



**DEPARTMENT OF THE
PRIME MINISTER AND CABINET**
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

ANNUAL REPORT 2017

FOR THE YEAR ENDED
30 JUNE 2017

and
Report by the Minister of Civil Defence
on Non-departmental Appropriations

and
Report by the Department of the Prime
Minister and Cabinet on Non-departmental
Appropriations – Government House
Buildings and Assets

and
Report by the Minister supporting
Greater Christchurch Regeneration on
a Non-departmental Appropriation

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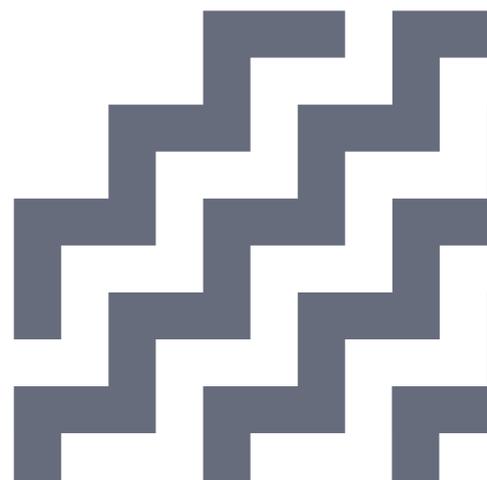
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Chief Executive's overview

The Department of the Prime Minister and Cabinet (DPMC) has had a successful year, managing many challenges, changes and emergencies over the course of 2016/17. I have been heartened by the way staff from across the Department have risen together to tackle these, at all times displaying thorough professionalism and commitment. It has been a privilege to work for two Governors-General, two Prime Ministers and a number of dedicated portfolio Ministers over the past year.

Our core business is about ensuring New Zealanders can live in a country that is confident, well-governed and secure. That continues to drive everything that we do across DPMC.

The commencement of Dame Patsy Reddy as Governor-General, on 28 September 2016, was a significant constitutional and ceremonial moment for New Zealand, and for the staff in the Cabinet Office and Government House who ensured the smooth transition from Sir Jerry Mateparae. Government House has been active in support of the work of Dame Patsy, including her strategic priorities of creativity, innovation, leadership and diversity.

The Policy Advisory Group (PAG) has supported two Prime Ministers over the past year, and provided both with high-quality, timely and contextualised policy advice on the range of issues that face the Government on a daily basis. The advice and analysis from this group provided decision-makers with a key advantage, and helped translate government priorities into action.

Cabinet Office continued to provide high-quality, integrated advice and support to the Prime Minister, Cabinet and Cabinet Committees, on a range of policy and constitutional matters. A particular highlight was the launch of the 2017 version of the Cabinet Manual by the Prime Minister in June. New Zealand's Cabinet Manual has been a source of envy for many countries around the world, with its focus on the principles of good governance and an ability to adapt to changes in practice, while being durable enough to provide clarity in moments of political uncertainty or systemic change.



DPMC has been at the forefront of an evolving national security and resilience space, with the response and recovery to nine emergencies supported by the Ministry of Civil Defence and Emergency Management (MCDEM) throughout the year.

The response to, and recovery from, the November earthquakes was one of the biggest efforts the Department has led in my time as Chief Executive. MCDEM led the response in the National Crisis Management Centre (NCMC) which was activated for 26 days, and staff from across the Department worked alongside the emergency services, government agencies, lifeline utilities and others 24 hours a day in the first weeks to ensure affected people and communities had access to the support they needed. The response showed first-hand the increasing role DPMC has in the resilience space, with active involvement from MCDEM, the Security and Intelligence Group (SIG), PAG, Greater Christchurch Group (GCG), Cabinet Office and the Office of the Chief Executive (OCE).



Following the November Kaikōura earthquake and tsunami, DPMC led work on an amendment to the Civil Defence Emergency Management Amendment Act (CDEM Act) and two other new pieces of legislation. The Act brought forward the commencement of provisions enabling local authorities to continue to use certain powers after a state of emergency to smoothly transition into recovery. The Act also established a National Recovery Manager role supported by a temporary MCDEM National Recovery Office. MCDEM continues to host the National Recovery Office, which supports the recovery of communities affected by the 14 November earthquakes and tsunami and the floods affecting Whakatāne in April.

During the year, we made significant progress towards the implementation of the mobile phone-based Cell Broadcast Alerting technology. The new system that will be used across government agencies is intended to be launched by the end of 2017.

We also had the opportunity to reflect on the progress made in national security during the Office of the Auditor-General's performance audit of the National Security System. I was reassured to see the report note that "... the governance arrangements for responding to national security events and emergencies are well established, fundamentally sound, and fit for purpose".

The Intelligence and Security Act (the Act), which came into force on 1 April 2017, sets out clearly, and in one place, all legislation relating to the Intelligence Agencies and their oversight. The Act ensures the agencies can continue to respond to increasingly complex security threats while providing greater certainty and robust safeguards for New Zealanders. This marks the most robust and comprehensive review of our security and intelligence agencies ever and politicians from across Parliament noted that the process followed was amongst the best ever seen in New Zealand. My thanks to all involved, particularly our National Security Policy team, who worked tirelessly throughout the process.

GCG has had another very busy year supporting regeneration. A major milestone was reached with all 743 horizontal infrastructure projects in the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) programme (totalling approximately \$1.4 billion in value, excluding overheads) completed during the year. This is just one of many achievements as we support greater Christchurch going from strength to strength.

None of the above would have been possible without the hard work and dedication of the entire staff of DPMC, who embody our motto "committed to serve, willing to lead". Thanks also to our families at home who support us in what we do.

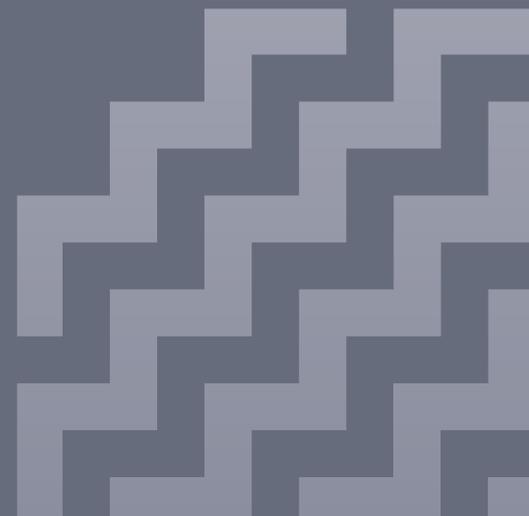
Andrew Kibblewhite
Chief Executive



Our Strategic Direction

This section sets out:

- Our year at a glance
- Who we are and what we do
- Our numbers at a glance
- How we measure our performance
- Our performance story
- Where we are going



Our year at a glance

State farewell for Governor-General Sir Jerry Mateparae

Three policy quality frameworks launched

Rt Hon Bill English sworn in as Prime Minister by the Governor-General, 12 December. The Prime Minister is the responsible Minister for DPMC and the Minister for National Security and Intelligence



Connect Smart week – improving cyber security awareness and capability in the workplace

Office of the Auditor-General report found the governance of the National Security System to be fundamentally sound and fit for purpose

JUL

AUG

SEPT

OCT

NOV

DEC



Swearing-in of new Governor-General Dame Patsy Reddy

National Security Handbook launched

Civil Defence Emergency Management Amendment Act 2016 enacted

National Security System activated in the wake of the **14 November earthquakes and tsunami**



Photograph by: New Zealand Defence Force

22 February 2017 event to mark the opening of the **Canterbury Earthquake National Memorial**



Canterbury Earthquake Memorial
Photograph by: Simon Baker, Digiflicks



Intelligence and Security Act 2017 passed

CERT NZ launched – the public's first port of call to report cyber security problems

National Security System activated for severe weather events ex-Tropical Cyclones Debbie and Cook

JAN

FEB

MAR

APR

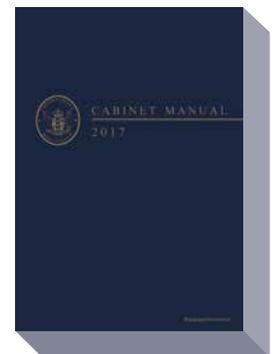
MAY

JUN

Cabinet Manual 2017 launched by the Prime Minister

Whole-of-Government report provided to the Minister supporting Greater Christchurch Regeneration – highlighting the lessons from the Government's recovery efforts from the Canterbury earthquake disaster

Practical completion of the Stronger Christchurch Infrastructure Rebuild Team Programme



Photograph by: New Zealand Defence Force

Who we are and what we do

Our role is all about making sure New Zealanders can live in a country that is secure, confident and well-governed. We work closely with our stakeholders to make this happen:

A confident New Zealand has a strong sense of nationhood, and can rely on key institutions and systems to work together in the public interest.

Well-governed means Cabinet decision-making is supported by the best available advice and evidence, and the Governor-General is well-supported in her constitutional, ceremonial, community and international roles.

A secure New Zealand is able to respond to and recover from shocks and stressors in a timely and effective way. It proactively builds resilience with a risk-based, reliable and integrated National Security System (NSS).

We have seven Business Groups, with 249 staff in Auckland, Wellington and Christchurch. At a glance, our Business Groups achieve our purpose through our four main functions:

- executive government advice and support
- constitution and nationhood
- national security – risk and resilience, and
- Greater Christchurch regeneration.

Executive government advice and support: Serving the Prime Minister and Cabinet

Policy Advisory Group

The Policy Advisory Group (PAG) provides free and frank advice to the Prime Minister and on occasion to other Ministers, contributes to policy development across the public service and leads policy projects commissioned by the Prime Minister.

PAG takes a whole-of-government view and links agencies to ensure that officials' advice takes account of broader government priorities. Advisors take a strategic perspective, to increase policy coherence, and work closely with colleagues at the State Services to promote a collective approach to leadership.

We host a project team – the Policy Project – to drive policy advice improvement across government. This team supports our Chief Executive in his stewardship role as Head of the Policy Profession.

The Policy Project takes a collaborative approach to its work programme with co-development from policy practitioners from across government and promotion by the Tier 2 Policy Leaders Network (Deputy Chief Executives with policy responsibilities). The programme is jointly funded by government agencies with significant policy functions.

Constitution and nationhood: Supporting well-conducted government

Cabinet Office

The Cabinet Office supports executive government to work effectively. Advice and support are provided to the Governor-General, Prime Minister and other Ministers on certain constitutional, policy and procedural issues, especially those in the Cabinet Manual.

The Cabinet Office provides impartial secretariat services for meetings of the Executive Council, Cabinet and Cabinet committees.

The Cabinet Office helps to provide an annual framework to establish priorities for preparing, and managing the progress of, the Government's legislation.

The Honours Unit administers the New Zealand Royal Honours system and assists the Prime Minister and the Cabinet Appointments and Honours Committee to consider nominations.

Government House

Government House works with the Cabinet Office to support the Governor-General across four main duties of the office: constitutional, ceremonial, community-leadership and international. Government House provides support services for the Governor-General and maintains the heritage buildings and grounds of the residences in Auckland and Wellington.

Government House supports a strategy for how the Governor-General can make a contribution to New Zealand, and implements this by arranging or coordinating events hosted and attended by the Governor-General.

National security – risk and resilience – leading an effective National Security System, including cross-government arrangements across the “4Rs”: risk reduction, readiness, response and recovery

Security and Intelligence Group

The Security and Intelligence Group (SIG) plays a key role in advising the Government on national security, so people can go about their daily lives free from fear and able to make the most of their opportunities. SIG also exercises a collaborative leadership role within the New Zealand Intelligence Community (NZIC).

Many of SIG's responsibilities are about the governance and coordination of the National Security System (NSS). NSS is a flexible system that responds at a number of levels ranging from events managed by multi-agency groups of senior officials, through to the Officials Committee for Domestic and External Security Coordination (ODESC), through to decision-making by Ministers in the National Security Committee.

SIG:

- provides all-source intelligence assessments to inform government decision-making – DPMC is the New Zealand Government's primary source of independent assessment on intelligence material
- provides a whole-of-government approach to managing national security risks
- provides decision support and policy services to NSS participants in support of agencies with lead responsibility for risk, and
- provides policy services through the National Cyber Policy Office (NCPO).

National security risks are addressed on an all-risks basis and include, for example, armed conflict, geological and meteorological hazards, infrastructure failure, drought, biosecurity, food safety, pandemics, fire, hazardous substances, oil spills, terrorism, transnational organised crime and cyber incidents.

Ministry of Civil Defence and Emergency Management

The Ministry of Civil Defence and Emergency Management's (MCDEM) main aim is to build New Zealand's resilience. The "4Rs" of Risk Reduction, Readiness, Response and Recovery frame our approach. MCDEM puts the right tools, knowledge and skills in the hands of those who will be responsible for designing and implementing solutions at the local level. MCDEM works closely with local and central government, lifeline utilities, the emergency services and a range of other organisations involved in civil defence emergency management (CDEM) to uphold its responsibilities under the Civil Defence Emergency Management Act 2002.

In an emergency, MCDEM:

- leads the national response and recovery for:
 - geological – earthquakes, volcanic, tsunami landslides
 - weather – coastal hazards, floods, severe winds, snow
 - infrastructure failure – telecommunication, power networks
- supports CDEM Groups which lead emergency response and recovery at the local level for the above hazards, and
- supports other agencies when they have the lead such as Police (for example, terrorism events), Ministry for Primary Industries (for example, drought, biosecurity and food safety) and Ministry of Health (MOH) (for example, human pandemics).

Greater Christchurch regeneration: Providing leadership and coordination for the regeneration effort

Greater Christchurch Group

The Greater Christchurch Group (GCG) oversees the Crown's interests in the regeneration of greater Christchurch, and was formed in March 2016 following the disestablishment of the Canterbury Earthquake Recovery Authority (CERA). GCG coordinates the Crown's regeneration activities. It focuses on the delivery of central government's priorities; working collaboratively with the Strategic Partners¹ and supporting the two new entities Ōtākaro Limited and Regenerate Christchurch to achieve their regeneration objectives.

