



DEPARTMENT OF
THE PRIME MINISTER
AND CABINET

STATEMENT
OF INTENT

2003–2006

Presented to the House of
Representatives Pursuant to Section 34A
of the Public Finance Act 1989

CONTENTS

G.48

INTRODUCTION	page 5
<hr/>	
THE ROLE OF THE DEPARTMENT OF THE PRIME MINISTER AND CABINET	page 8
Role and structure	page 8
<hr/>	
OPERATING ENVIRONMENT	page 12
Influences and challenges	page 12
<hr/>	
OUTCOMES	page 14
Setting and measuring outcomes	page 14
DPMC's outcomes	page 16
<hr/>	
CONTRIBUTING OUTCOMES	page 19
Decision making by the Prime Minister and Cabinet is well supported	page 19
The continuity of executive government within accepted conventions and practices is maintained and well supported	page 21
The Governor-General is well supported	page 23
The management of domestic and external security and other risks is well planned and co-ordinated	page 24
<hr/>	
MANAGING FOR SUCCESSFUL OUTCOMES	page 26
Key factors in achieving DPMC's outcomes	page 26
<hr/>	
STATEMENT OF RESPONSIBILITY	page 32
<hr/>	
STATEMENT OF OBJECTIVES – OUTPUT CLASS PERFORMANCE	page 33
D1 – Policy Advice and Secretariat and Co-ordination Services	page 33
D2 – Support Services to the Governor-General and Maintenance of the Residences	page 36
D3 – Intelligence Assessments on Developments Overseas	page 38
<hr/>	
FORECAST FINANCIAL STATEMENTS	page 40
Statement of Financial Performance	page 40
Statement of Financial Position	page 41
Statement of Cash Flows	page 42
Reconciliation of Net Cash Flows from Operating Activities	page 43
Statement of Movements in Taxpayers' Funds (Equity)	page 44
Details of Fixed Assets by Category	page 44

G.48	Statement of Objectives Specifying the Financial Performance of the Department	page 45
	Statement of Significant Underlying Assumptions	page 46
	Statement of Significant Accounting Policies	page 46

The Department of the Prime Minister and Cabinet’s overall area of responsibility is in helping to provide, at an administrative level, the “constitutional and institutional glue” that underlies our system of executive government in our parliamentary democracy.

This year the Department of the Prime Minister and Cabinet (DPMC) is producing its first-ever Statement of Intent, which supersedes the annual Departmental Forecast Reports that have been produced since 1995. The Statement of Intent describes the link between good government and the results that the Government wants to achieve, and so it marks an important step forward in accountability and priority setting. It outlines the DPMC’s strategic direction and what it intends to do for the next three years; against which, in turn, it will report its achievements and the progress it has made in the annual report tabled in Parliament.

DPMC OUTCOMES

The main outcome the DPMC seeks to report against is simply “Good government with effective public service support” – which recognises the department’s contribution, along with other agencies, to achieving this outcome. Four contributing outcomes have also been adopted to reflect the key streams of work coming from DPMC.

These are:

- Decision making by the Prime Minister and Cabinet is well supported.
- The continuity of executive government within accepted conventions and practices is maintained and well supported.
- The Governor-General is well supported.
- The management of domestic and external security and other risks is well planned and co-ordinated.

Within the three-year time horizon that the Statement of Intent covers, it outlines the reasons for identifying these outcomes rather than others, how the department contributes to the achievement of these outcomes, how it proposes to measure its achievements, and how it intends to maintain organisational capability. Some of these themes are discussed briefly below, as they will have an important influence on DPMC’s work and performance over the next three years.

CONTINUITY OF EXECUTIVE GOVERNMENT

Much of our political system operates on an agreed set of conventions and practices, and DPMC provides the services that support the operation of executive government. During the period covered by this Statement of Intent, these responsibilities will again be put to the test through the need to provide support for the government-formation process after the next general election and for the Governor-General appointment process.

FOCUSING ON RESULTS

The *Review of the Centre* report is leading to a refocusing of many governmental services and functions. The emphasis is on results and outcomes rather than “business as usual”: important new directions to emerge are the building of partnerships, both inside and outside the State sector, and the decentralisation of services and decision making. There will be increasing emphasis on whole-of-government responses and the co-ordination of central-government activities – tasks for which the department has a specific mandate.

Work is already being advanced on some of these issues, with agreed outcome statements currently being developed by DPMC, the Treasury and the State Services Commission. The first DPMC Statement of Intent now means that all three central agencies are producing these planning documents that extend beyond a single-year focus. One of the challenges facing DPMC and other central agencies over the next three years will be to preserve the present system’s strong emphasis on accountability within the more flexible environment emerging from the Review of the Centre process.

Another factor influencing the policy environment is New Zealand’s orientation towards a pathway of sustainable development, which will require both leadership and the development of partnerships with local government, industry, iwi, and non-governmental organisations. DPMC, along with other central agencies, will play a key role in co-ordinating the public service’s activities in this area.

SECURITY AND RISK MANAGEMENT

Security and risk management are increasingly prominent issues. The shadow cast by international terrorism and events following September 11 extends to New Zealand – with seemingly no country being immune. Environmental and bio-security risks, however, also pose very real threats to New Zealand’s well-being and standard of

living. Because of the grave importance to the nation of a serious threat to its security, DPMC's work in co-ordinating government's response to security risks of any kind remains a core function.

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THE LINK BETWEEN CAPACITY AND PERFORMANCE

Achieving DPMC's overall goal of "Good Government with effective Public Service support" is necessarily dependent on meeting its four contributing outcomes and their more specific work programmes. Over the three-year period of 2003 to 2006, DPMC needs to maintain and enhance its overall capacity. Capacity risk – not having the right mix or quantum of technological and personnel resources – inevitably leads to performance risk and the possibility of not achieving the department's outcomes.

This Statement of Intent overviews these capacity and performance issues and sets out the DPMC's response. In particular, the department is committed to making more effective use of its staff resources and knowledge across all areas of its work. It will also continue its policy of actively encouraging secondments to the department from inside and outside the public service. In the emerging public-service environment, this type of interchange will be increasingly vital if DPMC and the public service as a whole are to achieve better results for the citizens of New Zealand.



Mark Prebble
Chief Executive

15 May 2003



THE ROLE OF THE DEPARTMENT OF THE PRIME MINISTER AND CABINET

The Department of the Prime Minister and Cabinet (DPMC) was established in January 1990 to provide impartial, high-quality advice and support to the Executive (the Prime Minister, the Governor-General and the Cabinet). The services provided by DPMC flow from the various roles performed by the Prime Minister and the Governor-General in our system of Government.

