial performance forecast for the department

FOR THE YEAR ENDING 30 JUNE 2006

	2004/05		2005/06
	Budgeted	Estimated actual	Forecast
OPERATING RESULTS			
Other revenue	\$58,000	\$58,000	\$58,000
Output expenses	\$16,084,000	\$15,040,000	\$13,444,000
Operating surplus before capital charge	\$95,000	\$1,139,000	\$95,000
Net surplus/(deficit)	\$28,000	\$1,072,000	\$28,000
WORKING CAPITAL			
Net current assets ¹	\$572,000	\$565,000	\$595,000
Current ratio ²	128%	118%	129%
Liquid ratio	108%	105%	109%
Average creditors outstanding	50 days	50 days	50 days
RESOURCE UTILISATION			
Physical assets:			
Total physical assets at year end	\$780,000	\$787,000	\$657,000
Additions as % of physical assets	35%	34%	46%
Taxpayers' funds:			
Level at year-end	\$840,000	\$840,000	\$840,000
FORECAST NET CASH FLOWS			
Surplus/(deficit) operating activities	\$325,000	\$1,362,000	\$763,000
Surplus/(deficit) investing activities	(\$358,000)	(\$358,000)	(\$300,000)
Surplus/(deficit) financing activities	(\$744,000)	(\$744,000)	(\$1,072,000)
Net increase/(decrease) in cash held	(\$777,000)	\$260,000	(\$609,000)
HUMAN RESOURCES			
Staff turnover	20%	19%	20%
Average length of service	6.5 years	5.8 years	6.0 years
Total staff	121	129	132

The department aims to provide a work environment and conditions of employment that enable it to recruit and retain high-calibre staff who have the skills and experience it requires.

1 Current assets minus current liabilities.

2 Current assets as a proportion of current liabilities.

Forecast financial statements

Statement of significant underlying assumptions

These statements have been compiled on the basis of government policies and the department's purchase agreement with the Prime Minister at the time the statements were finalised.

These forecast financial statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of assets. Revaluations are made to reflect the forecast service potential or economic benefit to be obtained through the control of assets.

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

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

Statement of significant accounting policies

Specific accounting policies

Reporting framework

The forecast financial statements for the Department of Prime Minister and Cabinet have been prepared in accordance with Section 39 of the Public Finance Act 1989.

The reporting entity is the Department of the Prime Minister and Cabinet. The reporting entity consists of those activities (represented by outputs) supplied by the department and related assets, liabilities and taxpayers' funds.

The forecast financial statements show the financial performance and financial position after the elimination of all significant intra-entity transactions between output classes. Actual results for 2005/06 are likely to vary from the information presented and these variations could be material. These variations would be attributed mainly to changes in the level of demand for services produced by the department.

Budget figures

The budget figures are those presented in the Budget estimates (main estimates) and those amended by the supplementary estimates and any transfer made by Order in Council under Section 5 of the Public Finance Act 1989.

Goods and services tax

All statements are GST-exclusive, with the exception of the Statement of Forecast Financial Position where the entries for creditors, payables and debtors are GST-inclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between output GST and input GST, is included in creditors, payables or debtors and receivables as appropriate.

Fixed assets

All fixed assets have been valued on historical cost basis. All individual assets or groups of assets are capitalised if their purchase cost is \$2,000 or greater.

Gains and losses arising from the sale or disposal of assets have been included in the Statement of Forecast Financial Performance.

Depreciation of assets

All fixed assets have been depreciated on a straight-line basis that reflects the decline in service potential of the asset during the reporting period. Specific rates of depreciation used for the various classes of fixed assets are as follows:

<i>Fixtures and fittings</i> _____	10%
<i>IT equipment</i> _____	33%
<i>Office equipment</i> _____	20%
<i>Furniture</i> _____	20%
<i>Motor vehicles</i> _____	25%
<i>Kitchen equipment, e.g. domestic appliances</i> _____	20%
<i>Major plant and equipment</i> _____	10%
<i>Minor plant and equipment</i> _____	20%
<i>Ground improvements</i> _____	14%

Taxation

The department is 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.

Financial instruments

The department is party to financial arrangements in the form of bank accounts, accounts receivable, accounts payable, and accruals as part of its everyday operations. These are reflected in the Statement of Forecast Financial Position at their fair value. Revenue and expenses in relation to the financial instruments are recognised in the Statement of Forecast Financial Performance in arriving at the operating surplus.

Cost allocation

Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes. Direct costs will represent 87 per cent of total departmental appropriations for output costs in 2005/06. (This compares with 92 per cent in 2004/05.)

Indirect costs are expenses incurred by corporate services and by the office of the chief executive. Indirect costs are allocated to each output class in proportion to the level of appropriations in relation to the total vote. Indirect costs will represent 13 per cent of total departmental appropriations for output costs in 2005/06. (This compares with 8 per cent in 2004/05.)

Leases

The department leases office premises and photocopiers. As all risks and ownership are retained by the lessor, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Provision for employee entitlements

Provision is made in respect of the department's liability for annual, retirement and long-service leave. Annual leave entitlements have been calculated on an actual entitlement basis at current rates of pay. Long-service leave and retirement leave have been calculated on an actuarial basis, based on the present value of expected future entitlements.

Commitments

Future payments are disclosed as commitments at the point where a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment agreements are not disclosed.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Changes in accounting policies

There have been no changes in accounting policies, including cost-allocation accounting policies. All policies have been applied on bases consistent with those used in the previous period.