Key activities GCG carries out include:

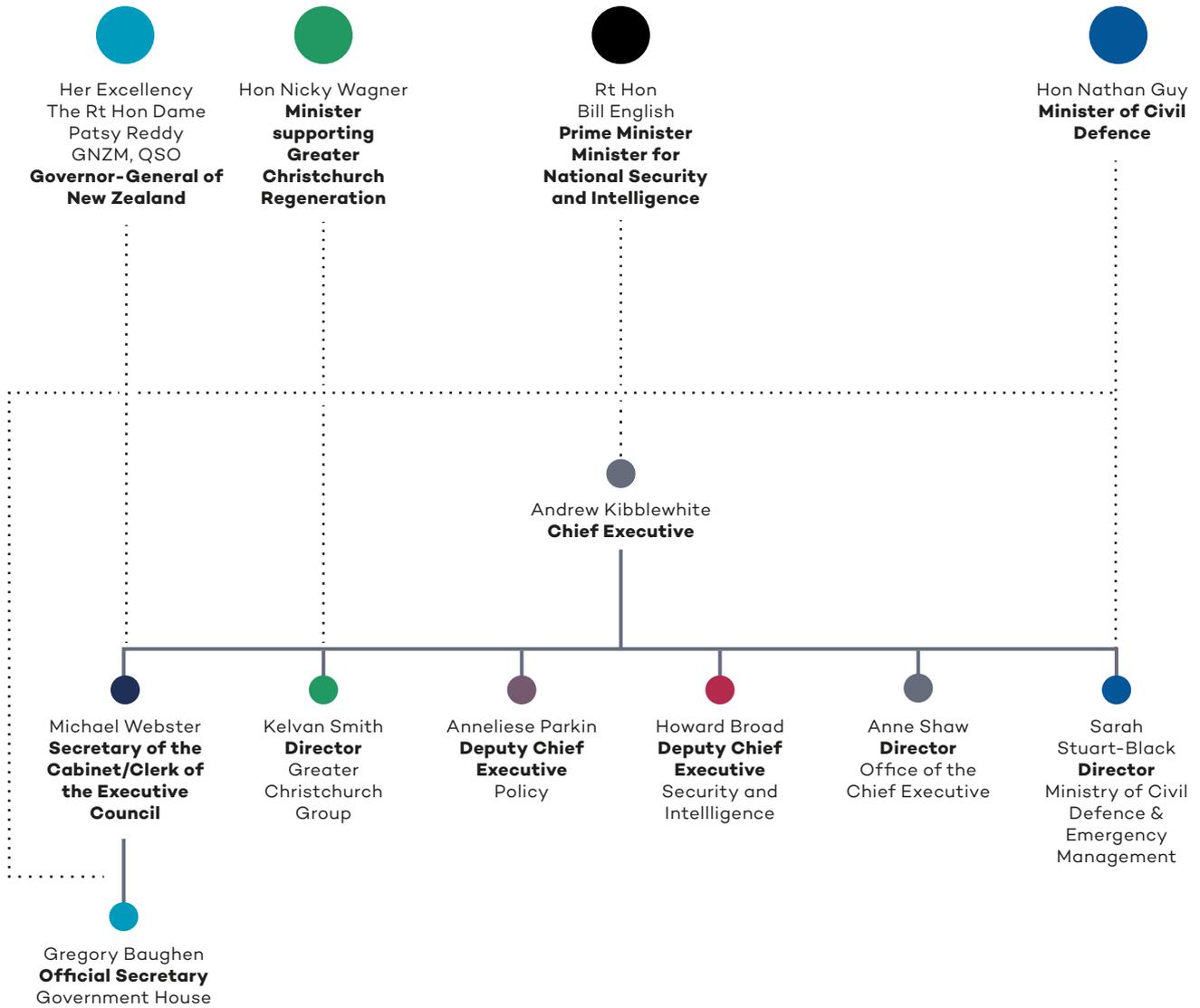
- part-funding and joint governance of horizontal infrastructure repairs
- monitoring and reporting on the overall progress of regeneration
- administering the Greater Christchurch Regeneration Act 2016, and
- providing advice to Ministers on the regeneration of greater Christchurch.

Office of the Chief Executive

The Office of the Chief Executive (OCE) supports us to achieve our strategic objectives and manage risk by working across the Department, ensuring we have sound strategy, effective governance and efficient organisational systems and processes.

1 Christchurch City Council, Te Rūnanga o Ngāi Tahu, Selwyn District Council, Waimakariri District Council and Environment Canterbury.

Our organisational structure



..... Reporting lines
 _____ Management responsibility

DPMC also provides support to Hon Simon Bridges, Minister for Communications, on aspects of cyber security, and Hon Chris Finlayson, Minister in Charge of the NZ Security Service and Minister Responsible for the Government Communications Security Bureau (GCSB), on aspects of security and intelligence.

Our numbers at a glance

Cabinet Office



Submissions lodged by Ministers' offices by the Cabinet Office deadline



Papers for Cabinet and Cabinet committee meetings published by the close of business, two days before the meeting (subject to on-time lodgement)



Cabinet minutes published within three days of the Cabinet meeting



Cabinet and Cabinet committee minutes that required subsequent amendment (excluding amendments made as the result of Cabinet decisions)

Honours statistics

194

recipients

New Years Honours List 2017

186

recipients

Queen's Birthday List 2017

11

recipients
Bravery

1

recipient
Special



individuals granted use of title 'Honourable' for life

Government House

Number of social media followers as at 30 June

40,307

Facebook

8,683

Twitter

3,040

Instagram

Guests and visitors

7,908

guests received at Government House

4,403

visitors to the Visitor Centre

Activities hosted by the Governor-General

130

Government House Wellington

24

Government House Auckland

Policy Project

At least

8

Agencies using the Policy Capability Framework

At least

8

Agencies using the Policy Quality Framework

At least

13

Agencies using the Policy Skills Framework

At least

700

People attended events facilitated or supported by the Policy Project

Approx.

800

Hits on the Policy Project website per week on average in 2016/17

Security and Intelligence Group

The National Security Systems Directorate supported

25 ODESC meetings and **51** Watch Groups on **11** subjects

Greater Christchurch Group

SCIRT Programme

All **743** horizontal infrastructure projects reached construction completion

Approx. **\$1.4b** value excl. overheads

Responses to OIAs and Privacy Act requests

434

Responses to requests made under the Official Information Act 1982 and Privacy Act 1993 in the 2016 calendar year

Waimakariri Programme

44/50

Horizontal infrastructure projects were completed

Ministry of Civil Defence and Emergency Management

9

emergencies led or supported by CDEM during the year

“Drop, cover, hold” and “Long or strong get gone” tsunami public education campaign

5 million
83%

Online banners seen over 5 million times
83% of New Zealanders surveyed know the correct actions to take if a long or strong earthquake happens when they are near the coast

4 large earthquakes resulting in tsunami warnings being issued



Havelock North gastroenteritis outbreak
August 2016



East Cape earthquake and tsunami
2 September 2016



Kaikōura earthquake and tsunami affecting Kaikōura, Hurunui, Marlborough and Wellington
14 November 2016



Solomon Islands earthquake and tsunami
9 December 2016



Papua New Guinea earthquake and tsunami
17 December 2016



Havelock North Hills fires
February 2017



Christchurch Port Hills fires
February 2017



Auckland and Coromandel Floods
4 April 2017



Ex-Tropical Cyclones Debbie and Cook
April 2017

How we measure our performance

THE GOVERNMENT'S PRIORITIES



DPMC'S OUTCOME

DPMC'S OBJECTIVES

1

The Prime Minister and Cabinet are confident that the advice, assessments and processes supporting their decision-making are world-class

2

The public of New Zealand has confidence in the effectiveness and integrity of New Zealand's system of government

3

The New Zealand intelligence community is viewed as trusted, integrated and customer-oriented

4

New Zealand has world-class processes in place to identify and deal with national security events and emergencies, and build national resilience

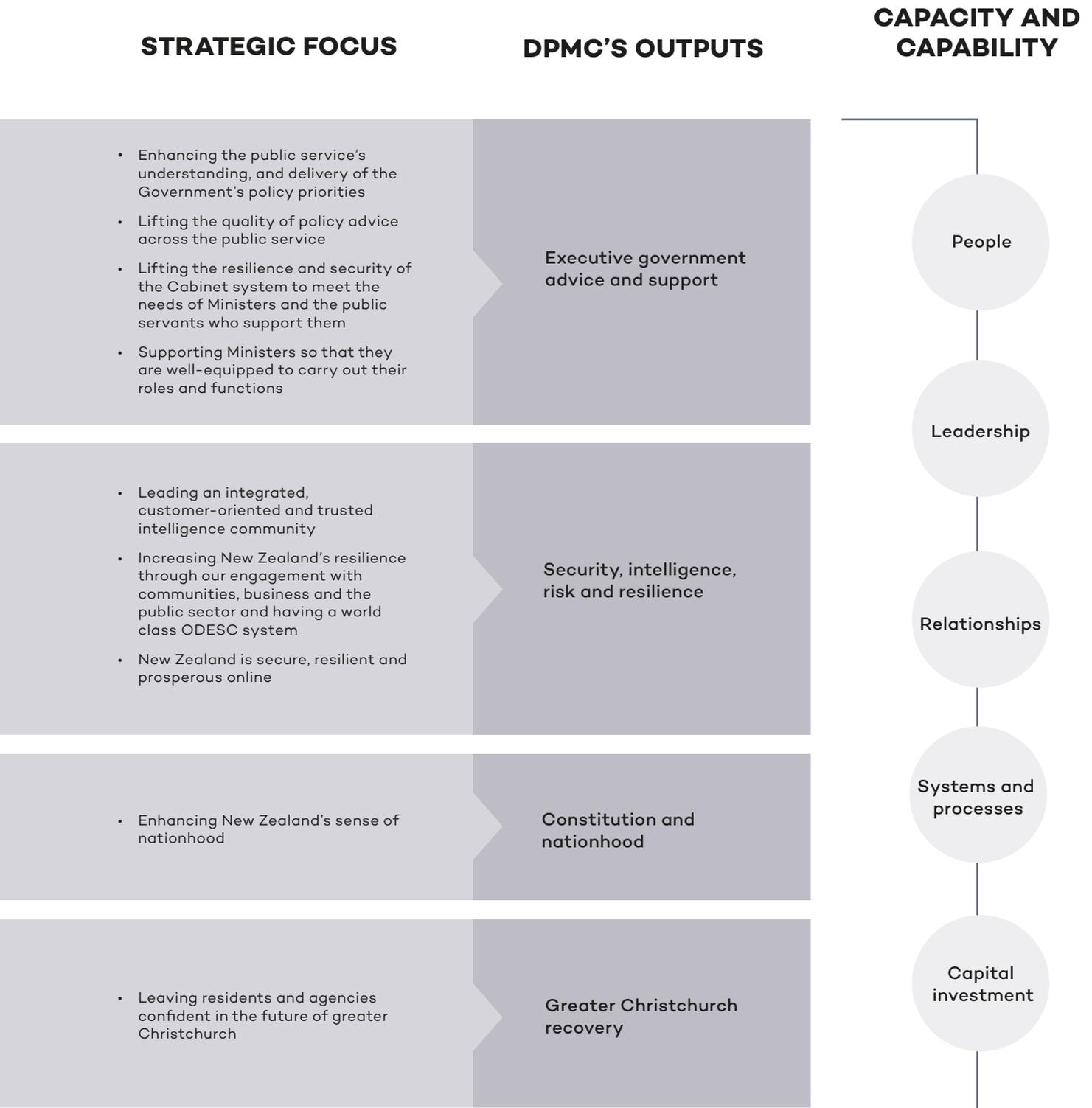
5

The Office of the Governor-General is strengthened as a symbol of national unity and leadership

6

Greater Christchurch is viewed as an attractive and vibrant place to live, work, visit and invest, for us and our children after us

Our six strategic objectives drive progress against our purpose: *Advancing a confident, well-governed and secure New Zealand.* Nine strategic focus areas sit beneath those objectives, to help us focus our efforts.



Our performance story

The 2016/17 year has been hugely eventful. During the year, we managed an unprecedented number of emergencies and national security-related events, while also continuing to strengthen our core capability and deliver key programmes of work to achieve our purpose.

At the forefront of an evolving national security and resilience space

On 14 November 2016 the Kaikōura magnitude 7.8 earthquake and tsunami occurred. Two people lost their lives and the earthquakes and tsunami significantly affected land, seabed, roads and buildings in Marlborough, Kaikōura, Hurunui and Wellington. These events sharply focused much of our work from that point on and continue to be our priority: to coordinate efforts and processes to enable the immediate, medium-term and long-term holistic regeneration and enhancement of communities following this emergency.

On 10 November 2016, prior to the earthquakes, Parliament had the third reading of an amendment to the Civil Defence Emergency Management Act 2002 to allow a smoother and more effective transition from the response phase to recovery after an emergency and the appointment of a national and group recovery manager. It provided those carrying out recovery with powers previously only available under a state of emergency. The majority of this amendment was proposed to commence in six months but was brought forward following the 14 November earthquake and tsunami.

Our responsive policy advice led to timely and effective legislation (the amendment to the Civil Defence Emergency Management Amendment Act 2016, which brought into force the amendment to provide powers for those carrying out recovery, the Hurunui/Kaikōura Earthquakes Recovery Act 2016, and the Hurunui/Kaikōura Earthquakes Emergency Relief Act 2016) to support the response and recovery to the earthquakes. We appointed the first National Recovery Manager and set up the MCDEM

temporary National Recovery Office (NRO) to support this position and provided a mechanism for local authorities to continue to use certain powers after a state of emergency to smoothly transition into recovery. NRO worked alongside agencies delivering recovery activity for Kaikōura, Hurunui, Marlborough and Wellington, and to support recovery from the flooding in Whakatāne.

We led the National Security System (NSS), monitored emerging issues and risks, and worked with responsible agencies to ensure quick and effective management when required. Seven events required ODESC's attention, including the 14 November Kaikōura earthquake and tsunami, which resulted in nine meetings of ODESC and a further nine Watch Group² meetings.

While supporting NSS, SIG provided a strategic and policy framework to improve collaboration within the intelligence community. Our work supporting the passing of the Intelligence and Security Act 2017 was a departmental highlight for the year.

Alongside its work to lead the response to many civil defence-related emergencies during the year, MCDEM substantially progressed a new National Warning System, to significantly improve the ease of sending out national warnings during an emergency.

² Watch Groups are formed in response to a potential, emerging or actual event. They ensure high-level coordination between agencies and coordinate assessments and advice up to ODESC. Watch Groups assess the risks, consider mitigations and identify gaps where further action is required.

Enabling effective executive government

In December 2016, New Zealand had a change in Prime Minister. This was followed by changes to ministerial portfolios in December, and then again in May. PAG continued to help focus agencies to support the Government's priorities during this period of transition, and provided a continuous flow of strategic advice to the Prime Minister.

Cabinet Office and Government House undertook significant work to enable the smooth transition to both a new Governor-General (in September) and New Zealand's new Prime Minister, as well as supporting the Prime Minister in making changes to ministerial portfolios. The launch and publication of the 2017 Cabinet Manual and continued smooth operation of the CabNet online system were successfully completed to uphold the effectiveness and integrity of executive government.

Leaving Christchurch stronger

GCG continued to strongly support cross-agency collaboration by providing the strategic leadership and framework necessary to empower local institutions to get back into the "driving seat". Two notable pieces of work were the successful practical completion of the Christchurch Horizontal Infrastructure Programme and handover to the Christchurch City Council, as well as the completion of the Waimakariri Residential Red Zone Recovery Plan.



Where we are going

Our objectives summarise our five medium-term strategic priorities through to the end of the 2020-21 financial year. We call these our “Challenges” and they are:

that the public service understands, delivers and helps shape the Government’s priorities

governance for the 21st century

New Zealanders understand and celebrate the institutions and processes that contribute to a strong, shared, sense of national identity

increasing New Zealand’s resilience through leading and building a risk-based, community-focused and integrated National Security System, and

leaving residents and agencies confident in the future of greater Christchurch.

To support our achievement of our Challenges, in the next financial year:

- **PAG** will assist the incoming Prime Minister to focus the public service on the Government’s priorities for the new term. The Policy Project is planning for the next three years of work, with five work streams expected in 2017-18.
- The **Cabinet Office** will focus on preparing for, then supporting, the Governor-General and Prime Minister-elect with the formation of government following the 2017 General Election; inducting any new Ministers; and, providing the incoming Government with effective and responsive secretariat services and constitutional, policy and procedural advice.
- **Government House** will continue to step up the pace and comprehensiveness of the implementation of the Governor-General’s strategy – including a more planned approach to the Governor-General’s engagement in Auckland.
- **SIG** intends to submit proposals regarding the refresh of the National Intelligence Priorities to the National Security Cabinet Committee; refresh the NSS Handbook; improve the quality and availability of training and development regarding national security responses; prepare for NSS’ management of security for major events; continue to focus on the intelligence customer engagement programme; and grow some parts of SIG to improve NZIC’s capability. NCPO (within SIG) will continue to oversee the implementation of New Zealand’s Cyber Security Strategy and Action Plan and ensure it is fit for purpose.
- **MCDEM** will progress the development of the National Disaster Resilience Strategy, upgrade the current Emergency Management Information System and prepare for go-live implementation for the Cell Broadcast Alerting system based on mobile phone technology. Cell Broadcast Alerting will deliver emergency alerts straight to enabled mobile phones where people’s lives or wellbeing are threatened. The outcome of the current “Ministerial Review: Better Responses to Natural Disasters and Other Emergencies in NZ” has potential implications for both MCDEM and NSS in the year to come. DPMC is prepared and ready to shift focus into supporting these recommendations.
- **GCG** will continue to lead central government oversight of the regeneration of Greater Christchurch, and empower agencies to progress the next stage of regeneration.
- **OCE** will support the Department to achieve our immediate and long-term objectives, taking a whole-of-department view and ensuring we continue to be well-connected and have sound corporate systems.