ROLE AND STRUCTURE

The Prime Minister is the political leader of the government and the country – and its main public “face”. The Prime Minister is also the chair of Cabinet, and the person responsible for the effective operation of collective government. These roles combine political and executive responsibilities.

Supporting the Prime Minister and Cabinet

DPMC supports the Prime Minister’s twin roles as leader of the government and chair of Cabinet, and has explicit responsibility for promoting co-ordination across the public service. DPMC provides three kinds of direct support to the Prime Minister.

The first of these key areas of support is for issues that are the direct responsibility of the Prime Minister; constitutional issues, including those associated with the formation of governments; and issues associated with the operation of the Cabinet system.

Secondly, continuing support is provided on current issues across the range of government business. As the political head of the government, the Prime Minister must have an overview of government activity and access to information on any and all issues that arise. DPMC cannot provide this overview and information on its own. It must work with the rest of the machinery of government to provide information and advice on particular issues. This provides a further imperative for DPMC to ensure that the system of public-service support for the government can come together swiftly and ably to support the Prime Minister and other ministers.

Thirdly, DPMC provides administrative support to the Prime Minister (and also to the Governor-General). This includes services to the Prime Minister – such as preparing replies to Parliamentary questions, and dealing with Official Information Act requests and other correspondence. In many cases, this involves working directly with other agencies as the Prime Minister’s role takes her across all areas of government business.

A totally separate body, the Office of the Prime Minister, also advises the Prime Minister and is the primary point for coalition management.

Supporting the Governor-General

DPMC also supports the Governor-General in carrying out her functions. New Zealand is a constitutional monarchy. This means that the Queen is Head of State of New Zealand, but her powers and those of her representative, the Governor-General, are exercised generally only on the advice of ministers and the government. The Governor-General is, therefore, a significant figure in the constitutional framework, with important constitutional, ceremonial, and community roles.

Bringing the system together

A great deal of DPMC’s activities focus on facilitating government decision making at a strategic and operational level. A major role is to help co-ordinate the work of the core public service departments and ministries – so that decision making takes account of all relevant viewpoints and is as coherent and complete as possible.

The people who work at DPMC come from a wide range of backgrounds – including being seconded from other government departments or outside organisations. Issues are responded to as required and DPMC may be asked to set up units or task forces from time to time to provide advice on a particular issue (or issues) within a specified length of time.

A recent example is the Climate Change project team, which was brought together in 2001 to develop and implement the government’s policies on climate change. This responsibility has now been transferred to the Ministry for the Environment.

Structure of DPMC

DPMC has the following six business units:

- The **Cabinet Office** provides impartial secretariat services to the Executive Council, Cabinet and Cabinet committees. One of its key

roles is to provide neutral advice and information on the policies, processes and procedures relating to the Executive Council and Cabinet – including impartial advice to the Governor-General, the Prime Minister and other ministers on constitutional and procedural issues. It also administers the conventions and practices contained in the Cabinet Manual. Other functions include assisting in the co-ordination of the government’s legislative programme. The **Honours Secretariat** of the Cabinet Office is responsible for the administration of the New Zealand Royal Honours System. The Secretary of the Cabinet, as Clerk of the Executive Council, also has overall responsibility for policy and administration of the Office of the Governor-General.

- The **Policy Advisory Group** is responsible for providing neutral advice on issues of the day directly to the Prime Minister and, on occasion, to other ministers. An important part of its job is to co-ordinate the advice coming in from different government departments, so that the Prime Minister is given coherent and impartial advice. The group contributes to policy development across the full range of government business.
- The **External Assessments Bureau** makes assessments of external events and developments to inform government decision making, using the widest possible range of information from open and secret sources. The reports produced are intended to inform the Prime Minister, other senior ministers, senior government officials, and New Zealand’s diplomatic representatives overseas about *external* political, economic, security, environmental, scientific and strategic developments of significance to New Zealand’s national interests. Reports are also produced to inform the members of inter-departmental watch groups that co-ordinate New Zealand’s responses to external crises and threats to New Zealand.
- DPMC’s **Corporate Services Unit** 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. It negotiates and administers employment agreements, co-ordinates the selection and appointment of new staff, maintains personal files and leave records, and develops and implements human-resource policies. It supplies accounting services, financial reporting, and payroll services. The unit plays a significant role in information-systems management, planning, development and support to the rest of DPMC.

- **The Domestic and External Security Secretariat (DESS)** co-ordinates central government action aimed at protecting New Zealand's domestic and external security, including intelligence, counter-terrorism preparedness, emergency and crisis management, and defence operations. This includes advising the Prime Minister on such matters. DESS also acts as the secretariat to the Officials Committee for Domestic and External Security Coordination (ODESC).
- **Government House** is responsible for providing administrative and support services for the Governor-General to enable her to carry out the functions of the office. This includes the maintenance of Government House and its grounds in Wellington, as well as the smaller Government House in Auckland.

DPMC has 121 staff including secondees from other departments. Its annual appropriation for outputs for 2003/04 is broken down as follows:

Departmental Output Class	2003/04 Appropriation \$000
Policy advice and secretariat and co-ordination services	\$7,104
Support services to the Governor-General and maintenance of the residences	\$3,526
Intelligence assessments on developments overseas	\$3,129
Total departmental appropriation	\$13,759

OPERATING ENVIRONMENT

DPMC requires a good understanding of the wider trends and influences on New Zealand’s social and economic performance, its culture and heritage, its human and physical capital, and its natural environment.

INFLUENCES AND CHALLENGES

DPMC’s operating environment has become increasingly complex in recent years. The restructuring of the electoral system, and the move to coalition and minority governments is making policy management and the co-ordination of decision-making processes more challenging. There are now much greater expectations within government – as well as from the general public, stakeholders and political allies – about who is to be consulted and when, and their corresponding input into policy making.