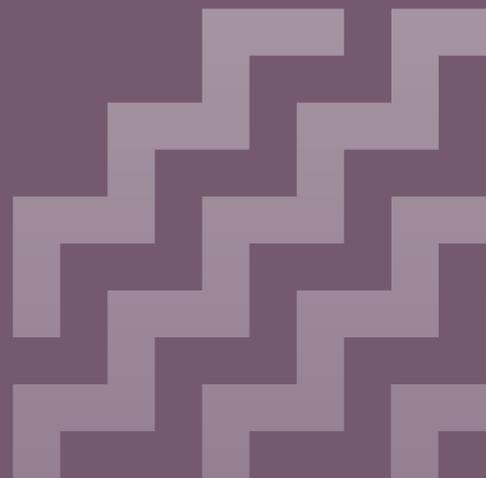
B

Progress in 2016/17

Advancing a Confident,
Well-governed and Secure
New Zealand

This section sets out our activities and achievement against our six 2016-2020 strategic objectives which are:

- The Prime Minister and Cabinet are confident that the advice, assessments and processes supporting their decision-making are world class
- The public of New Zealand has confidence in the effectiveness and integrity of New Zealand's system of government
- The New Zealand intelligence community is viewed as trusted, integrated and customer orientated
- New Zealand has world-class processes in place to identify and deal with national security events and emergencies, and build national resilience
- The Office of the Governor-General is strengthened as a symbol of national unity and leadership
- Greater Christchurch is viewed as an attractive and vibrant place to live, work, visit and invest, for us and our children after us



Our objective one

The Prime Minister and Cabinet are confident that advice, assessments and processes supporting their decision-making are world class

What we said we would do

- Enhance the public service's understanding and delivery of the Government's policy priorities
- Lift the quality of policy advice across the public service

What we achieved

Improving the public service's understanding and delivery of the Prime Minister's policy priorities

PAG provides advice on issues of the day, while also proactively testing and turning its mind to issues that might challenge the Government in the future. In 2016/17 PAG provided a continuous flow of advice to the Prime Minister, and other Ministers, and continued to focus agencies on supporting government priorities.

By bringing a clear focus to issues across agency boundaries, PAG assisted the Government to achieve its policy objectives. PAG worked with the other central agencies to support the public service to develop and implement Better Public Services (BPS) initiatives. As at March 2017, 7.5 out of 10 BPS results had been achieved.

Throughout the year, PAG met regularly with the chief executives and senior leaders of the agencies it works with, and provided coordination of policy following the 14 November Kaikōura earthquake and tsunami for recovery work.

During the transition to New Zealand's new Prime Minister in December 2016, PAG continued to work closely with its central agency partners and responsible agencies to provide seamless support. PAG provided specialist policy advice to the new Prime Minister, often with a rapid turnaround. PAG continued to ensure it takes a medium to long-term view of strategic issues, to complement its advice on issues of the day.

Improvements PAG has seen in the public service's understanding and delivery of the Prime Minister's policy priorities include an increased willingness to embrace policy innovation; for example, the work underway on social investment.

PAG also provides a liaison point with the Prime Minister's Chief Science Advisor (Sir Peter Gluckman), who works to increase the public's understanding of, and engagement with, science.

Enabling public service policy leaders to take collective responsibility for the overall capability and responsiveness of the policy system

As Head of the Policy Profession (HoPP), our Chief Executive is responsible for ensuring consistent improvements in policy quality and capability over time, across the public service.

The launch of three policy improvement frameworks in August 2016 established expected standards for high-performing policy organisations, skilled policy advisors and high-quality policy advice. Since the launch, the Policy Project has helped agencies to use the frameworks by making them easy to use and hard to avoid – ensuring they are the “go to” standard for lifting policy quality, skills and capability.

Throughout the year, the Policy Project has worked with agencies individually and collectively (in cross-agency workshops) to enable greater use and sharing of innovative, citizen-centric approaches to policy design and delivery, and a more strategic and whole-of-government approach to building policy capability across the public service.

Progress to date includes increasing engagement and participation from agencies in the policy system (see “Numbers at a glance” section on page 14 of this report), international interest and recognition (a Policy Project framework was featured in an OECD Public Governance Committee paper and briefings requested by the Head of the Civil Service in Singapore, and the UK Head of the Policy Profession Support Unit); and growing capability in new methods (we have hosted events and published reports on: co-production; public value; design-thinking, behavioural insights and data; and evidence for policy. The Policy Project has released the first elements of an online methods toolkit accessible to the policy community via the refreshed DPMC website).

Case study

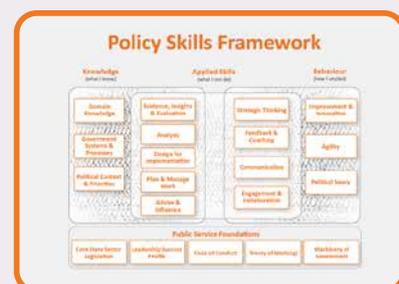
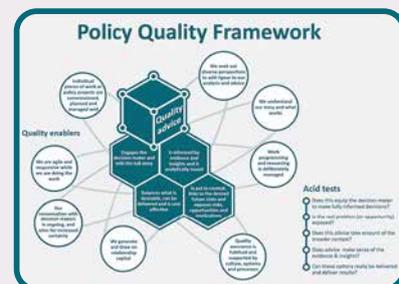
The Ministry for Culture and Heritage’s efforts to improve policy quality and capability

The Ministry for Culture and Heritage (MCH) has been a strong supporter of the Policy Project from the outset. MCH contributed at the Tier 2 Policy Leaders Network, as well as to technical working groups during the development of the three policy improvement frameworks.

MCH is part-way through implementing the policy improvement frameworks. MCH is using new tools provided by the Policy Project to support its 2017 ex-post assessment of the quality of its policy advice – one of the first policy agencies to move to internal assessment.

“Great policy advice doesn’t just happen – policy advisors need the right skills and the best tools. We are using the Policy Project’s frameworks to build our policy capability, both organisationally and at the level of individual advisors. It’s still early days, but I’m seeing advice that is better framed, better evidenced, and better connected to the wider context of our decision makers.”

Paul James, Chief Executive, Ministry for Culture and Heritage



Our objective two

The public of New Zealand has confidence in the effectiveness and integrity of New Zealand's system of government

What we said we would do

- Lift the resilience and security of the Cabinet system to meet the needs of Ministers and public servants who support them
- Support Ministers so that they are well-equipped to carry out their roles and functions

What we achieved

Throughout 2016/17, Cabinet Office continued to support executive government to run smoothly, especially during times of change and transition.

In 2016, Cabinet Office managed the transition of the office of Governor-General from Sir Jerry Mateparae to Dame Patsy Reddy by providing an intensive briefing and induction programme for Dame Patsy as Governor-General Designate; arranging an audience with the Queen; supporting Dame Patsy to develop strategic themes and goals that will underpin her term; and arranging and holding a public swearing-in ceremony at Parliament.

Cabinet Office also led the formal transition to a new Prime Minister in December 2016, and supported the Prime Minister in making changes to ministerial portfolios in December 2016 and May 2017. Regular feedback from the Governor-General and the Prime Minister on the support provided by Cabinet Office continues to be strongly positive.

Lifting the resilience and security of the Cabinet system

The CabNet online system successfully completed its second full year of operation. Minor enhancements were made for users and changes to master data management significantly reduced complexity. Two updated versions of the CabDocs app were released to Ministers.

Supporting Ministers to carry out their roles and functions

The support Cabinet Office provided Ministers to carry out their roles and functions also includes:

- completion of the update of the Cabinet Manual 2017 (as set out below in the case study)
- providing advice and support to Ministers on constitutional issues, the function of executive government, conflicts of interest and matters around conduct, and
- supporting the Leader of the House to prepare and manage the Government's legislation programme for the 2016 and 2017 calendar years.

During the year, the ministerial induction and briefing programme was also reviewed and updated. The six new Ministers appointed during the year received comprehensive briefings to ensure they were well-equipped to carry out their roles and functions. The Ministers reported a high level of satisfaction with the induction programme.



Case study Cabinet Manual

During 2016/17, the Cabinet Office completed a major project to revise and update the Cabinet Manual 2008. The Cabinet Manual is the authoritative guide to central government decision-making for Ministers, their offices and those working within government. For nearly 40 years the Cabinet Manual has captured and recorded Cabinet's practices and procedures, underpinning the effectiveness and integrity of New Zealand's system of government.

For the review, all government departments, Ministers' offices and other agencies were canvassed for comment and proposals for amendment. These suggestions, along with material the Cabinet Office had already identified for update, informed the work of a reference group of officials from core agencies to consider, test and review revisions to the text. Cabinet agreed to the proposed changes and endorsed the new edition, which was launched in early June. The Cabinet Manual 2017 is available on our website.

Our objective three

The New Zealand Intelligence Community is viewed as trusted, integrated and customer-oriented

What we said we would do

- Lead an integrated, customer-oriented and trusted intelligence community

What we achieved

Leading the New Zealand Intelligence Community

Our government is responsible for protecting national security and advancing national interests. Our NSS therefore needs to be well-led and responsive. SIG has a leadership and coordination role across the New Zealand Government's intelligence professionals. During 2016/17, we worked across the NZIC to ensure government priorities were met through the collection of the right intelligence, robust assessment and effective communication of those assessments to decision-makers.

Through the National Assessments Bureau (NAB), we provided independent assessment drawing on all source information, including intelligence, to the Prime Minister and other senior decision-makers, and on national security and foreign policy issues consistent with the Government's national intelligence priorities.

Increasing effective collaboration and enabling a joint approach

NZIC agencies have been working together to increase the impact of the National Intelligence Priorities – improving our insight into our most important national security problems. During the year, we made good progress in building an intelligence community that has common standards, customer-focused approaches and a joint approach to planning and resource management.

The National Security Policy Directorate (NSP) completed a significant piece of policy work which contributed to the passing of the Intelligence and Security Act 2017 (the Act).

We are leading work on a refresh of the National Intelligence Priorities for 2018, finding out what matters most to our customers for each of the most critical National Intelligence Priorities and developing meaningful performance measurement.

To strengthen capability within the national intelligence and security work programme, we set up:

- a national security workforce initiative to improve the versatility and capability of staff within the Top Secret clearance workforce
- a specialist position to assist with risk management advice particularly regarding our counter-terrorism programme, and
- a national risks group within SIG that will be responsible for the governance, administration and analysis of New Zealand's risks.



Case study

Intelligence and Security Act 2017

In March 2017, the Intelligence and Security Act 2017 (the Act) was passed. NSP led the substantial piece of policy work between February 2016 and the Select Committee's report back, in February 2017.

The Act clarifies the functions of the New Zealand Secret Intelligence Service (NZSIS) and the Government Communications Security Bureau (GCSB), provides for a new warranting regime and strengthens the oversight provided by the Inspector-General of Intelligence and Security. The Act implements the majority of the recommendations made in the first independent review of intelligence and security, carried out by Sir Michael Cullen and Dame Patsy Reddy.

All political parties involved in the parliamentary debates on the Bill leading to the Act commented favourably on the quality of advice received from officials, as well as the process followed, and the Bill received almost unanimous support in the House.

Our objective four

New Zealand has world-class processes in place to identify and deal with national security events and emergencies, and build national resilience

What we said we would do

- Increase New Zealand's resilience through our engagement with communities, business and the public sector and having a world-class ODESC system
- Ensure that New Zealand is secure, resilient and prosperous online

What we achieved

Our role in the National Security System

Our work focuses on national security risks and we work with agencies to reduce risk and be better prepared to manage the consequences when emergencies occur. We support lead agencies when an event occurs. Where required, NSS provides additional whole-of-government decision support for agencies and Ministers where the threshold for NSS activation is met.

MCDEM has a particular role in leading the civil defence emergency management sector to achieve the purpose of the Civil Defence Emergency Management Act 2002. This includes operating at an often rapid pace in providing emergency management policy advice to government and managing hazard risks across the 4Rs – risk reduction, readiness, response and recovery.

Leading the response to and recovery from emergencies and national security events

During the year, we led or supported response to and recovery from an unprecedented number of emergencies and national security events including earthquakes, tsunami, floods and cyclones. Seven of these required ODESC's attention, including the Kaikōura earthquake and tsunami in November 2016.

We also coordinated across agencies to manage risks relating to major events such as the Rio de Janeiro Olympics.

Building the capability of our National Security System

During the year, we ensured NSS remained agile and responsive. In August and September 2016, MCDEM led over 100 agencies in Exercise Tangaroa, New Zealand's largest ever exercise. This tested New Zealand's arrangements for preparing for, responding to and recovering from a nationally significant tsunami and forms part of our National Exercise Programme.³

³ The National Exercise Programme is chaired by DPMC and reports to the Hazard Risk Board which is the NSS governance body responsible for building system resilience. The programme builds capability across government through a coordinated series of interagency readiness activities that underpin the resilience of our NSS.

We published the NSS Handbook in August 2016 – to strengthen understanding of New Zealand’s national security governance.

After each major event, the National Security Systems Directorate (NSSD) conducts a debrief of all the agencies involved in the response. The lessons identified are turned into a corrective action plan and then remediation actions are assigned to the appropriate agency. Lead agencies also conduct their own debriefs.

Specific outcomes from debriefs conducted during the year included: improvements being made to our cyber response framework, in particular the CSERP (Cyber Security Emergency Response Plan); and a programme of work being run by the newly-constituted CT Capability Working Group to improve aspects of our system’s counter terrorism capabilities. The continuing importance of effective and timely dissemination of information across the system was also emphasised.

Stakeholder feedback for the 2016/17 year is that the ODESC system is effective, efficient and trusted by the officials involved in it, and the Ministers who receive advice from it. The Office of the Auditor-General report “Governance of the National Security System” (published November 2016) found that:

“... the governance arrangements for responding to national security events and emergencies are well established, fundamentally sound, and fit for purpose.”

Legislative changes to support response and recovery

Our policy advice led to new legislation including the Civil Defence Emergency Management Amendment Act 2016 (the Amendment Act) and, following the 14 November Kaikōura earthquakes and tsunami, the amendment to this Amendment Act. The Amendment Act introduced provisions enabling the use of certain powers after a state of emergency to smoothly transition into recovery. The amendment to the Amendment Act brought forward the commencement of these provisions to allow them to be used to support the response and recovery to the Hurunui earthquakes and tsunami.

Supporting resilient communities

Our new National Warning system will significantly improve how we issue national advisories and warnings to agencies, CDEM Groups and the media. Our redeveloped public education programme also targets effective messaging to the right audiences – further information is in the case study over the page.

To encourage whole-of-society participation in disaster risk management, MCDEM is collaborating with a diverse range of organisations to seek their engagement in the development of a new 10-year Strategy. MCDEM remains committed to finalising the new Strategy (proposed “National Disaster Resilience Strategy”) as soon as practicable, pending any potential implications of the current “Ministerial Review: Better Responses to Natural Disasters and Other Emergencies in NZ”.

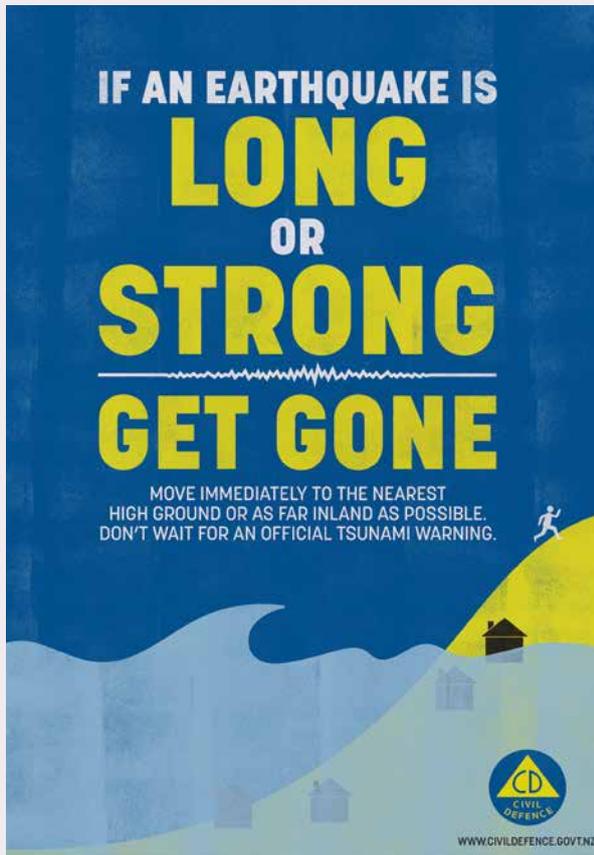
Increasing the public’s confidence to operate securely in cyber space

During the year, NCPO worked with multiple agencies and Connect Smart⁴ public and private partners to implement New Zealand’s Cyber Security Strategy, along with its plans. The Government’s first annual report on the implementation of the Strategy found that good progress had been made in improving New Zealand’s cyber security.

Significant work by NCPO contributed to the launch of CERT NZ⁵ in April 2017 as a branded unit within the Ministry of Business, Innovation and Employment (MBIE). CERT NZ is the first place for the public to report cyber security problems. NCPO also set up a Cyber Security Skills Taskforce to address the shortage of cyber security professionals, established a regular cyber security exercise programme and is leading work to set up a “cyber credentials scheme” for small businesses to provide them with low cost assessment, support and certification.

4 Connect Smart is led by NCPO, in partnership with a range of government agencies, non-government organisations and the private sector, to promote ways for individuals, businesses and schools to protect themselves online.

5 CERT was once an acronym for “Computer Emergency Response Team”. Since 1997, CERT has been a registered trademark owned by Carnegie Mellon University and is no longer used as an acronym. CERT NZ is responsible for identifying threats and vulnerabilities, receiving reports of incidents and coordinating responses to cyber security incidents or attacks affecting New Zealand.



Case study

Preventing injury and saving lives through public education

In the wake of the 14 November 2016 Kaikōura earthquake and tsunami, we took action to improve New Zealanders' understanding of what to do should a large tsunami hit our country. MCDEM developed a multi-media campaign with a creative agency to show people the right and immediate action to take during an earthquake (Drop, Cover and Hold) and if the earthquake is "long or strong get gone".

The campaign was launched in a very tight timeframe. From receiving Cabinet approval on Monday 5 December 2016, MCDEM had a social media campaign running the same day, posters ready for CDEM groups, government agencies and other partners to share on

Thursday 8 December and a nationwide radio campaign in place by Friday 9 December. The television and online campaign began on 16 December. Full page newspaper and outdoor (bus stop) advertising also ran over the New Year holiday.

From April to May 2017, our online advertising had over 3 million views, On Demand advertising had almost 200,000 views, 70% of the target audience saw TV advertisements at least once and 62% saw them three times or more.

Our objective five

The Office of the Governor-General is strengthened as a symbol of national unity and leadership

What we said we would do

- Enhance New Zealand's sense of nationhood

What we achieved

Supporting the Governor-General and connecting New Zealanders to their nation

The 2016/17 year was marked by the transition from Lt Gen the Rt Hon Sir Jerry Mateparae's term as Governor-General, to Rt Hon Dame Patsy Reddy taking up the role. Sir Jerry's term of office ended in August with several highlights supported by Government House, including his attendance at the Olympic Games in Rio de Janeiro in his role as Patron of the New Zealand Olympic Committee.

As Dame Patsy Reddy prepared to take up the role, Cabinet Office and Government House assisted her to develop a strategy for her five-year term focusing on creativity, innovation, diversity and leadership.

During the year, Government House supported an extensive official programme for the Governor-General, including the following high-profile and nation-building events:

- reviewing the international regatta for the Royal New Zealand Navy's 75th anniversary
- speaking at the opening of the Canterbury Earthquake National Memorial
- opening the He Tohu Exhibition at the National Library of New Zealand, and
- attending the WWI Battle of Messines centennial commemorations in Belgium.

Further measures of our progress in this area can be found in the "Our numbers at a glance" section on page 14 of this report as well as at page 56 (within the "Support Services to the Governor-General and Maintenance of the Official Residences" category).

Case study Investitures of Royal Honours

Awarding New Zealand Royal Honours, carried out at formal investiture ceremonies by the Governor-General, is a highly public way of recognising significant contributions that New Zealanders have made in all walks of life, and contributes to the development of our national identity.

After consideration by the Cabinet Appointments and Honours Committee, the Prime Minister makes recommendations to the Queen for Royal Honours. Following her approval, Honours lists are announced at New Year and Queen's Birthday.

The Cabinet Office supports the Government in considering nominations, and Government House assists the Governor-General in conducting investiture ceremonies. The last investitures for the 2016/17 year took place in five ceremonies at Government House Auckland in April 2017, and six ceremonies at Government House Wellington in May 2017.



Miss Katherine (Kate) Horan of Wellington, was invested as an MNZM for services to Paralympic sport at Government House Wellington in May 2017.

Our objective six

Greater Christchurch is viewed as an attractive and vibrant place to live, work, visit and invest, for us and our children after us

What we said we would do

- Leaving residents and agencies confident in the future of greater Christchurch

What we achieved

Leaving Christchurch stronger

Full transition to strong local leadership will enhance the long-term resilience of greater Christchurch. GCG observes, coordinates and supports key stakeholders (including Strategic Partners⁶ and Regeneration Partners⁷) to make sure that critical regeneration issues are prioritised and coordinated.

During the year, GCG maintained the strong relationships already built with Regeneration Partners. GCG regularly engaged with, supported and influenced these agencies to collaborate effectively. GCG continued to participate in a number of governance groups, including the Urban Development Strategy Implementation Committee, Chief Executives Advisory Group, the City Executives Forum, the Psychosocial Governance Group, the Canterbury Government Leaders Group, the National Earthquake Memorial Project Steering Group and the Horizontal Infrastructure Governance Group.

As a part-funder of the Horizontal Infrastructure programme, the Crown supported the successful transition of SCIRT data, information and systems to the Christchurch City Council (the Council) to safeguard the Crown's investment in the rebuild/repair of horizontal infrastructure networks and to ensure that the Council was set up to efficiently and effectively manage its networks going forward. The transition of data, information and systems was completed by July 2017.

The construction of all 743 Horizontal Infrastructure projects in the SCIRT Programme (totalling approximately \$1.4 billion in value, excluding overheads) was completed during the year.

In addition, 44 of the 50 Horizontal Infrastructure projects in the Waimakariri programme were completed (totalling approximately \$17.5 million in Crown funding or 58% of the total \$29.9 million Crown appropriation).

6 Christchurch City Council, Te Rūnanga o Ngāi Tahu, Selwyn District Council, Waimakariri District Council and Environment Canterbury.

7 The Regeneration Partners are also key to the successful regeneration of greater Christchurch. In addition to the strategic partners, the Regeneration Partners also include Ōtākaro Limited, Development Christchurch Limited, Regenerate Christchurch, DPMC, Land Information New Zealand, MOH and in partnership with Canterbury District Health Board and MBIE.

The quality of the policy advice and reporting GCG provided on the regeneration was assessed using both ministerial satisfaction surveying and a methodologically robust quality assessment process (see page 45). Policy advice and reporting includes comprehensive monitoring reports (three produced during the year for the Minister on the progress of overall regeneration in greater Christchurch) and weekly statistical dashboards (six additional weekly dashboards were produced from May to June 2017 on specific areas of interest relating to the regeneration of greater Christchurch covering a wide range of portfolios).

GCG also draws on a range of data sources to monitor overall regeneration progress. As monitoring progress against regeneration and recovery necessitates a comprehensive approach, these data sources ranged from MBIE to Canterbury District Health Board. The data sources are regularly reviewed and reported to the Minister. This approach allows for GCG to be agile and responsive, with the option of taking a “deep dive” and an in-depth look into any areas of specific concern if necessary.

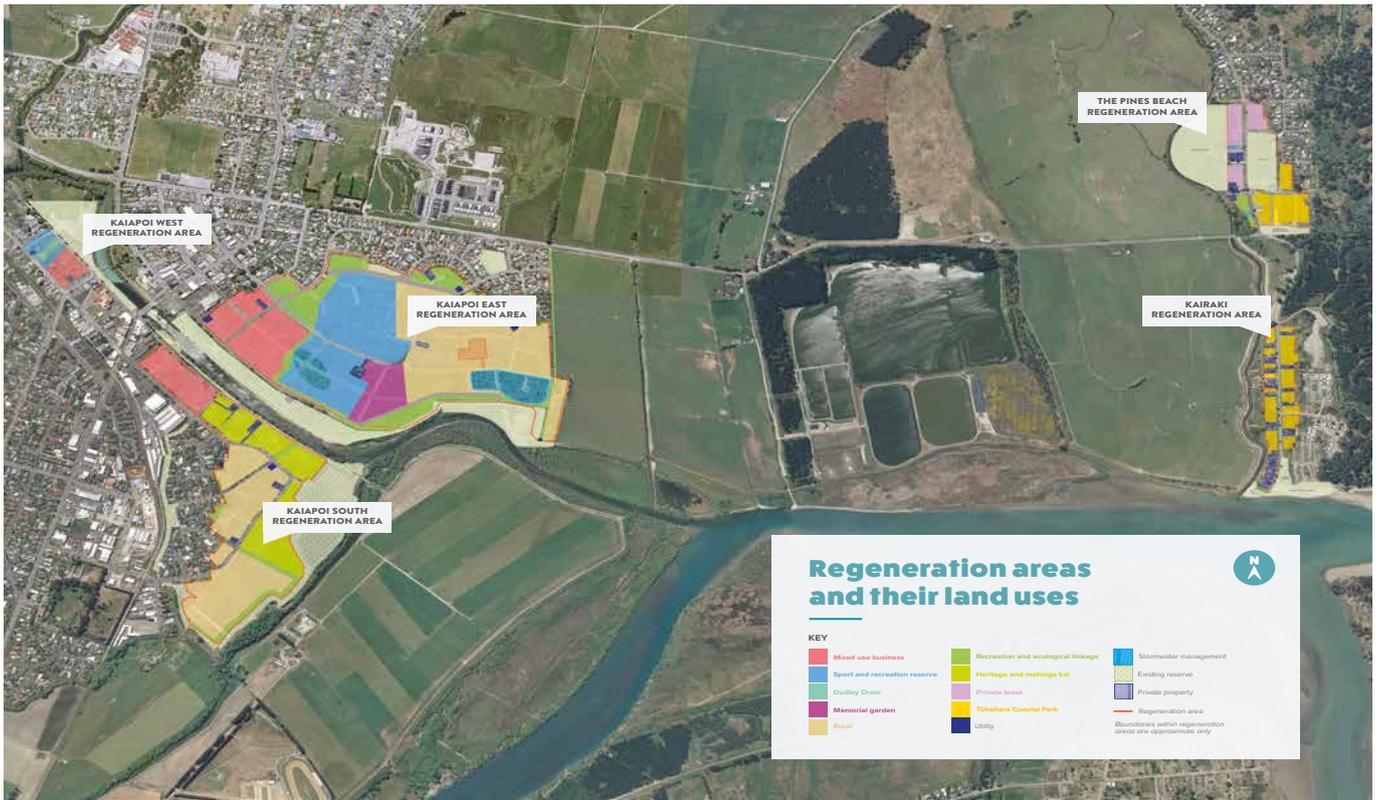
In addition to the above, GCG continued to empower agencies to support regeneration and ensure the prioritisation of critical recovery issues by achieving the following milestones and activity during the year:

- Almost all Christchurch Replacement District Plan hearings were completed, substantive decisions were released and appeals the Crown was involved in relating to these hearings were resolved.
- The Minister approved three other planning frameworks (including the Waimakariri Residential Red Zone Recovery Plan – detailed in the case study over the page).

- Supported Regenerate Christchurch to build its capability as a new entity, progress regeneration planning outcomes and to meet its accountability obligations under the Greater Christchurch Regeneration Act 2016.
- Provided advice on the ongoing transition of functions from CERA to other agencies. This included assisting MBIE to mitigate issues with unresolved multi-unit residential insurance claims.

Strengthening New Zealand’s resilience in responding to any future earthquakes

To improve future (national and international) recovery actions, GCG led the development of a whole-of-government report, highlighting the lessons from the Government’s recovery efforts from the Canterbury earthquake disaster. This report synthesises the lessons captured from the published material related to the Government’s actions following the earthquakes. It encompasses lessons focusing on five specific areas: Recovery Governance Arrangements, Recovery Legislation, Land Decisions, Insurance Response and the Horizontal Infrastructure Rebuild Programme.



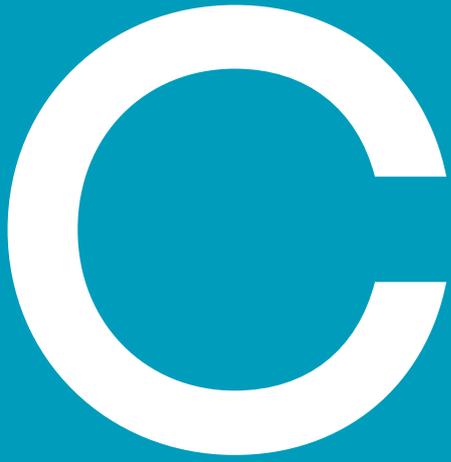
Case study Waimakariri Residential Red Zone Recovery Plan

In September 2015 the then Minister for Canterbury Earthquake Recovery directed the Waimakariri District Council to prepare a Draft Recovery Plan that identified the long-term uses of red zone land in Waimakariri.

Preparing the Draft Recovery Plan was a collaborative process. The Council worked closely with GCG as well as Environment Canterbury, Te Rūnanga o Ngāi Tahu, Ngāi Tūāhuriri Rūnanga and the community. In December 2016 the Minister supporting Greater Christchurch Regeneration approved the Recovery Plan, and in doing so made the first future use decisions about red zone land.

At a high level, the agreed land uses are: greenspace, mixed use business, rural and private lease. Cabinet agreed in principle to divest the majority of the Crown-owned red zone land to the Council so the Council can drive the Recovery Plan’s implementation – this underlines the Crown’s commitment to locally led regeneration.

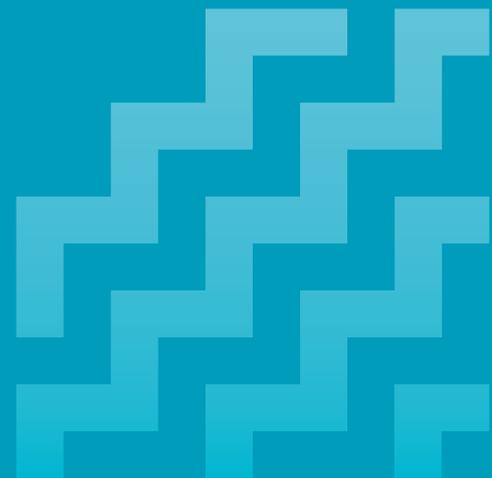
In April 2017, the Draft Recovery Plan received the Best Practice Strategic Planning and Guidance Award as well as the overall award, the Nancy Northcroft Supreme Practice Award, from the New Zealand Planning Institute.