In this environment, an increasingly important role for DPMC is to take account of links with other areas of government policy and to consider the longer-term implications of particular policies. This requires a good understanding of the wider trends and influences on New Zealand’s social and economic performance, its culture and heritage, its human and physical capital, and its natural environment. Some examples include:

- the impact of globalisation – including the increasingly free flow of goods, services, people and ideas; and the associated changes in communications and information technologies
- the effects of demographic change, as our population becomes older and ethnically more diverse
- the increasing expectations by individuals that goods and services, including those provided by government, will be customised to their specific needs – with further pressures for immediacy and access emerging from the growth of e-government services
- the ever-increasing international competition to attract and retain the “best and brightest”
- the continuing consideration of the place of the Treaty of Waitangi in New Zealand society
- the complexities posed by sustainable development in the areas of water, energy, sustainable cities, and child and youth development –

particularly as these issues will demand solutions that incorporate economic, social, environmental and cultural dimensions G.48

- the recognition that the continuing availability of high-quality and responsive social services depends on our ability to maximise the sustainable economic potential of New Zealand
- the opportunities and risks associated with the continuing growth of Auckland, and other regional development issues
- the development of integrated and effective responses to the needs of people and communities that experience multiple disadvantage
- the changes in where decision-making rights are located, with some decisions increasingly being taken by supra-national bodies whilst others are devolved to local bodies and communities
- the implications for New Zealand of developments in international security and politics
- the increased risk globally of terrorist attacks or threats and their implications for New Zealand's citizens and interests.

DPMC's management challenge

DPMC's challenge is to ensure that the systems of government serve ministerial decision making as effectively as possible in an environment of increasingly complex problems, greater expectations of stakeholder participation, and higher standards of accountability and openness. Even technology becomes a double-edged sword – information is more readily and rapidly available and with it comes expectations of instant response and decision making.

DPMC's job is to ensure that the Prime Minister and Cabinet have access at every stage to high-quality and timely information and advice that is based on sound judgement and responsiveness to political realities. This can only be done if systems are well-run, policy advice is based on high-quality research and analysis, and implementation reflects good evaluation and practical experience.

OUTCOMES

DPMC's overall outcome is to contribute to the achievement of "good government, with effective public service support."

SETTING AND MEASURING OUTCOMES

Many other government departments advise and support Ministers in particular areas of government business. The central agencies – Treasury, the State Services Commission and DPMC – have a special joint responsibility to exert effective leadership across the State sector. They promote the efficiency and effectiveness of the public service so that it can collectively carry out the business of government.

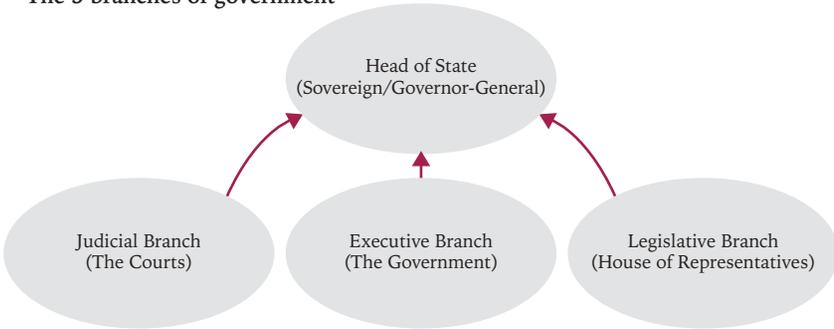
Agreed outcomes

There is increasing emphasis on setting and evaluating outcomes, as outcomes are the impacts on the community of government outputs. Frequently this involves taking a whole-of-government approach to complex issues where progress will require multi-agency and integrated interventions. As part of taking a more whole-of-government approach to issues, DPMC has compared its outcomes with those of the other central agencies. There are the expected similarities and work has commenced with the Treasury and the State Services Commission to develop agreed outcome statements and strategies for improving the performance of the overall public sector.

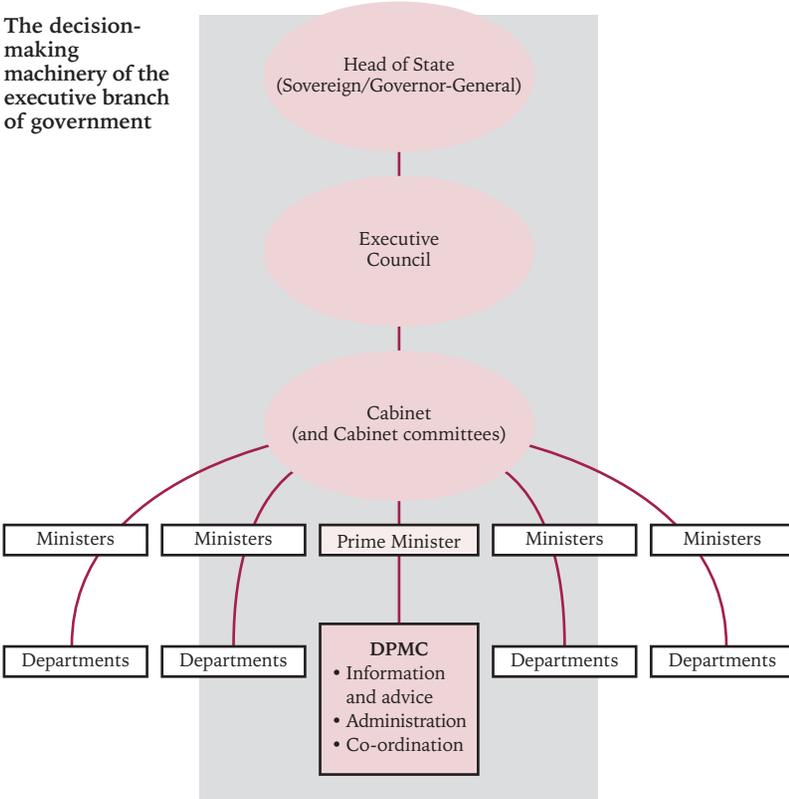
Interaction between the central agencies

The three central agencies have differing but complementary roles in developing effective outcomes for the public service as a whole. The Treasury seeks to improve the *effective and efficient* use of State resources and regulatory powers and to improve decision-making and performance-management systems for the State sector. It does this through its advice to the government based on its financial and economic analysis of the performance of State agencies. Whereas, the State Services Commission focuses on producing a *high-performing* State sector by promoting the development of senior managers and effective public-management systems in the public service.

The 3 branches of government



The decision-making machinery of the executive branch of government



DPMC services the central actors, processes and decision-making machinery of the executive branch of government. Its key roles are:

- to provide information, advice and administrative support to the Prime Minister and to the Governor-General
- to support the decision-making machinery and formal processes of executive government
- to promote co-ordination, as DPMC supports the point in executive government where the many separate ministers, agencies and advice streams must come together to enable collective decisions and action to be taken.

G.48 DPMC’s emphasis is to support the *decision-making* processes of the Prime Minister and the Cabinet. The aim is to ensure that the elected government and its administrative agencies can design and deliver policies and services that improve the lives of citizens, within a framework of stable constitutional government.

A particular point of distinction for DPMC, in comparison with the other two central agencies, is its work in ensuring that the system of Cabinet government in New Zealand operates effectively. On all issues, its aim is to bring together whatever people, agencies and information are necessary for the operation of Cabinet’s collective decision making. DPMC works at the point of intersection where separate ministers, agencies and advice streams come together at the Cabinet table.