Our Departmental Health and Capability

This section sets out our:

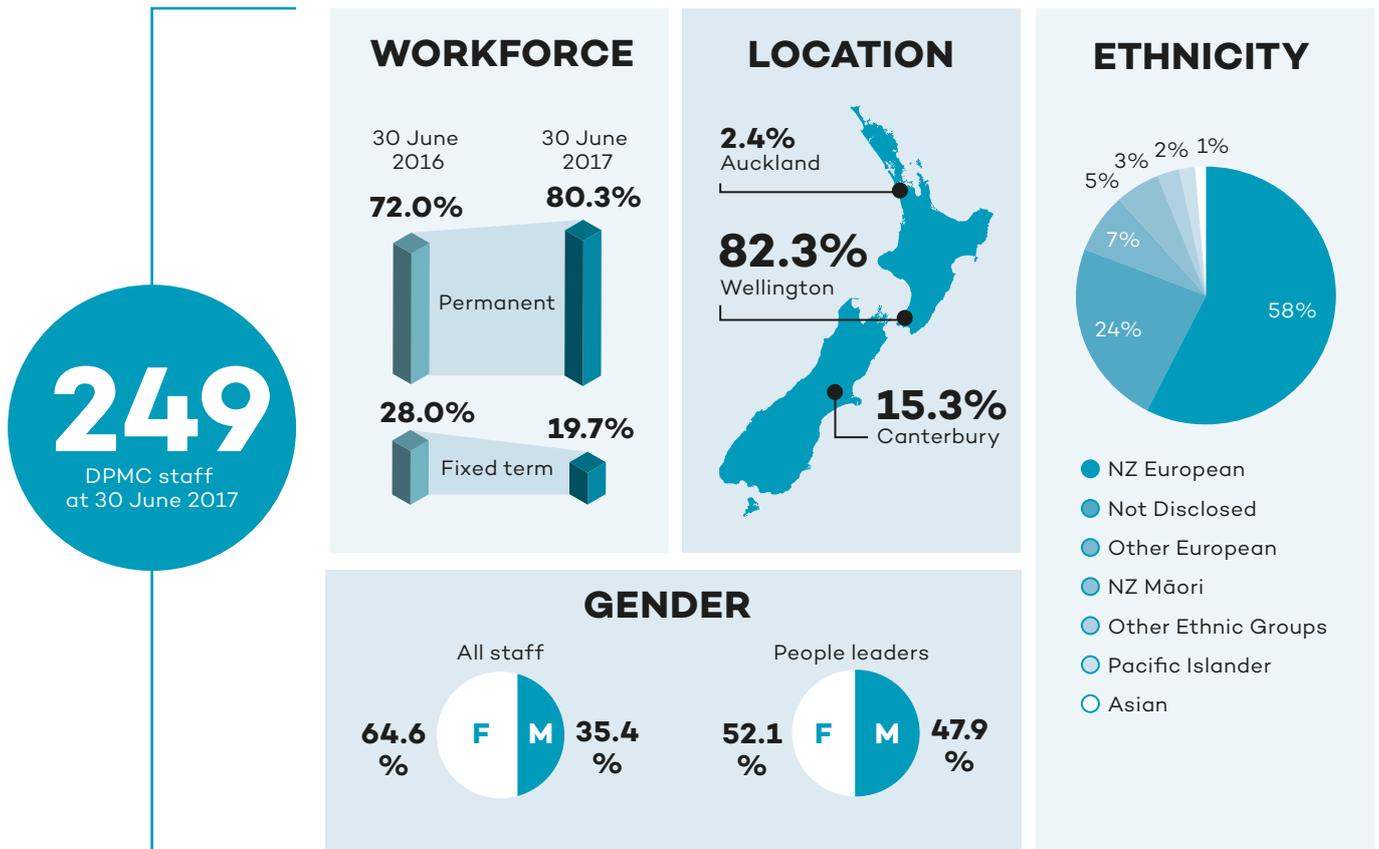
- Workforce capacity and current position
- Work to strengthen our workforce and drive our Department's performance
- Work regarding diversity and inclusion



Our departmental health and capability

During the year we made good progress against our Workforce Strategy to support our Four Year Excellence Horizon: Being more effective influencers and system stewards; more interconnected and collaborative; less pressured and more resilient.

WHERE WE AIM TO BE IN FOUR YEARS	HOW WE ARE GOING TO GET THERE	INITIATIVE
 <p>We will be interconnected</p>	<p>A consistent DPMC</p>	<p>System, process and policy standardisation Workforce capacity management</p>
 <p>We will be less pressured and more resilient</p>	<p>Achieving greater system integration of our workforce</p>	<p>Top secret workforce</p>
 <p>We will be more effective influencers and stewards</p>	<p>Building DPMC values and engagement</p>	<p>Culture change Internal communications Workforce diversity and inclusiveness</p>
<p>We will be more effective influencers and stewards</p>	<p>Developing DPMC people</p>	<p>Talent management Leadership capability DPMC workforce capability</p>



To improve our consistency and integration, continue to build our values and engagement and develop our people, we:

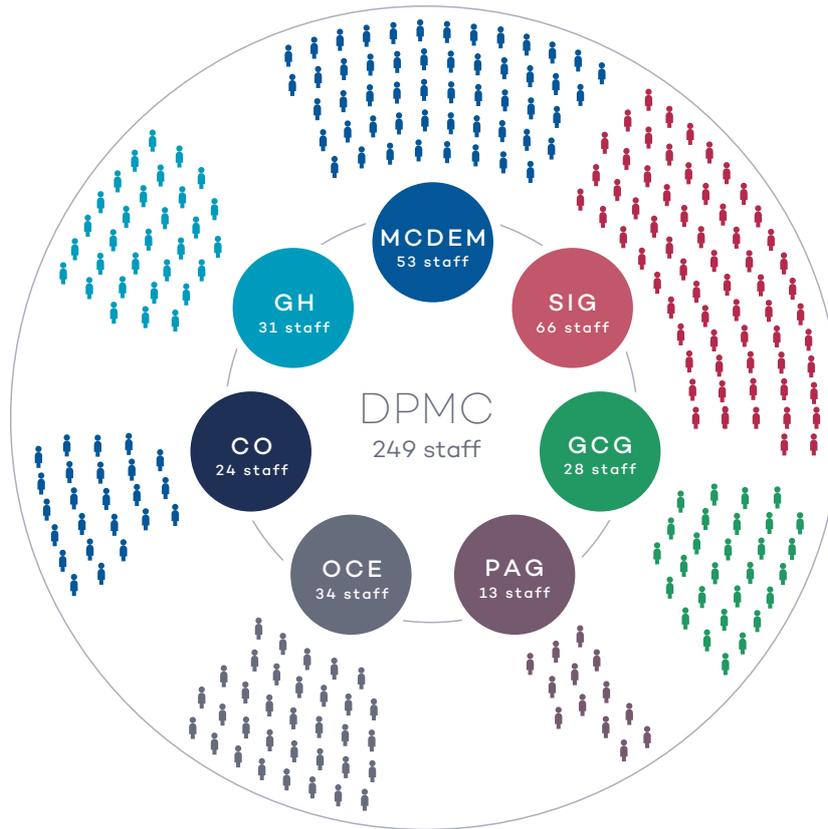
- continued to standardise our processes, policies and systems
- continued to develop our induction and orientation programme to make sure our people understand the expectations of their role, and our working culture
- identified areas for improvement in our recruitment and on-boarding processes
- participated in developing a multi-agency strategy for greater system integration of staff within our Top Secret clearance workforce
- improved our internal communications
- reviewed and analysed our gender pay gap
- undertook our biennial engagement survey
- completed a Career Pathway framework for the roles within MCDEM, and
- continued to integrate the Leadership Success Profile (LSP) in our Performance Development process.

Making sure we have the right mix of staff to deliver our objectives

Over the next three years we will need to continue to “right-size” our organisation as our role in Christchurch diminishes. Reduction in the size of some business groups will be driven mainly through attrition and current fixed-term contracts coming to an end. Making sure we have the right numbers of staff across our business will mean some expansion, and this will require a mix of recruitment and workforce development.

In 2016/17 we recruited 65 new staff. Alongside standard attrition and short-term projects this reflects increased funding for SIG and MCDEM capability through Budget 2016 and also additional roles required post the 14 November Kaikōura earthquake and tsunami.

Staff numbers are as at 30 June 2017 – they do not include secondees.



Making sure staff have a safe and healthy working environment

We continued to make sure our staff have a safe and healthy working environment by:

- promoting regular health and wellbeing activities including annual flu vaccinations, vision testing, access to an employee assistance programme and an annual health and wellbeing subsidy
- providing ergonomic assessments to ensure our staff are working comfortably
- equipping all offices with emergency provisions should an emergency occur, and
- making flexible working arrangements available to assist staff with work/life balance.

Managing and mitigating our Department's risk

Our Risk and Assurance Committee provides risk and advisory services to our Chief Executive. The Committee includes three independent members, including the Chair. We also have a staff representative on the Committee who provides an in-house view on the Department's risk and assurance systems and maturity. During the year, the Committee met quarterly to review areas of potential risk, our progress toward mitigating risks and a range of other capability and strategic issues.

Responding to Official information Act requests

We completed 434 responses to requests made under the Official Information Act 1982 and Privacy Act 1993 in the 2016 calendar year. In the 2015 year, we completed 418 responses, and in 2014, 369 responses. We also updated our OIA policy and worked with the State Services Commission (SSC) on the wider all-of-government work in this space.

Implementing New Zealand Business Number requirements

The New Zealand Business Number (NZBN) is a universal identifier to help businesses to easily update, share key information and interact with each other. MCDEM must implement NZBN requirements by 31 December 2018. We updated our Financial Management Information System to the latest version of the software which includes the ability to identify businesses within the finance system by their NZBN. The system will be configured to implement the NZBN during the 2017/18 financial year.

Diversity and inclusion

We are committed to our five-year diversity goal of making sure we have a working environment where all employees are valued, included and celebrated for the different perspectives they bring, recognised for the contribution they make and offered equitable access to opportunities to succeed.

In 2016/17 we focused on the following activity against our Workforce Strategy 2016-2020:

- updating and renaming our Equal Employment Opportunities Policy to become our Diversity and Inclusion Policy (to fit better with Better Public Services 2.0)
- understanding staff perceptions of diversity through a customised engagement survey
- building a women's network across DPMC
- identifying diversity and culture initiatives through the establishment of a cross-department working group
- reviewing and assessing existing HR policies to support a more flexible and agile workforce
- working to identify, grow and retain our highest potential future leaders, with a focus on ensuring a diversity balance, and
- conducting a review and analysis of our gender pay gap, and developing a 12-month action plan.

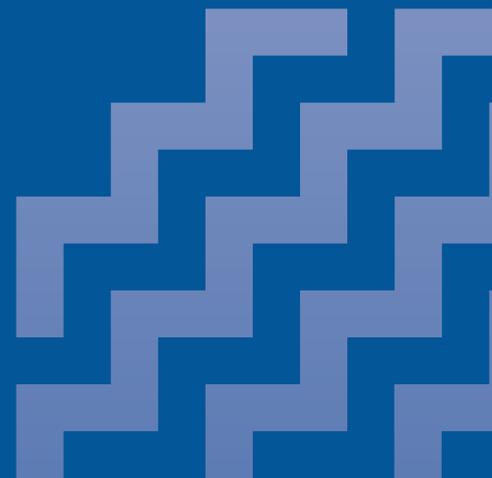
While we still have work to do, staff perception on how clearly defined and understood our diversity policies are has increased on our 2014 engagement survey results. Diversity and inclusiveness carries through as a key focus area in our Workforce Strategy 2017-2021.

D

End of Year Performance Reporting Against Appropriations

This section sets out our:

- Appropriation Statements
- Financial and Performance Reporting Against Appropriations



Appropriation statements

Statement of Budgeted and Actual Departmental and Non-departmental Expenses and Capital Expenditure Against Appropriations

for the year ended 30 June 2017

	2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000	Where performance information is reported
VOTE PRIME MINISTER AND CABINET				
DEPARTMENTAL OUTPUT EXPENSES				
Canterbury Earthquake Recovery	16,038	20,741	19,546	Part D
TOTAL DEPARTMENTAL OUTPUT EXPENSES	16,038	20,741	19,546	
DEPARTMENTAL CAPITAL EXPENDITURE				
Department of the Prime Minister and Cabinet – Capital Expenditure PLA	350	2,450	513	Part D
TOTAL DEPARTMENTAL CAPITAL EXPENDITURE	350	2,450	513	
NON-DEPARTMENTAL OTHER EXPENSES				
Emergency Expenses	2,181	2,000	2,450	Exempt under section 15D(2)(b)(iii) of the Public Finance Act
Emergency Management Preparedness Grants	737	889	889	
Ex gratia Payment to the University of Auckland	120	120	120	
Fees for the Commissioner of Security Warrants PLA	46	74	74	
Governor-General's Programme PLA	1,144	989	1,289	
Governor-General's Salary and Allowance PLA	613	576	650	
Governor-General's Travel Outside New Zealand PLA	299	307	307	
Local Authority Emergency Expenses PLA	36,202	-	65,000	Minister's Report appended to the DPMC Annual Report
Rehabilitation of Kaikōura Harbour	3,250	-	5,000	Minister's Report appended to the DPMC Annual Report
Restoration of Kaikōura District Three Waters Network	-	-	600	Minister's Report appended to the DPMC Annual Report
TOTAL NON-DEPARTMENTAL OTHER EXPENSES	44,592	4,955	76,379	
MULTI-CATEGORY EXPENSES AND CAPITAL EXPENDITURE				
<i>Emergency Management MCA</i>				Part D
DEPARTMENTAL OUTPUT EXPENSES				
Community Awareness and Readiness	3,669	1,938	3,753	Part D
Emergency Sector and Support and Development	5,133	5,574	6,127	Part D
Management of Civil Defence Emergencies	7,612	3,705	15,106	Part D
Policy Advice – Emergency Management	520	443	570	Part D
TOTAL EMERGENCY MANAGEMENT MCA	16,934	11,660	25,556	

VOTE PRIME MINISTER AND CABINET	2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000	Where performance information is reported
<i>Government House Buildings and Assets MCA</i>				Report appended to the DPMC Annual Report
NON-DEPARTMENTAL OTHER EXPENSES				
Depreciation of Crown Assets	744	1,962	1,962	Exempt under section 15D(2)(b)(ii) of the Public Finance Act
Government House – Maintenance	813	600	1,050	Exempt under section 15D(2)(b)(iii) of the Public Finance Act
Loss on Disposal of Crown Assets	-	170	170	Exempt under section 15D(2)(b)(ii) of the Public Finance Act
NON-DEPARTMENTAL CAPITAL EXPENDITURE				
Government House Buildings and Assets – Capital Investment	367	1,050	880	Exempt under section 15D(2)(b)(iii) of the Public Finance Act
TOTAL GOVERNMENT HOUSE BUILDINGS AND ASSETS MCA	1,924	3,782	4,062	
<i>Policy Advice and Support Services MCA</i>				Part D
DEPARTMENTAL OUTPUT EXPENSES				
National Security Priorities and Intelligence Coordination	10,119	9,991	10,013	Part D
Policy Advice – Prime Minister and Cabinet	5,908	4,131	6,708	Part D
Science Advisory Committee	725	675	725	Part D
Support Services to the Governor-General and Maintenance of the Official Residences	4,078	4,139	3,888	Part D
Support, Secretariat and Coordination Services	5,697	5,790	5,716	Part D
TOTAL POLICY ADVICE AND SUPPORT SERVICES MCA	26,527	24,726	27,050	
TOTAL MULTI-CATEGORY EXPENSES AND CAPITAL EXPENDITURE	45,385	40,168	56,668	
TOTAL ANNUAL AND PERMANENT APPROPRIATIONS	106,365	68,314	153,106	

Multi-year appropriation

The Department has a multi-year appropriation for output expenses incurred by the Crown for the establishment costs and the development of strategies and planning activities, with communities, stakeholders and decision-makers, for the regeneration of areas in Christchurch.

2015/16 Actual \$000	2016/17 Actual \$000	Location of end of year performance information
Appropriation for non-departmental output expenses: Regenerate Christchurch		
- Original Appropriation	20,000	Minister's Report appended to the DPMC Annual Report
- Adjustments	1,073	
- TOTAL ADJUSTED APPROVED APPROPRIATION	21,073	
- Actual Expenditure	4,000	
- APPROPRIATION REMAINING AT 30 JUNE	17,073	

Statement of Departmental and Non-departmental Expenses and Capital Expenditure Incurred Without, or in Excess of Appropriation, or other Authority

for the year ended 30 June 2017

For the year ended 30 June 2017 there has been no unappropriated expenditure in Vote Prime Minister and Cabinet (2016: Nil).

Statement of Capital Injections

for the year ended 30 June 2017

	2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
Capital Injection	163	2,350	163

Statement of Capital Injections Without, or in Excess of, Authority

for the year ended 30 June 2017

DPMC has not received any capital injections during the year without, or in excess of, authority (2016: Nil).

Reporting Against Appropriations

Canterbury Earthquake Recovery (M85)

This appropriation is limited to provision of services supporting the regeneration of greater Christchurch. It contributes to our strategic objective that Greater Christchurch is viewed as an attractive and vibrant place to live, work, visit and invest, for us and our children after us.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Component: Horizontal Infrastructure			
Monitor and report on progress, timeliness and budget of the Horizontal Infrastructure programme to Minister(s) and the Treasury, at least twice per year (see Note 1)	Achieved	Achieved	Achieved
The Christchurch Horizontal Infrastructure programme completion, close-out and transition is finalised by 30 June 2017 (see Note 2)	On track	Achieved	Achieved
Component: Policy and Legislation			
The satisfaction of the responsible Minister with the policy advice service, as measured using the Common Satisfaction Survey (see Note 3), is at least:	Exceeded expectations	6	6.5
A sample of policy advice fits within the target ranges for quality (see Note 4)	All papers met agreed quality criteria and standards	Achieved	Not achieved 56% of papers scored 7 or more – against our target of 70%; 16% of papers scored 8 or more – against our target of 30% (see Note 5)
Component: Land and Land Use Planning			
All Crown feedback, reviews and appeals are completed within the statutory and hearings panel timeframes	100%	100%	100%
Component: Leadership/Brokering/Coordination			
The satisfaction of the responsible Minister with the leadership/brokering/coordination role as measured using the Common Satisfaction Survey (see Note 3), is at least:	Exceeded expectations	6	6.75
The Whole of Government Lessons Learnt Report is completed by June 2017 (see Note 6)	On track for completion by June 2017	Completed	Achieved (see Note 7)
Component: Monitoring and Reporting			
Report to the Minister(s) at least twice per year on recovery/regeneration progress and the performance of the Regenerate Christchurch Board (see Note 8)	The first required six-monthly report on track for delivery in October 2016	Achieved	Achieved
The satisfaction of the responsible Minister with the monitoring and reporting activity, as measured using the Common Satisfaction Survey (see Note 3), is at least:	New measure	6	6
The total cost per hour of producing outputs	\$89 per hour	\$90-\$120	\$104

End of year performance reporting

46

Note 1 – This measure has been revised to improve consistency and focus on the number of reports instead of the timing of reporting.

Note 2 – This measure has been revised to clarify that it related to the Christchurch Horizontal Infrastructure programme. The measure also required a target date for completion.

Note 3 – The Common Satisfaction Survey measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1 to 10, where 1 means fell well short of expectations and 10 means far exceeded expectations.

Note 4 – A sample of the Department's policy advice will be assessed by a panel using the Policy Project quality framework. The target ranges for the quality of our policy advice are: that 70% of our assessed papers will score 7 or more, and, that 30% will score 8 or more out of 10 with 10 being the highest quality.

Note 5 – This is the first year we have assessed ourselves against these targets and we are developing cross-department work to address these findings.

Note 6 – A symposium was originally included in the Recovery Learning and Legacy project; however, the timing of the event was considered too soon to effectively reflect on learnings and legacy, and deliver the desired outcomes.

Note 7 – The report was completed in June 2017 and released publicly on 30 July 2017. The measure has been amended in 2016/17 to reflect that, while a symposium was originally included in the Recovery Learning and Legacy project, the timing of the event was considered too soon to effectively reflect on learnings and legacy, and deliver the desired outcomes.

Note 8 – This measure has been revised in 2016/17 to reflect the current stage of the rebuild/regeneration rather than recovery. A focus has also been placed on the number of reports produced rather than frequency of reporting.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
8,922	Revenue Crown	19,546	20,741	19,546
-	Revenue Other	346	-	-
8,922	TOTAL REVENUE	19,892	20,741	19,546
6,906	Expenses	16,038	20,741	19,546
2,016	Net Surplus/(Deficit)	3,854	-	-

Expenditure was lower than budgeted mainly due to the exit and subleasing of an onerous lease resulting in a net surplus of \$3.854 million.

Department of the Prime Minister and Cabinet – Capital Expenditure PLA

This appropriation is limited to the purchase or development of assets by and for the use of the Department of the Prime Minister and Cabinet, as authorised by section 24(1) of the Public Finance Act 1989.

Expenditure in 2016/17 was in accordance with the Department's capital asset management plan.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
492	Property, Plant and Equipment	350	2,450	463
-	- Intangibles	-	-	-
-	- Other	-	-	50
492	TOTAL EXPENSES	350	2,450	513

During 2016/17, \$2.187 million for Cyber Security Services was transferred to MBIE.

Emergency Management MCA

The overarching purpose of this MCA is to support communities to be resilient by enhancing their capacity and capability to manage civil defence emergencies. This contributes to our strategic objective that New Zealand has world-class processes in place to identify and deal with national security events and emergencies, and build national resilience.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
New Zealand communities are aware of their hazards and risks, are prepared and resilient and are able to respond and recover from an emergency	70%	85%	71% (see Note 1)

Note 1 – This appropriation measure is an overall measure made up of 24 subordinate performance measures. For 2016/17, seven subordinate performance measures were not achieved, resulting in 71% of the appropriation performance measure being achieved. The rationale for each measure not achieved is provided in the notes related to each measure.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
11,748	Revenue Crown	23,990	11,430	23,990
344	Revenue Other	441	230	1,566
12,092	TOTAL REVENUE	24,431	11,660	25,556
12,089	Expenses	16,934	11,660	25,556
3	Net Surplus/(Deficit)	7,497	-	-

Category: Community Awareness and Readiness

This category is limited to the development and delivery of long-term national programmes to raise individual and community awareness and preparedness.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Availability of the civil defence website 24 hours a day, 7 days a week, at least:	99.9%	99.9%	99.9%
The proportion of New Zealanders who describe themselves as "fully prepared", which means: have an emergency survival plan that includes what to do when not at home, have emergency items and water and regularly update emergency survival items, will increase on the previous year by between:	New measure	1%-2%	2.5% (see Note 1)
The proportion of New Zealanders who know the correct action to take during an earthquake will increase on the previous year by:	New measure	Baseline established	Baseline established (see Note 2)
The proportion of New Zealanders who know the correct action to take if they feel a long or strong earthquake near the coast will increase on the previous year by:	New measure	Baseline established	Baseline established (see Note 3)
The proportion of New Zealanders who describe themselves as "prepared at home", which means: have an emergency survival plan that includes what to do when at home, have emergency items and water and regularly update emergency survival items, will increase on the previous year by between:	New measure	1%-2%	1.5% (see Note 4)

Note 1 – An increase of 2.5 percentage points (15.5% in 2015/16 to 18% in 2016/17) as established by our annual Colmar Brunton preparedness survey).

Note 2 – 73% know the correct action to take during an earthquake (as established by our annual Colmar Brunton preparedness survey).

Note 3 – 83% know the correct action to take if they feel a long or strong earthquake near the coast (as established by our annual Colmar Brunton preparedness survey).

Note 4 – An increase of 1.5 percentage points (from 30.5% in 2015/16 to 32% in 2016/17) as established by our annual Colmar Brunton preparedness survey).

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
2,108	Revenue Crown	3,730	1,915	3,730
-	Revenue Other	-	23	23
2,108	TOTAL REVENUE	3,730	1,938	3,753
2,260	Expenses	3,669	1,938	3,753
(152)	Net Surplus/(Deficit)	61	-	-

Category: Emergency Sector and Support and Development

This category is limited to developing and implementing operational policies and projects, advice, assistance and information to the CDEM sector.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
The number of Director Guidelines, Technical Standards, Codes and other civil defence emergency management information publications that are either reviewed or published will be at least:	New measure	2 per year	2 (see Note 1)
Satisfaction assessed as "Good" or "Very Good", in relation to: (see Note 2)			
• Coverage of the new Guidelines, Technical Standards, Codes and other publications	New measure	80%	50% (see Note 3)
• Quality of the new Guidelines, Technical Standards, Codes and other publications	78%	80%	57% (see Note 4)
• The quality of the newsletters/updates – 16-20 issues	80%	80%	53% (see Note 5)
Facilitate civil defence emergency management courses or workshops annually, at least:	5	3	3 (see Note 6)
The number of CDEM initiatives developed or implemented in partnership with public sector, private sector and/or the not-for-profit sector will be between:	New measure	5-6	6 (see Note 7)

Note 1 – Wellington Earthquake National Initial Response Plan (WENIRP) and the National Tsunami Advisory and Warning Plan were reviewed and published.

Note 2 – Satisfaction performance measure involves a five-point scale, either numerical 1-5 (with "5" the highest rating) or qualitative: Very Good, Good, Satisfied, Poor and Very Poor.

Note 3 – The sample size increased significantly from 17 groups to 182 non-traditional stakeholders in the 2016/17 period. Past ratings may have been moderated. Additionally, a significant number of individuals (43.05%) rated the coverage as "satisfied" (neither good nor bad).

Note 4 – The sample size increased significantly from 17 groups to 182 individuals in the 2016/17 period and past ratings may have been moderated. Additionally, a significant number of individuals (38.36%) rated the quality as "satisfied" (neither good nor bad).

Note 5 – The sample size increased significantly from 17 groups to 182 non-traditional stakeholders in the 2016/17 period and past ratings may have been collated and moderated. Additionally, a significant number of individuals (45.61%) rated the quality as "satisfied" (neither good nor bad).

Note 6 – Three facilitated courses/workshops were carried out in 2016/17: (1) Emergency Manager Officer Course – 29-30 May 2017, (2) Takatu – 26 May 2017, (3) Welfare Train the Trainer Course – 21 and 22 March 2017.

Note 7 – Six CDEM initiatives were developed and implemented: (1) Group Welfare Managers Forum, (2) Joint Resilience Workshop, (3) EMIS, (4) Exercise Tangaroa, (5) WENIRP, (6) MFAT/MCDEM Partnership activities.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
5,453	Revenue Crown	4,856	5,453	4,856
262	Revenue Other	412	121	1,271
5,715	TOTAL REVENUE	5,268	5,574	6,127
5,373	Expenses	5,133	5,574	6,127
342	Net Surplus/(Deficit)	135	-	-

Category: Management of Emergencies

This category is limited to management of national emergency readiness, response and recovery, including support to local CDEM organisations, maintaining NCMC in a state of readiness, national training and exercises, coordination and management of central government's response and recovery activities and administration of related expenses.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
National Warning System tests conducted, at least:	4	4	4
An initial National Warning issued within 15 minutes of the Duty Manager's decision to issue a National Warning	New measure	100%	100% (see Note 1)
National Warning distribution list – accuracy of contact details (at each warning or test), at least:	Achieved	95%	98.5%
National Crisis Management Centre managed, during activations, with:			
• National Crisis Management Centre has adequate staffing, as deemed by the Duty Manager or National Controller, in place within two hours	100%	100%	100%
• Essential information technology systems available and operating at agreed performance levels	Not achieved	95%	99.9%
• Back-up information technology systems and equipment fully functional, at least:	100%	99.8%	99.9%
• Coordination and management consistent with the Response Concept of Operations for extended activations	No extended activations occurred in 2015/16	100%	100% (see Note 2)
National Crisis Management Centre activations reviewed:			
• Mode 2 or higher activations – within three months	100%	100%	75% (see Note 3)
• Approved recommendations (lessons identified) actioned – within set timeframes	100%	100%	75.9% (see Note 4)
Project management regarding Cell Broadcast Alerting is in accordance with the project plan and milestones signed off by project governance (see Note 5)	New measure	Achieved	Not achieved (see Note 6)

Note 1 – The achievement of this measure is based on the length of time it takes for a warning to be issued which is either measured from the end of the Duty Manager's phone call to the Fire Service to instruct them to issue a warning or from when the Duty Manager instructs the Duty Officer to draft and issue a warning to when the Duty Officer issues that warning (which happened in the case of one event). Due to the National Warning System having been moved to a different website platform, DPMC will look to better capture our performance in this area for 2017/18.

Note 2 – Two extended activations occurred in 2016/17 – 14 November Kaikōura earthquake and tsunami, and ex-Tropical cyclones Debbie and Cook.

Note 3 – There were four mode 2 or higher activation reports to review within the set timeframe for this measure this year. Three reports were reviewed within the timeframe, however one report was reviewed 15 working days after the cut-off for the achievement of this performance measure due to the demand on staff to respond to another event and complete two outstanding reports for this measure on time.

Note 4 – While the lessons identified were actioned within set timeframes, we have taken steps to implement better recording practices regarding how we capture the dates that actions are completed within our document management system.

Note 5 – The project milestones regarding Cell Broadcast Alerting are met as per the project plan.

Note 6 – Due to factors beyond the Department's control, the timelines for this project were significantly reduced after the project plan was completed. Although one milestone was not achieved, the overall project will be delivered well in advance of schedule.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
3,830	Revenue Crown	14,834	3,619	14,834
82	Revenue Other	29	86	272
3,912	TOTAL REVENUE	14,863	3,705	15,106
4,120	Expenses	7,612	3,705	15,106
(208)	Net Surplus/(Deficit)	7,251	-	-

The appropriation increased in 2016/17 from the original budget mainly due to \$3.400 million for transfers from the Canterbury Earthquake Recovery appropriation to support the November 2016 earthquake and tsunami response and recovery, \$1.336 million for overseas aid for civil defence emergency management funded by recoveries from the Ministry of Foreign Affairs and Trade, and new funding for the Cell Broadcast Alerting system for New Zealand.

The net surplus of \$7.251 million for 2016/17 year arose from less expenditure than originally budgeted at Supplementary Estimates due to the uncertainty of timing for activity associated with the November 2016 Kaikōura earthquake and tsunami response and recovery and development of a National Cell Broadcast Alerting system.

Category: Policy Advice – Emergency Management

This category is limited to the provision of advice (including second-opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to civil defence emergency matters.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
A sample of policy advice fits within the target ranges for quality (see Note 1)	New measure	Achieved	Not achieved 56% of papers scored 7 or more – against our target of 70%; 16% of papers scored 8 or more – against our target of 30% (see Note 2)
The satisfaction of the responsible Minister with the policy advice service, as measured using the Common Satisfaction Survey (see Note 3), is at least:	Exceeded expectations	6	7
Total cost per hour of producing outputs	\$92 per hour	\$90-\$120	\$104

Note 1 – A sample of the Department's policy advice will be assessed by a panel using the Policy Project quality framework. The target ranges for the quality of our policy advice are: that 70% of our assessed papers will score 7 or more, and, that 30% will score 8 or more out of 10 with 10 being the highest quality.