DPMC’s work is focused on supporting in an effective way the key roles of the government. The diagram on the previous page shows DPMC’s areas of responsibility.

DPMC’S OUTCOMES

The *overall outcome* that DPMC works to achieve is therefore:

Good government, with effective public service support.

This is a high-level outcome that is shared with many others – in particular, ministers and all other parts of the public service. DPMC’s role is to ensure that the Prime Minister and the Governor-General are well supported and that the decision-making machinery works well to support ministers and departments in their areas of responsibility. This requires DPMC to work with others on individual issues to ensure ministers are provided with effective public service support.

DPMC has identified four *contributing outcomes* that it seeks to achieve. They are:

- 1 Decision making by the Prime Minister and Cabinet is well supported.
- 2 The continuity of executive government within accepted conventions and practices is maintained and well supported.
- 3 The Governor-General is well supported.
- 4 The management of domestic and external security and other risks is well planned and co-ordinated.

These contributing outcomes overlap with each other in various ways. Some business units within DPMC contribute to several different outcomes. But the ways in which DPMC “makes a difference” can be seen from separately identifying each of these outcomes and considering how DPMC works towards them. Each is discussed in detail under the relevant contributing outcome (see the next section).

Overview of the current state of the overall outcome

There are no objective overall measures of “good government” – but various indicators can provide an impression of the health of New Zealand’s political and administrative systems of government. For this Statement of Intent DPMC has chosen some readily available performance indicators, embodying wherever possible an international dimension. In the coming year, DPMC intends to further develop its reporting using these types of indicators.

Some available indicators are:

- Systems of public management exhibit high levels of transparency with very clear financial reporting and governance arrangements for the agencies of government that rank among the best internationally. Openness in government is promoted through (for example) the Official Information Act requirements that the public service must meet. New Zealand is ranked seventh out of 49 participating countries in *The World Competitiveness Yearbook 2002* for “transparency of government policy”.
- The New Zealand public service is among the most honest in the world and was ranked second equal out of 100 countries in the Transparency International Corruption Perceptions index 2002. It was also ranked second out of 49 participating countries in *The World Competitiveness Yearbook 2002* for “independence from political interference”.
- Citizens exercise their democratic rights to participate fully in New Zealand society – one indicator of this is the consistently high levels of voluntary voter turnout for national elections (77 per cent of registered voters in 2002).
- New Zealand has ratified all 6 core United Nations (UN) human rights legal instruments (covering civil and political rights; economic, social and cultural rights; discrimination against women; racial discrimination; rights of the child; and torture), and will by the end of this year be fully up to date with its obligations to report to the UN on the current implementation of these. Recent comments

G.48 from the UN human rights committees have been very positive in their assessment of New Zealand's human-rights performance.

- For citizens, the overall benefits of good government and public-management systems are demonstrated by the UN *Human Development Report 2002*, which ranks a country's achievements in terms of life expectancy, educational attainment and adjusted real income. New Zealand is identified as a "High Human Development" nation and rates 19 out of the 173 countries evaluated.

Taken together, these indicators tell a story – that the New Zealand system of Government is producing worthwhile outcomes for its citizens. The key task for DPMC is to maintain and support our political and administrative systems of government. The next two sections explain the contribution of DPMC to meeting that challenge.

The contributing outcomes are the steps being taken towards DPMC’s overall outcome – “good government, with effective public service support”.

CONTRIBUTING OUTCOME 1:

DECISION MAKING BY THE PRIME MINISTER AND CABINET IS WELL SUPPORTED

Explanation

The Prime Minister is the head of the executive branch of government and has the task of forming and maintaining a government. Ministers come together as Cabinet to take collective decisions on a vast range of policy and administrative issues. Within Cabinet, ministers deal with issues that are of fundamental importance to the government and build consensus on issues. Individually and collectively, ministers can then publicly promote and account for those decisions to Parliament and to the community.

The Prime Minister also has an important role in maintaining and coordinating the government, by overseeing the government’s general policy direction. As the chair of Cabinet, the Prime Minister approves the agenda, leads the meetings and is the final arbiter of Cabinet procedure.

These roles require a support function that is dedicated to supporting both the Prime Minister as chair of Cabinet, and the individual ministers that comprise Cabinet and its committees.

The reason for identifying this contributing outcome

“Good government” depends on the effective functioning of executive government processes, and so this contributing outcome is a core focus for DPMC’s services. The department works to assist the Prime Minister to oversee and lead the government as a whole, and to support the Cabinet decision-making processes, including working with others to communicate, and give effect to, those decisions. As a central agency, it also has a key role to play in promoting the effective operation of the public service.

How DPMC intends to achieve this contributing outcome

DPMC performs the following roles in achieving this contributing outcome:

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- it works with a wide range of other agencies to support the collective decision-making processes of Cabinet government, which it does by ensuring that the Prime Minister – as chair of Cabinet – and ministers collectively are provided with the information and advice needed to support good decision making
 - it records the decisions of Cabinet and communicates these
 - it works with the other central agencies (Treasury and the State Services Commission) to promote the capability and performance of the public service in contributing to the outcomes sought for the executive branch of government
 - it provides information and advice to the Prime Minister on areas for which she is directly responsible and on issues associated with security, external relations and emergency management.

Most of the individual business units within DPMC are called upon to support, in varying ways, DPMC's overall approach to achieving this contributing outcome.

The **Policy Advisory Group** promotes good quality in the information and advice going to Cabinet through its involvement in policy development and preparation of papers within government agencies. It provides comment and assistance to ensure that final papers provide a good basis for collective decision making by ministers. As part of its co-ordinating role, it often assists departments to make links with other agencies that are working on related issues.

Specific services include:

- commenting on draft papers and providing briefings to the Prime Minister across all areas of government business
- participating in a wide range of officials committees
- providing advice, as appropriate, to government agencies
- attending Cabinet committee meetings, to provide advice and support as required, to co-ordinate follow-up work as necessary, and to inform officials where necessary of the wider context within which such decisions have been made
- providing co-ordination in policy development to ensure that strategic connections are made.

The **Cabinet Office** administers the Cabinet decision-making system, including a range of procedural and substantive requirements that ensure papers coming to Cabinet and Cabinet committees provide all necessary information and advice. This role covers:

- providing impartial secretariat services to the Executive Council, Cabinet and Cabinet committees
- providing advice and support to ministers, ministerial staff and public-service agencies on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees as set out in the *Cabinet Manual, Step by Step Guide* and other circulars that the office issues from time to time
- ensuring that the decisions of Cabinet and Cabinet committees are clearly conveyed to ministers and officials
- maintaining a record of all Cabinet decisions as this provides the core documentation of executive government policy and its development over time and between administrations
- providing information and training to departments and ministerial staff
- helping to co-ordinate the government's legislative programme
- providing advice and support for the New Zealand Royal Honours system.

The **Domestic and External Security Secretariat** provides information and advice to the Prime Minister on security and related issues in New Zealand and overseas. As part of this role, it actively promotes inter-agency co-operation and contributes to the overall effectiveness of government activity in managing a broad range of risks. Assessments and biographical reports are also produced by the **External Assessments Bureau** for the Prime Minister on external developments that could significantly affect the national interest. (The work of both these business units is discussed in greater detail under Contributing Outcome 4.)

CONTRIBUTING OUTCOME 2:

THE CONTINUITY OF EXECUTIVE GOVERNMENT WITHIN ACCEPTED CONVENTIONS AND PRACTICES IS MAINTAINED AND WELL SUPPORTED

Explanation

The executive branch of government comprises the Governor-General, the Prime Minister and other ministers of the Crown. By convention, Cabinet and Cabinet committees are the principal forums for reaching collective government decisions on what formal actions are required on public-policy matters. Public service departments support ministers in all areas of government activity. Crown

G.48 entities also carry out executive government responsibilities within the limits of the individual statutes that establish them.

The continuity of executive government is characterised by:

- the smooth transfer of power between successive administrations, Prime Ministers, ministers and Governors-General
- the ongoing conduct of government business within accepted conventions and practices – that is, the various laws, conventions, principles and procedures that make up the framework within which democratic government is conducted in New Zealand.

The reason for identifying this contributing outcome

At the heart of New Zealand’s democratic political system is stable and continuing executive government that is responsible to an elected House of Representatives. A necessary part of this is the smooth transfer of power between successive administrations, Prime Ministers and ministers in accordance with the outcome of the electoral process. This is particularly so when there is a period of “caretaker” government before a new administration can be formed following an election.

Ministers need to have complete trust in the integrity, impartiality, discretion, judgement and expertise of those who provide advice and support on the proper conduct of government business within accepted conventions and practices. Our “constitution” is not found in one place or document – it is an amalgam of legislation, decisions of the courts, and practices and conventions.

Public awareness and understanding of the structures and processes of government is also necessary so that individuals can make informed assessments about the state of our system of government.

How DPMC intends to achieve this contributing outcome

The **Cabinet Office** is the primary contributor to this outcome. The Cabinet Office is the recognised source of expert knowledge on the systems of Cabinet government. It seeks always to be absolutely scrupulous in maintaining impartiality between administrations, agencies and individual ministers.

The Cabinet Office’s work in this outcome area has two main streams. The most important is its role in ensuring that constitutional procedures, such as the appointment of ministers, are well managed and administered correctly. It does this by providing advice to the Governor-General, the Prime Minister and ministers on

constitutional, policy and procedural issues that are part of the transition of power between administrations and ministers. The Cabinet Office also administers the process for the appointment of the Governor-General.

The Cabinet Office also provides support so that the processes of Cabinet and the Executive Council are conducted in an organised way, to facilitate deliberation and decision making by ministers. (This second role of the Cabinet Office has been described in more detail under Contributing Outcome 1.)

The Cabinet Office also contributes to “good government” by communicating information to the public service and the public about how the system of executive government – and its formal roles and conventions – works. This information needs to be accessible and understandable, and is published in a number of forms – including the *Cabinet Manual*, *Step by Step Guide* and DPMC’s website www.dPMC.govt.nz.

CONTRIBUTING OUTCOME 3:

THE GOVERNOR-GENERAL IS WELL SUPPORTED

Explanation

The Governor-General is the representative of our Head of State, The Queen. The Governor-General has a range of constitutional functions and formal powers under the Constitution Act 1986 and the Letters Patent 1983. These include summoning, proroguing and dissolving Parliament; assenting to Bills; appointing Ministers; presiding over meetings of the Executive Council; and exercising the prerogative of mercy. The Governor-General also has important ceremonial and community roles.

The reason for identifying this contributing outcome

The Governor-General needs to receive advice and administrative support services of an extremely high standard so that she can carry out her role and functions in a way that is appropriate for the representative of the Head of State. The Wellington and Auckland Government Houses are important as facilities suitable to the status of the representative of the Head of State, and also as historic places. Accordingly, they must be maintained to the required standards.

Because of her constitutional importance and wider significance, effective support for the Governor-General by DPMC is a key contributor to its overall outcome of “good government”.

How DPMC intends to achieve this contributing outcome

The **Cabinet Office** provides advice and administrative support to the Governor-General on constitutional procedural issues. As Clerk of the Executive Council, the Secretary of the Cabinet is responsible for liaising between the Governor-General and the government of the day, and has overall responsibility for policy and administration of the office of the Governor-General.

Government House provides all other services needed to support the office of the Governor-General, including: official functions and hosting of State occasions at Government House; personal support services for the Governor-General; and financial, communications, administrative, and advisory services.

CONTRIBUTING OUTCOME 4:

THE MANAGEMENT OF DOMESTIC AND EXTERNAL SECURITY AND OTHER RISKS IS WELL PLANNED AND CO-ORDINATED

Explanation

Risks to New Zealand’s wellbeing can arise from a broad range of circumstances – including threats to national security, terrorist activities, natural disasters, and biosecurity hazards.

The reason for identifying this contributing outcome

With the use of effective planning and co-ordination processes in government, these risks can be managed to reduce the possibility of a particular adverse event occurring and to lessen the severity of its impact if it does occur. “Good government” for DPMC is assessing, monitoring and responding to risks and threats – foreseen and unforeseen – in a timely and structured way.

How DPMC intends to achieve this contributing outcome

Within DPMC, the **Domestic and External Security Secretariat** and the **External Assessments Bureau** have the prime responsibility for this contributing outcome through their advisory, planning, co-ordination, assessment, and reporting functions.

Specific actions for security purposes by these two business units include:

- leading inter-agency planning for risks, providing comprehensive advice to the government, and co-ordinating government responses to terrorism and to other crises – for example, through inter-

departmental watch groups that are set up to monitor major issues and to oversee inter-agency action G.48

- developing the collective capacity of government agencies to manage risks and deal with events, through undertaking and assessing exercises and event simulations, and reviewing the lessons learned from responding to actual events
- setting and monitoring the implementation of standards and procedures for the protection of sensitive government information
- ensuring that the foreign-intelligence needs of government agencies are appropriately identified and given sufficient priority, and that New Zealand's foreign-intelligence collectors are informed of these needs
- preparing assessments on political, economic, environmental, biographic, strategic, military and scientific matters.