Note 2 – This is the first year we have assessed ourselves against these targets and we are developing cross-department work to address these findings.

Note 3 – The Common Satisfaction Survey measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1 to 10, where 1 means fell well short of expectations and 10 means far exceeded expectations.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
357	Revenue Crown	570	443	570
336	Expenses	520	443	570
21	Net Surplus/(Deficit)	50	-	-

Policy Advice and Support Services MCA (M52)

The overarching purpose of this appropriation is to provide policy advice to support decision-making by the Prime Minister and the Cabinet and provide support services to the Prime Minister, Cabinet and its committees, the Executive Council and the Governor-General. This contributes to the following strategic objectives, that:

- the New Zealand intelligence community is viewed as trusted, integrated and customer orientated
- the public of New Zealand has confidence in the effectiveness and integrity of New Zealand's system of government
- the Prime Minister and Cabinet are confident that the advice, assessments and processes supporting their decision-making are world class, and
- the Office of the Governor-General is strengthened as a symbol of national unity and leadership.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Increasing proportion of Better Public Services result areas on track to achieve their targets	5.5 out of the 10 result areas on track	6	7.5 (see Note 1)
Overall service quality of public services improves over time	75 points	0.745	75 points

Note 1 – Result Three – Increase Infant Immunisation and Reduce Rheumatic Fever is measured by the percentage of infants immunised (status: on-track) and the number of reported cases of rheumatic fever (status: progress but issues to resolve), subsequently Result Three is reported as being partially achieved resulting in a 7.5 out of 10 result.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
27,023	Revenue Crown	25,278	24,696	25,278
1,377	Revenue Other	1,691	30	1,772
28,400	TOTAL REVENUE	26,969	24,726	27,050
27,491	Expenses	26,527	24,726	27,050
909	Net Surplus/(Deficit)	442	-	-

Category: National Security Priorities and Intelligence Coordination

This category is limited to leadership and coordination around national security matters, leading collaboration within the New Zealand Intelligence Community and providing intelligence assessments to support national security priorities.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Advice and guidance on policies and preparation for strengthening national security is fully integrated, timely and of high quality	Meets expectations	Meets expectations	Exceeds expectations (see Note 1)
Assessments provided to inform Ministers and senior officials of risks and opportunities relating to New Zealand interests are accurate and succinct	100%	95%	100%
Ministers and senior officials have confidence that assessments provided are of high quality and of policy relevance to New Zealand, assessed as the proportion of stakeholders whose expectations are met or exceeded	90%	90%	94%
All-of-government responses to national crises and events are effectively coordinated and managed, assessed as the proportion of stakeholders whose expectations are met or exceeded (see Note 2)	84%	90%	75% (see Note 3)

Note 1 – Ministers and the Prime Minister rated this as “exceeds expectations” overall.

Note 2 – Reporting on this measure will cover the satisfaction of stakeholders with the support DPMC provides to ODESC governance boards, as well as satisfaction with the national exercise programme and responses to national security events.

Note 3 – While the performance rating is acknowledged, it should be noted that there was a very low number of respondents for the surveys in this area (with response rates across the three relevant survey areas ranging from 2% through to 21%) which could cause the result to be statistically unsound. In view of this possibility and to show more meaningful results for 2017/18, DPMC will look at better ways to capture our performance in this area.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
8,484	Revenue Crown	9,473	9,991	9,473
433	Revenue Other	409	-	540
8,917	TOTAL REVENUE	9,882	9,991	10,013
8,508	Expenses	10,119	9,991	10,013
409	Net Surplus/(Deficit)	(237)	-	-

Category: Policy Advice – Prime Minister and Cabinet

This category is limited to the provision of advice (including second-opinion advice and contributions to policy advice led by other agencies) to support decision-making by the Prime Minister and the Cabinet.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
The satisfaction of the Prime Minister with the policy advice service, as measured using the Common Satisfaction Survey (see Note 1), is at least:	Far exceeded expectations	6	7
The total cost per hour of producing outputs	\$92 per hour	\$90-\$120	\$104

Note 1 – The Common Satisfaction Survey measures the Prime Minister's satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1 to 10, where 1 means fell well short of expectations and 10 means far exceeded expectations. DPMC does not survey Cabinet for this category, so this reference has been withdrawn.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
6,351	Revenue Crown	5,572	4,131	5,572
465	Revenue Other	798	-	1,136
6,816	TOTAL REVENUE	6,370	4,131	6,708
6,797	Expenses	5,908	4,131	6,708
19	Net Surplus/(Deficit)	462	-	-

Category: Science Advisory Committee

This category is limited to the purchase of high-quality scientific advice to the Prime Minister.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
The satisfaction of the Prime Minister with the scientific advice provided, as measured using the Common Satisfaction Survey (see Note 1), is at least:	Achieved – rated as “far exceeded expectations”	6	9

Note 1 – The Common Satisfaction Survey measures the Prime Minister’s satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1 to 10, where 1 means extremely dissatisfied and 10 means extremely satisfied.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
675	Revenue Crown	675	675	675
50	Revenue Other	50	-	50
725	TOTAL REVENUE	725	675	725
721	Expenses	725	675	725
4	Net Surplus/(Deficit)	-	-	-

Category: Support Services to the Governor-General and Maintenance of the Official Residences

This category is limited to financial, administrative, communications and advisory services for the Governor-General; and services to maintain the Governor-General's residences.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Support to the Governor-General is efficient and effective	Governor-General's satisfaction with Cabinet Office service rated as "exceeded expectations"	Governor-General's expectations met or exceeded	Exceeded expectations
Events at the Government House are well organised	Governor-General's overall satisfaction rated as "proficient"	Governor-General's expectations met or exceeded	Exceeded expectations
Management of the Governor-General's domestic and international programme is appropriate and well-balanced	Governor-General's overall satisfaction rated as "proficient"	Governor-General's expectations met or exceeded	Exceeded expectations
The satisfaction of the Building and Grounds Committee with support and advice in relation to the maintenance of the official residences (see Note 1) is at least:	New measure	6	6.5

Note 1 – The Building and Grounds Committee's role is to ensure the Capital and Long-term Maintenance Plan developed by Government House and formally approved by the Chief Executive is properly devised and then implemented. The Committee receives support and advice from DPMC officials following the development of the Plan regarding its implementation. The Committee's satisfaction will be assessed through an annual feedback form.

Financial Information

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
3,978	Revenue Crown	3,858	4,109	3,858
-	Revenue Other	-	30	30
3,978	TOTAL REVENUE	3,858	4,139	3,888
3,973	Expenses	4,078	4,139	3,888
5	Net Surplus/(Deficit)	(220)	-	-

Category: Support, Secretariat and Coordination Services

This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities including support for the coordination of the Government's legislation programme; secretariat services to the Executive Council, Cabinet and its committees; and administration of the New Zealand Honours system.

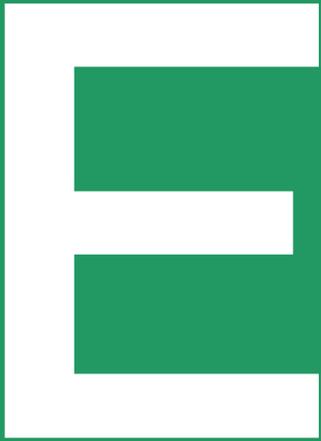
Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Cabinet and Cabinet committee minutes requiring subsequent amendment (excluding amendments made as the result of Cabinet decisions)	0.36%	0.5%	0.48% (see Note 1)
Papers for Cabinet and Cabinet committee meetings will be published on CabNet by the close of business, two days before the meeting (subject to on-time lodgement in CabNet) (see Note 2)	96%	90%	91%
Cabinet minutes will be published on CabNet by the close of business, three days after the Cabinet meeting (see Note 2)	98.6%	95%	98.8%
Formal feedback from the Governor-General and the Prime Minister on services provided	The Governor-General's satisfaction rated as "exceeded expectations" The Prime Minister's satisfaction rated as "far exceeded expectations"	Overall expectations are met or exceeded	The Governor-General's satisfaction rated as "exceeded expectations" The Prime Minister's satisfaction rated as "exceeded expectations"

Note 1 – There has been an increase in the number of minutes on the previous year.

Note 2 – Measures amended to improve accuracy: the previous reference to "business" day in respect of material was unnecessary.

Financial Information

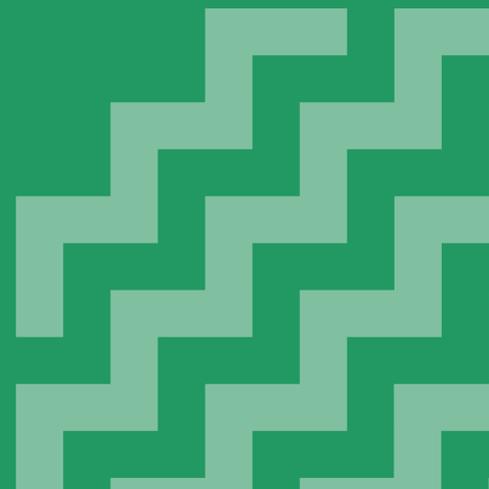
2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
7,535	Revenue Crown	5,700	5,790	5,700
429	Revenue Other	434	-	16
7,964	TOTAL REVENUE	6,134	5,790	5,716
7,492	Expenses	5,697	5,790	5,716
472	Net Surplus/(Deficit)	437	-	-



Financial Statements

This section sets out:

- Reports on the financial resources used by DPMC to deliver the goods and services purchased by our Ministers
- The Financial Statements, notes to the Financial Statements and other explanatory information



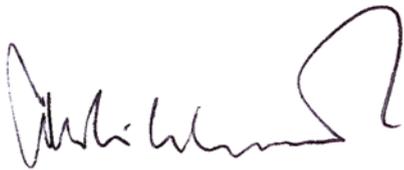
Statement of Responsibility

I am responsible, as the Chief Executive of the Department of the Prime Minister and Cabinet (the Department), for:

- the preparation of the Department's Financial Statements, and Statements of Expenses and Capital Expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end of year performance information on each appropriation administered by the Department is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report, and
- the accuracy of any end of year performance information prepared by the Department, whether or not that information is included in the Annual Report.

In my opinion:

- the Financial Statements fairly reflect the financial position of the Department as at 30 June 2017 and its operations for the year ended on that date, and
- the Forecast Financial Statements fairly reflect the forecast financial position of the Department as at 30 June 2018 and its operations for the year ending on that date.



Andrew Kibblewhite
CHIEF EXECUTIVE

Date: 29 September 2017

Independent Auditor's Report

To the readers of the Department of the Prime Minister and Cabinet's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of the Department of the Prime Minister and Cabinet (DPMC). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of DPMC on pages 66 to 81, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, the statement of comprehensive revenue and expenses, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by DPMC for the year ended 30 June 2017 on pages 21 to 34 and 45 to 57; and
- the statements of expenses and capital expenditure of DPMC for the year ended 30 June 2017 on pages 42 to 44; and
- the schedules of non-departmental activities which are managed by DPMC on behalf of the Crown on pages 82 to 88 that comprise:
 - the schedules of assets, liabilities, commitments, and contingent liabilities and assets as at 30 June 2017;
 - the schedules of expenses, and revenue for the year ended 30 June 2017; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of DPMC on pages 66 to 81:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year ended on that date; and

- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
- the performance information of DPMC on pages 21 to 34 and 45 to 57:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of DPMC on pages 42 to 44 and are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by DPMC on behalf of the Crown on pages 82 to 88 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets, liabilities, commitments, and contingent liabilities and assets as at 30 June 2017; and
 - expenses, and revenue for the year ended 30 June 2017; and

Our audit was completed on 29 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of DPMC for preparing:

- financial statements that present fairly DPMC's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of DPMC, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by DPMC on behalf of the Crown.

The Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of DPMC for assessing DPMC's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of DPMC, or there is no realistic alternative but to do so.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to DPMC's information on Strategic Intentions 2016-2020, Estimates and Supplementary Estimates 2016/17 for Vote Prime Minister and Cabinet, and the 2016/17 forecast financial figures included in DPMC's 2015/16 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures

responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DPMC's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- We evaluate the appropriateness of the reported performance information within DPMC's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on DPMC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause DPMC to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 5 to 20, 35 to 39, 60, 89 to 94, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

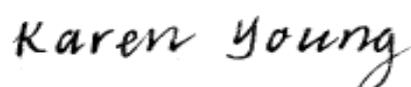
The Minister of Civil Defence, Minister supporting Greater Christchurch Regeneration and DPMC's report on relevant non-departmental appropriations that is appended to DPMC's annual report is not part of DPMC's annual report. The Public Finance Act 1989 does not

require the information in the Ministers' and DPMC's reports to be audited and we have performed no procedures over the information in the Ministers' and DPMC's reports.

Independence

We are independent of DPMC in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in DPMC.



Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Departmental Financial Statements

Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2017

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000		Note	2016/2017 Vote PMC Actual \$000	2016/17 Vote PMC Budget \$000	2017/18 Unaudited Forecast \$000
REVENUE							
53,959	70,209	124,168	Revenue Crown – Non-exchange		68,814	61,995	53,341
1,737	765	2,502	Other Revenue – Exchange	2	2,494	260	260
55,696	70,974	126,670	TOTAL REVENUE		71,308	62,255	53,601
EXPENSES							
23,825	33,226	57,051	Personnel Costs	3	30,429	22,137	25,464
968	451	1,419	Depreciation and Amortisation Expense	6	1,065	1,019	1,019
472	138	610	Capital Charge	4	550	472	486
25,898	37,118	63,016	Other Operating Expenses	5	27,455	38,627	26,632
51,163	70,933	122,096	TOTAL EXPENDITURE		59,499	62,255	53,601
4,533	41	4,574	NET SURPLUS/(DEFICIT)		11,809	-	-
4,533	41	4,574	TOTAL COMPREHENSIVE REVENUE AND EXPENSES		11,809	-	-

Statement of Changes in Equity

for the year ended 30 June 2017

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000		2016/17 Vote PMC Actual \$000	2016/17 Vote PMC Budget \$000	2017/18 Unaudited Forecast \$000
8,059	-	8,059	BALANCE AT 1 JULY 2016	8,534	8,534	7,997
COMPREHENSIVE REVENUE/(EXPENSE)						
4,533	41	4,574	Surplus for the Year	11,809	-	-
475	-	475	Capital Injection	163	2,350	200
-	-	-	Capital Withdrawals	(700)	(700)	-
(4,533)	(41)	(4,574)	Return of Operating Surplus to the Crown	(11,809)	-	-
8,534	-	8,534	BALANCE AT 30 JUNE 2017	7,997	10,184	8,197

Statement of Financial Position

as at 30 June 2017

2015/16 Vote PMC Actual \$000		Note	2016/17 Vote PMC Actual \$000	2016/17 Vote PMC Budget \$000	2017/18 Unaudited Forecast \$000
ASSETS					
CURRENT ASSETS					
5,037	Cash and Cash Equivalents		18,188	629	5,925
13,455	Debtor Crown		5,497	1,603	3,488
1,818	Debtors and Other Receivables		1,252	2,874	724
273	Inventory		258	100	100
20,583	TOTAL CURRENT ASSETS		25,195	5,206	10,237
NON-CURRENT ASSETS					
-	Inventory		-	199	199
3,636	Intangible Assets	6	2,898	3,666	1,858
597	Property, Plant and Equipment	6	595	3,080	1,150
4,233	TOTAL NON-CURRENT ASSETS		3,493	6,945	3,207
24,816	TOTAL ASSETS		28,688	12,151	13,444
LIABILITIES					
CURRENT LIABILITIES					
8,484	Creditors and Other Payables		6,261	598	3,378
4,574	Provision for Repayment of Surplus		11,809	-	-
527	Provisions	7	70	-	-
1,940	Employee Entitlements	8	1,846	1,056	1,556
15,525	TOTAL CURRENT LIABILITIES		19,986	1,654	4,934
NON-CURRENT LIABILITIES					
399	Provisions	7	294	-	-
358	Employee Entitlements	8	411	313	313
757	TOTAL NON-CURRENT LIABILITIES		705	313	313
16,282	TOTAL LIABILITIES		20,691	1,967	5,247
8,534	NET ASSETS		7,997	10,184	8,197
EQUITY					
8,534	Taxpayers' Funds		7,997	10,184	8,197
8,534	TOTAL EQUITY		7,997	10,184	8,197

The accompanying notes and policies form part of these Financial Statements.