MANAGING FOR SUCCESSFUL OUTCOMES

The quality of DPMC’s work and its staff are the two key “success factors” that mean DPMC can achieve its intended outcomes with the optimal use of its overall resources.

KEY FACTORS IN ACHIEVING DPMC’S 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. Certain qualities are essential to all DPMC’s work because their presence increases the probability that its final products will be effective in achieving outcomes. The adaptability and associated ability of staff members to learn quickly is also central to DPMC’s success.

These essential qualities that characterise DPMC’s work and its staff are the “success factors” that mean DPMC can achieve its intended outcomes with the optimal use of its overall resources.

Work qualities

DPMC’s work must be:

- *Thorough* – showing a complete understanding of the issues involved, the options for action, and the implications of action.
- *Accurate* – making sure information and advice are based on sound data and analysis.
- *Succinct* – getting to the key issues clearly and quickly.
- *Honest* – reassuring everyone DPMC deals with of its ability to be a truthful messenger and honest broker.
- *Free and frank* – fulfilling DPMC’s ethical obligation to provide Prime Ministers and others with the necessary advice.
- *Discreet* – maintaining appropriate levels of confidentiality to ensure that government business is conducted effectively.
- *Impartial* – ensuring that DPMC’s advice is not coloured by any political perspective or the pursuit of any personal or institutional advantage.

Staff qualities

DPMC's staff members 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 or action as required.
- *Effective engagement of others* – the ability to lead, mobilise and inspire results-oriented action by other stakeholders.

Risk management

By embodying these qualities in all it does, DPMC can minimise the risk of unintended, and, in particular, negative consequences resulting from departmental action. The key dimensions of this type of risk are *performance* and *capability* risks.

Performance risks include:

- not maintaining the quality of advisory and support services
- failing to assess the nature or significance of changes in DPMC's operating environment
- failing to understand or meet the requirements of the users of DPMC's services
- not maintaining effective networks and processes of consultation with stakeholders.

Capability risks include:

- not developing and maintaining the necessary levels or mix of staff skills in DPMC
- not implementing and supporting available improvements in information and communications technology
- not maintaining the level of departmental resources to ensure that operational needs are met.

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. DPMC continues to monitor this issue so that it can keep its mix of staff skills and technological resources congruent with the demands made on it.

Capability factors

“Capability” for DPMC is its ability to organise its overall resources to promote the success factors that it has identified as increasing the likelihood of meeting its intended outcomes. There needs to be sufficient flexibility 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. The desired departmental capabilities are overviewed below.

High-performing staff are essential for achieving DPMC’s outcomes and maintaining the required standards in our work. Staff members require high-level conceptual, analytical and communication skills; specialist knowledge; personal work values; and a high level of commitment. Sound judgement and the ability to inspire and work effectively with others are also essential.

A *good-agency reputation* for past achievements determines the perceptions of other agencies about how DPMC will operate in the future. 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 are needed to obtain the engagement of all interested agencies in contributing to DPMC’s outcomes. DPMC must have excellent working relationships, based on high levels of trust, with all agencies who could influence or affect the business of government. This is necessary for gathering information, developing and testing policy advice, and generally gaining stakeholders’ engagement for the implementation of policies.

Effective infrastructure within DPMC is needed. Such 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.

The ways in which DPMC is enhancing its capabilities

Ongoing challenges will need to be met through management of DPMC’s overall capability. Careful monitoring and management of the types and levels of resources is needed. 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. These are matters which DPMC has faced in the past and will continue to do so in the future. Our response as an organisation will be to:

- 1 Ensure that DPMC, as a key means of maintaining a skilled and committed staff, provides all possible opportunities for individuals to obtain job satisfaction and appropriate training within a working environment that supports and values excellent performance.
- 2 Enable staff within DPMC to work across existing business-unit boundaries on projects and services that contribute to departmental outcomes.
- 3 Provide opportunities for the secondment of staff from other agencies to work in DPMC for a fixed time. Such work provides officials with practical experience of taking a whole-of-government approach to working with people and issues. Currently, DPMC has 14 staff seconded to it – a level which it has maintained in recent years.
- 4 Maintain and develop a supportive internal work environment that values personal commitment to results-oriented work competencies and also ensures observance of the highest standards of personal integrity and adherence to the values of the public service.
- 5 Enable DPMC to learn from any unintended results in order to improve, in a systematic way, its business operation.
- 6 Ensure that staff can access and manage relevant information within DPMC, and across the Government sector, as efficiently as possible. As appropriate, this will require DPMC to align itself with e-government initiatives.
- 7 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.

Department of Prime Minister and Cabinet – Strategic Overview

Overall outcome Good government, with effective public-service support.

<i>Contributing outcomes</i>	Decision making by the Prime Minister and Cabinet is well supported.	Continuity of executive government within accepted conventions & practices is maintained and well supported.	The Governor-General is well supported.	Management of domestic & external security and other risks is well planned & co-ordinated.
<i>How the outcomes are achieved</i>	Through providing: High-quality advice and information. Effective services to Cabinet & Executive Council. Effective public-service response to key issues. Accurate recording of Cabinet decisions.	Through providing: Effective advice and support on the processes of Cabinet government. Effective constitutional advice & support.	Through providing: Effective constitutional advice & support. Effective support for the Governor-General’s community & ceremonial roles. Maintenance of the Governor-General’s residences.	Through providing: Effective co-ordination of advice & inter-agency response to crises & threats. Effective standards for protecting information. Effective assessment of external issues that could affect New Zealand.
<i>Departmental outputs that service the outcomes</i>	D1. Policy advice, secretariat & co-ordination services. D3. Intelligence assessments on developments overseas.	D1. Policy advice, secretariat & co-ordination services.	D1. Policy advice, secretariat & co-ordination services. D2. Support services to the Governor-General & maintenance of the residences.	D1. Policy advice, secretariat & co-ordination services. D3. Intelligence assessments on developments overseas.



STATEMENT OF OBJECTIVES –
OUTPUT CLASS
PERFORMANCE
AND
FORECAST
FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

The forecast financial statements of the Department of the Prime Minister and Cabinet for the year ending 30 June 2004 have been prepared in accordance with Section 34A of the Public Finance Act 1989.

As Chief Executive of the Department of the Prime Minister and Cabinet, I acknowledge that, in signing this statement, I am responsible for the forecast financial statements contained in this report. I also undertake to ensure that the outputs required of the department are produced to the required performance standard, with the resources voted to the Prime Minister who purchases outputs from the department.

The financial performance forecast to be achieved by the department for the year ending 30 June 2004 that is specified in the Statement of Objectives 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 performance for each class of outputs forecast to be achieved by the department for the year ending 30 June 2004 that is specified in the Statement of Objectives is as agreed with the Prime Minister who is responsible for the Vote administered by the department.

I certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2004 that are being laid before the House of Representatives under Section 9 of the Public Finance Act 1989.

Signed:



*Mark Prebble
Chief Executive*

Countersigned:



*Brent Anderson
Corporate Services Manager*

15 May 2003

STATEMENT OF OBJECTIVES – OUTPUT CLASS PERFORMANCE

G.48

D1 – POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

(Provided by the Policy Advisory Group, the Domestic and External Security Secretariat (DESS), 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 constitutional, policy and procedural advice to the Governor-General, the Prime Minister and, at the Prime Minister's direction, other Ministers and government departments
- 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 provision of impartial secretariat services to Cabinet, Cabinet committees and the Executive Council, and the promulgation of their decisions
- the development and promulgation of information, advice and guidelines on the nature and operations of the central processes of executive government
- the provision of advice on the policy aspects of the New Zealand Honours system, and administration of the Honours system.

Performance Measures – Policy Advice and Co-ordination Services

(1) Provide effective advice to enable the Prime Minister to be well informed, and so lead and manage the public policy business of the government.

G.48 PERFORMANCE STANDARDS

- QUALITY ► Advice meets the department’s quality criteria for advice (see this page).
- QUANTITY ► As agreed with the Prime Minister.
- TIMELINESS ► Advice is prepared within the timeframe required.

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.

(2) Ensure the Prime Minister and other key clients show a high level of satisfaction with the advice and co-ordination services provided.

PERFORMANCE STANDARDS

- QUALITY AND TIMELINESS ► The Prime Minister is satisfied with the quality appropriateness and timeliness of the advice and co-ordination services provided.
- Other key clients are satisfied with the advice and co-ordination services provided.

(3) Negotiate annual volume-incentive agreements with all media that are advantageous to government departments and Crown agencies.

PERFORMANCE STANDARDS

- Whole-of-government media agreements are based on conditions equivalent to or better than that applying to similar-sized advertisers in the private sector.

- All Government volume-incentive agreements – that is, television, radio, and print media – will be negotiated annually and government agencies notified within 30 days of the outcome. G.48

Performance Measures – Secretariat Services to Cabinet and Executive Council

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

PERFORMANCE STANDARDS

QUALITY AND TIMELINESS ► 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 page 34).

► 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).

(2) Promote and safeguard the proper operation of Cabinet and Cabinet committees.

PERFORMANCE STANDARDS

QUALITY ► Advice meets the department’s quality criteria for advice (see page 34).

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 ► 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 Co-ordination Services will be provided within the sum of \$7.104. million including GST. The GST exclusive figure of \$6.315 million will be funded by revenue: Crown. The department will also administer an appropriation of \$20,000 under permanent legislative authority (the NZSIS Amendment Act (No 2) 1999) for the Commissioner of Security Warrants.

D2 – 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 public roles of the Governor-General.

PERFORMANCE STANDARDS

- QUALITY AND 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. G.48
- ▶ The Governor-General is highly satisfied with 100 per cent of the services and functions.

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

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

PERFORMANCE STANDARDS

- QUALITY, QUANTITY AND TIMELINESS
- ▶ All correspondence is appropriately actioned within one week of receipt.
 - ▶ All speech material is provided 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 the State and as an historic place.

PERFORMANCE STANDARDS

- QUALITY, QUANTITY AND TIMELINESS
- ▶ Rolling programmes are planned and implemented for garden development, building preservation and restoration of valuable art works.
 - ▶ The programmes implemented meet the requirements of the Governor-General.
 - ▶ Government House management meets monthly to assess progress against the approved programme.
 - ▶ 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 maintenance, security and gardening meet the required specifications.

- ▶ All contractors meet pre-agreed contract standards in terms of workmanship, special requirements of the House, hours of work, and completion times.
- ▶ All security systems, external doors, perimeter fencing and lighting systems are regularly inspected, maintained and reviewed against changing security requirements.

(2) Ensure the Governor-General is satisfied with the maintenance programmes implemented.

PERFORMANCE STANDARDS

QUALITY AND QUANTITY ▶ 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.

TIMELINESS ▶ Routine maintenance activities are carried out in a timely way.

Cost

Outputs provided to the Crown will be produced within the sum of \$3.526 million, including GST. The GST exclusive figure of \$3.102 million will be predominantly funded from revenue: Crown, with \$30,000 from revenue: other. The department will administer an appropriation of \$1.054 million for the purchase and development of capital assets by the Crown, which includes provision for an upgrade of service areas at Government House in Auckland. An appropriation of \$830,000 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.

D3 - 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 identification, collation, evaluation 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. G.48

Performance Measure

Ensure the effective provision of accurately and succinctly assessed information on overseas developments that are of policy relevance to New Zealand.

PERFORMANCE STANDARDS

- 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.
 - ▶ 90 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**
- ▶ As agreed with the Prime Minister.
 - ▶ 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

Outputs provided to the Crown will be produced within the appropriated sum of \$3.129 million, including GST. The GST exclusive figure of \$2.781 million will be funded by revenue: Crown.

FORECAST FINANCIAL STATEMENTS

STATEMENT OF FORECAST FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2004

	2002/03		2003/04
	Budgeted \$000	Estimated actual \$000	Budget \$000
Revenue			
Crown	13,328	13,328	12,198
Other	48	48	48
Total revenue	13,376	13,376	12,246
Expenses			
Personnel	9,035	9,035	8,485
Operating	3,897	3,647	3,272
Depreciation	350	320	400
Capital charge	76	76	71
Total expenses	13,358	13,078	12,228
Net surplus/(deficit)	18	298	18

STATEMENT OF ESTIMATED FINANCIAL POSITION
AS AT 30 JUNE 2003 AND FORECAST FINANCIAL POSITION
AS AT JUNE 2004

G.48

	Actual financial position as at 30 June 2002 \$000	Estimated financial position as at 30 June 2003 \$000	Forecast financial position as at 30 June 2004 \$000
Current assets			
Cash and bank balances	436	1,076	1,073
Debtor-Crown	2,676	1,193	1,016
Prepayments	13	13	13
Inventory	259	300	200
Total current assets	3,384	2,582	2,302
Physical assets	1,002	1,082	1,082
Total assets	4,386	3,664	3,384
Current liabilities			
Payables and provisions	2,480	1,730	1,730
Provision for payment of surplus	270	298	18
Provision for employee entitlements	385	385	385
Total current liabilities	3,135	2,413	2,133
Non-current liabilities	411	411	411
Total liabilities	3,546	2,824	2,544
Taxpayers' funds			
General funds	840	840	840
Total taxpayers' funds	840	840	840
Total liabilities and taxpayers' funds	4,386	3,664	3,384

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2003
AND FORECAST CASH FLOWS TO 30 JUNE 2004

	2002/03		2003/04
	Budgeted \$000	Estimated actual \$000	Budget \$000
Cash flows from operating activities			
Cash provided from:			
Supply of outputs to:			
Crown	14,811	14,811	12,375
Other	48	48	48
Interest			
Cash disbursed to:			
Output expenses	(13,669)	(13,419)	(11,657)
Capital charge	(76)	(76)	(71)
Net cash flows from operating activities	1,114	1,364	695
Cash flows from investing activities			
Cash provided from:			
Sale of physical assets	-	-	-
Cash disbursed to:			
Purchase of physical assets	(454)	(454)	(400)
Net cash flows from investing activities	(454)	(454)	(400)
Cash flows from financing activities			
Cash provided from:			
Capital contribution	-	-	-
Cash disbursed to:			
Capital repayment	-	-	-
Payment of surplus to the Crown	(270)	(270)	(298)
Net cash flows from financing activities	(270)	(270)	(298)
Net increase/(decrease) in cash held	390	640	(3)
Opening cash balance	436	436	1,076
Closing total cash balances at 30 June	826	1,076	1,073

FORECAST RECONCILIATION OF NET CASH FLOWS
 FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT)
 IN THE OPERATING STATEMENT
 FOR THE YEAR ENDING 30 JUNE 2004

G.48

	2002/03		2003/04
	Budgeted \$000	Estimated actual \$000	Budget \$000
Surplus/(deficit) from operating statement	18	298	18
Add/(deduct) non-cash items			
Depreciation	350	320	400
Movements in working capital items			
(Increase)/decrease in receivables and prepayment	-	-	-
(Increase)/decrease on debtor-Crown	1,483	1,483	177
(Increase)/decrease in inventories	(41)	(41)	100
(Decrease) in payables and provisions	(696)	(696)	-
Items classified as investing activities			
Net (gain)/loss on sale of physical assets	-	-	-
Net cash flows from operating activities	1,114	1,364	695

STATEMENT OF FORECAST MOVEMENTS IN TAXPAYERS' FUNDS (EQUITY) AS AT 30 JUNE 2004

	Estimated position as at 30 June 2003 \$000	Forecast position as at 30 June 2004 \$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 DETAILS OF FIXED ASSETS BY CATEGORY AS AT 30 JUNE 2004

	30 June 2003	30 June 2004 forecast position		
	Estimated actual position \$000	Cost \$000	Accumulated depreciation \$000	Net book value \$000
Furniture and fittings	485	1,045	560	485
Motor vehicles	64	200	136	64
Plant and equipment	533	3,526	2,993	533
Total	1,082	4,771	3,689	1,082

STATEMENT OF OBJECTIVES SPECIFYING THE FINANCIAL
PERFORMANCE FORECAST FOR THE DEPARTMENT
FOR THE YEAR ENDING 30 JUNE 2004

G.48

	2002/03		2003/04
	Budgeted	Estimated actual	Budget
Operating results			
Revenue: interest	–	–	–
Output expenses	\$13,358,000	\$13,078,000	\$12,228,000
Operating surplus before capital charge	\$94,000	\$374,000	\$89,000
Net surplus (deficit)	\$18,000	\$298,000	\$18,000
Working capital			
Net current assets ¹	\$199,000	\$169,000	\$169,000
Current ratio ²	109%	107%	108%
Liquid ratio	95%	94%	98%
Average creditors outstanding	50 days	50 days	50 days
Resource utilisation			
Physical assets:			
Total physical assets at year end	\$1,052,000	\$1,082,000	\$1,082,000
Additions as % of physical assets	43%	42%	37%
Taxpayers' funds:			
Level at year-end	\$840,000	\$840,000	\$840,000
Forecast net cash flows			
Surplus/(deficit) operating activities	\$1,114,000	\$1,364,000	\$695,000
Surplus/(deficit) investing activities	(\$454,000)	(\$454,000)	(\$400,000)
Surplus/(deficit) financing activities	(\$270,000)	(\$270,000)	(\$298,000)
Net increase/(decrease) in cash held	\$390,000	\$640,000	(\$3,000)
Human resources			
Staff turnover	15%	32% ³	20%
Average length of service	5 years	6.5 years	6.5 years
Total staff	123	121	121

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

1 Current assets minus current liabilities.

2 Current assets as a proportion of current liabilities.

3 Largely resulting from the transfer of the Climate Change Programme personnel at 31 January 2003.

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS⁴

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*Goods and services tax*

The Statement of Unappropriated Expenditure and Statements of Departmental and Non-Departmental Expenditure and Appropriations are inclusive of GST. All other statements are GST exclusive. The Statement of Financial Position is also exclusive of GST, except for Creditors and Payables and Debtors and Receivables which 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 and payables or debtors and receivables (as appropriate).

Fixed assets

All fixed assets have been valued on historical cost basis, except for Crown assets which are included at insurance indemnity value. All individual assets or groups of assets are capitalised if their historical cost is \$2,000 or greater.

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

Depreciation of assets

All fixed assets other than land 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:

Fixtures and fittings	10%
IT equipment	33%
Office equipment	20%
Furniture	20%
Motor vehicles	25%
Kitchen equipment, e.g. domestic appliances	20%
Major plant and machinery	10%
Minor plant and machinery	20%

⁴ This statement is required for each department by section 34A(4) of the Public Finance Act 1989 as amended by the Public Finance Amendment Act 1994.

Taxation

The department is exempt from the payment of income tax in terms of the Income Tax Act 1976. 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 Financial Position at their fair value. Revenue and expenses in relation to the financial instruments are recognised in the Statement of 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 represent 90 per cent of total departmental appropriation for output costs.

Indirect costs are expenses incurred by the corporate services unit and the office of the chief executive. Indirect costs are allocated to each output class in proportion to the level of appropriation in relation to the total vote. Indirect costs represent 10 per cent of total departmental appropriation for output costs.

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 liabilities for annual, retirement and long service leave. Annual leave entitlements have been calculated on an actual entitlement basis at current rates of pay; while other provisions 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 points 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.