Statement of Cash Flows

for the year ended 30 June 2017

The Statement of Cash Flows summarises the cash movements in and out of the Department during the financial year.

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000	Note	2016/17 Vote PMC Actual \$000	2016/17 Vote PMC Budget \$000	2017/18 Unaudited Forecast \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
42,369	92,291	134,660		76,768	62,265	53,341
1,125	308	1,433		3,007	260	260
(26,351)	(48,415)	(74,766)		(31,611)	(38,525)	(26,441)
(21,918)	(37,541)	(59,459)		(30,470)	(22,239)	(25,655)
(415)	(138)	(553)		(550)	(472)	(486)
637	(2,505)	(1,868)		1,390	-	-
(4,553)	4,000	(553)	9	18,534	1,289	1,019
CASH FLOWS FROM INVESTING ACTIVITIES						
(492)	-	(492)		(165)	(2,450)	(300)
-	-	-		(160)	-	-
44	58	102		53	-	-
(448)	58	(390)		(272)	(2,450)	(300)
CASH FLOWS FROM FINANCING ACTIVITIES						
(4,069)	(10,121)	(14,190)		(4,574)	(2,360)	-
475	-	475		163	2,350	200
-	-	-		(700)	(700)	-
4,352	(4,352)	-		-	-	-
758	(14,473)	(13,715)		(5,111)	(710)	200
(4,243)	(10,415)	(14,658)		13,151	(1,871)	919
9,280	10,415	19,695		5,037	2,500	5,006
5,037	-	5,037		18,188	629	5,925

The accompanying notes and policies form part of these financial statements.

Statement of Commitments

as at 30 June 2017

Capital Commitment

At 30 June 2017 the Department has no capital commitments (2016: Nil).

Non-cancellable operating lease commitments

The Department leases premises in Wellington, Auckland and Christchurch. These non-cancellable operating leases have varying terms, escalation clauses and renewal rights. In Wellington, the Department leases the floors in Bowen House and the floors of Pipitea House. A civil defence centre is leased in Auckland, and an office leased in Christchurch for the Greater Christchurch Group. The amounts disclosed below as future commitments are based on the current rental rates. Other operating commitments are for motor vehicles.

During the year ended 30 June 2017, \$1.550 million was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2016: \$3.725 million).

There are no restrictions placed on the Department or the departmental agency by any of the operating lease arrangements.

2015/16 Actual \$000		2016/17 Actual \$000
OPERATING COMMITMENTS		
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
1,454	No later than one year	1,911
4,071	Later than one year and not later than 5 years	4,827
719	Later than five years	199
6,244	TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	6,937
	- OTHER NON-CANCELLABLE COMMITMENTS	-
6,244	TOTAL COMMITMENTS	6,937

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2017

Contingent liabilities – At 30 June 2017 the Department has no contingent liabilities (2016: Nil).

Contingent assets – At 30 June 2017 the Department has no contingent assets (2016: Nil).

Notes to the Departmental Financial Statements

for the year ended 30 June 2017

1. Statement of Accounting Policies for the Year Ended 30 June 2017

Reporting entity

The Department of the Prime Minister and Cabinet (“the Department”) is a New Zealand government department as defined by the Public Finance Act 1989.

In addition, the Department has reported separately, in the Non-departmental Schedules, financial information on public funds managed by the Department, on behalf of the Crown.

The primary objective of the Department is to provide services to the public rather than making a financial return. Accordingly, the Department has designated itself as a public benefit entity for the purposes of New Zealand Public Benefit Entity International Public Sector Accounting Standards (NZ PBE IPSAS).

The Financial Statements of the Department are for the year ended 30 June 2017. The Forecast Financial Statements are for the year ended 30 June 2018. These Financial Statements were authorised for issue by the Chief Executive of the Department on 29 September 2017.

The Financial Statements of the Department for the year ended 30 June 2016 include CERA financials and group consolidation. CERA was disestablished as a departmental agency, by the Greater Christchurch Regeneration Act 2016, Schedule 8, as of 18 April 2016, five years after the date of establishment. CERA had been hosted by DPMC from 1 February 2015.

CERA's responsibilities were transferred to other central and local government agencies to ensure the long-term recovery and regeneration of greater Christchurch.

The Departmental Financial Statements and the financial information reported in the Non-departmental Schedules are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2017.

Statement of compliance

The Departmental Financial Statements and Departmental Forecast Financial Statements of the Department have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP), Treasury Instructions and Treasury Circulars. These Financial Statements have been prepared in accordance with Tier 1 NZ PBE accounting standards.

Measurement and recognition rules applied in the preparation of the Non-departmental Supplementary Financial Schedules are consistent with NZ GAAP and Crown accounting policies and are detailed in the Financial Statements of the Government.

Basis of preparation

The principal accounting policies applied in the preparation of the Departmental Financial Statements and Non-departmental Schedules.

Measurement base

The Departmental Financial Statements and Non-departmental Schedules have been prepared on an historical-cost basis. The accrual basis of accounting has been used.

Functional and presentation currency

The Departmental Financial Statements and Non-departmental Schedules are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Department is New Zealand dollars.

Changes in accounting policies

These Financial Statements have been presented in accordance with the current PBE accounting standards. There have been no changes in accounting policies during the reporting period.

Standards issued and not yet effective and not early adopted

New standards and amendments issued but not yet effective and not early adopted are not material for the Department.

Critical accounting estimates and assumptions

In preparing these Financial Statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are in respect of:

- estimating the fair value of land and buildings – see Note 14.

Significant accounting policies

The following significant accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these Financial Statements.

Revenue Crown – non-exchange – departmental

Revenue from the Crown is measured based on the Department's funding entitlement for the reporting period.

The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date. There are no conditions attached to the funding from the Crown. However, the Department can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Financial instruments

Financial assets

Cash and cash equivalents includes cash on hand, bank accounts and deposits with a maturity of up to three months. Cash assets are carried at the face value of the amounts deposited or drawn, which closely approximates fair value.

Debtors and other receivables are classified as “loans and receivables”. Initial measurement is at cost. Subsequent measurement is at amortised cost, less impairment losses, if any.

Financial liabilities

The major financial liability type is accounts payable which is designated at amortised cost using the effective interest rate method. Financial liabilities entered into with durations of less than 12 months are recognised at their nominal value.

Goods and services tax

All items in the Financial Statements, including the appropriation statements, are stated exclusive of GST, except for receivables and payables. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as an expense and eliminated against GST revenue upon consolidation of the Government Financial Statements.

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts entered into at balance date are disclosed as commitments to the extent there are equally unperformed obligations.

Budget figures

The budget figures are those included in the Department’s Budget Estimates for the year ended 30 June 2017, which are consistent with the financial information in the Main Estimates. In addition, the Financial Statements also present the updated budget information from the Supplementary Estimates.

Forecast figures

Basis of preparation

Forecast Financial Statements have been prepared in accordance with the accounting policies expected to be used in the future for reporting historical general purpose financial statements.

These Forecast Financial Statements have been prepared in accordance with NZ PBE IPSAS and are unaudited.

These financial forecasts are based on the *Budget Economic and Fiscal Update* (BEFU) and have been prepared on the basis of assumptions as to future events that the Department reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date that the information was prepared.

The actual results will remain substantially the same as the previous year. The main assumptions were as follows:

- The activities and output expectations will remain substantially the same as the previous year focusing on the Government’s priorities.
- Personnel costs were based on current wages and salary costs, adjusted for anticipated remuneration changes.
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the best estimate of future costs that will be incurred.

Additional factors that could lead to material differences between the Forecast Financial Statements and the 2016/17 Actual Financial Statements include changes to the baseline budget through new initiatives, transfer of funding across financial years or technical adjustments.

Authorisation statement

The Departmental Forecast Financial Statements were authorised for issue by the Chief Executive of the Department of the Prime Minister and Cabinet on 6 April 2017. The Chief Executive is responsible for the Forecast Financial Statements presented, including the appropriateness of the assumptions underlying the Forecast Financial Statements and all other required disclosure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

Comparatives

When presentation or classification of items in the Departmental Financial Statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Statement of cost accounting policies for Department Financial Statements

There have been no changes in cost accounting policies since the date of the last audited Financial Statements. The Department has determined the cost of outputs using the following cost allocation system:

- Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related appropriations.
- Indirect costs are expenses incurred by Corporate Services and by the Office of the Chief Executive. Indirect costs are allocated to appropriations based on full time equivalent personnel numbers. Indirect costs include those costs incurred by Central Agencies Shared Services (CASS) (since March 2012) and then recovered from DPMC.

2. Other Revenue

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000		2016/17 Actual \$000
210	-	210	Revenue Department – Club Funding	675
983	-	983	Revenue Department – Secondment Recovery	684
412	-	412	Revenue Department – Other	219
73	722	795	Third Party – Other Revenue	863
59	43	102	Gain on Sale of Assets	53
1,737	765	2,502	TOTAL OTHER REVENUE AND GAINS	2,494

3. Personnel Costs

There have been no changes in cost accounting policies since the date of the last audited Financial Statements.

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000		2016/17 Actual \$000
21,805	33,183	54,988	Salaries and Wages	28,804
679	805	1,484	Employer Contributions to Defined-Contribution Plans	881
813	(1,401)	(588)	Increase/(Decrease) in Employee Entitlements	(133)
528	639	1,167	Other ¹	877
23,825	33,226	57,051	TOTAL PERSONNEL COSTS	30,429

1 Other includes recruitment, staff training and attendance at conferences and seminars.

4. Capital Charge

DPMC pays a capital charge to the Crown based on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2017 was 7% from 1 July 2016 to 31 December 2016 and 6% from 1 January 2017 (2016: 8.0%).

5. Other Operating Expenses

There have been no changes in cost accounting policies since the date of the last audited Financial Statements

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000		2016/17 Vote PMC Actual \$000	2016/17 Vote PMC Budget \$000	2017/18 Forecast \$000
120	280	400	Audit Fees for Audit of Financial Statements	98	54	160
2,025	1,700	3,725	Premises Rental	1,550	1,575	1,950
471	603	1,074	Facilities Costs	672	547	661
160	-	160	Inventories Consumed	139	115	150
6,565	28,412	34,977	Consultancy	8,284	2,733	7,348
1,168	1,302	2,470	Travel Costs	1,849	1,853	1,911
611	221	832	Building and Ground Maintenance Costs	592	590	638
3,692	1,043	4,735	Promotion and Publicity Costs	2,271	1,069	840
714	841	1,555	Photocopying and Printing Costs	367	482	314
234	291	525	Cell Phone and Telephone	276	221	240
415	1,446	1,861	IT-related Costs	365	231	547
8,632	-	8,632	CASS	8,892	8,937	8,133
1,091	979	2,070	Other Operating Expenses	2,100	20,220	3,740
25,898	37,118	63,016	TOTAL OTHER OPERATING COSTS	27,455	38,627	26,632

6. Property, Plant and Equipment

Accounting policy

Property, plant and equipment

Property, plant and equipment is initially recognised at cost, plus incidental costs directly attributable to acquisition if it is probable that future economic benefits or service potential associated with the item will flow to the Crown. Where an asset is acquired at no or a nominal cost, it is recognised at fair value at the date of acquisition.

Depreciation is provided on a straight-line basis to allocate cost or revalued amounts, net of any estimated residual value, over the estimated useful life. The useful lives of major classes of assets have been estimated as follows:

Type of Asset	Estimated Life (years)
Fixtures	10 years
Furniture	5 years
Plant and Equipment	5 years
Motor Vehicles	4 years

De-recognition

An item of property, plant and equipment is de-recognised when it is disposed of, or when no future economic benefits are expected from its use. Any gain or loss on de-recognition is included in the surplus or deficit in the year the asset is de-recognised.

Property held for sale

Assets are recognised as held for sale if the Crown will recover their carrying amount principally through a sale transaction rather than through continuing use. These assets are recognised at the lower of the carrying amount and fair value less costs to sell.

Intangible assets

Software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct costs include software acquisition and customisation costs by consultants or staff. Staff training costs are recognised as an expense when incurred. Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when an asset is available for use and ceases at the date that an asset is de-recognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expenses. The useful life and associated amortisation rate of computer software is as follows:

Type of Asset	Estimated Life (years)
Customised Software	5 years

Impairment

At each reporting date, the carrying amounts of all tangible and intangible assets are assessed to determine whether there is any indication they have suffered an impairment loss. If such indications exist for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in the surplus or deficit.

The estimated recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined as the depreciated replacement cost of the asset.

	Furniture and Fittings \$000	Motor Vehicles \$000	Work in Progress \$000	Plant and Equipment \$000	Intangible Assets \$000	Total \$000
COST						
Balance at 1 July 2015	945	343	-	846	4,398	6,532
Additions	80	-	363	-	46	489
Disposals	(439)	(132)	-	(39)	-	(610)
Other Movements	-	-	-	-	-	-
Balance at 30 June 2016	586	211	363	807	4,444	6,411
Balance at 1 July 2016	586	211	363	807	4,444	6,411
Additions	-	-	326	24	-	350
Disposals	-	(177)	-	(3)	-	(180)
Other Movements	295	(14)	(654)	193	161	(19)
BALANCE AT 30 JUNE 2017	881	20	35	1,021	4,605	6,562
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2015	363	229	-	757	-	1,349
Depreciation Expense	481	68	-	62	808	1,419
Disposals	(437)	(115)	-	(38)	-	(590)
Other Movements	-	-	-	781	-	-
Balance at 30 June 2016	407	182	-	781	808	2,178
Balance at 1 July 2016	407	182	-	781	808	2,178
Depreciation Expense	103	9	-	54	899	1,065
Disposals	-	(171)	-	(3)	-	(174)
Other Movements	-	-	-	-	-	-
BALANCE AT 30 JUNE 2017	510	20	-	832	1,707	3,069
CARRYING VALUE						
At 1 July 2015	582	114	-	89	4,398	5,183
At 1 July 2016	179	29	363	26	3,636	4,233
At 30 June 2017	371	-	35	189	2,898	3,493

7. Provisions

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event
- it is probable that expenditure will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Financial Statements

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2015/16 Actual \$000		2016/17 Actual \$000
PROVISIONS		
1,231	Opening Balance	926
(1,231)	Provision Used/Reversed During the Year	(926)
926	Additional Provision During the Year	364
926	CLOSING BALANCE	364
527	CURRENT PROVISION	70
399	NON-CURRENT PROVISION	294

The provision at 30 June 2017 relates to an onerous lease on a property in Christchurch where there is a differential between the lease cost and the recoveries from a sub-lease.

8. Employee Entitlements

This note includes an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

2015/16 Actual \$000		2016/17 Actual \$000
CURRENT EMPLOYEE ENTITLEMENTS		
85	Salary Accrual	177
1,492	Annual Leave	1,261
20	Long Service Leave	23
28	Retirement Leave	34
28	Sick Leave	42
287	Other Employee Benefits	309
1,940	TOTAL CURRENT LIABILITIES	1,846
NON-CURRENT EMPLOYEE ENTITLEMENTS		
116	Long Service Leave	138
242	Retirement Leave	273
358	TOTAL NON-CURRENT LIABILITIES	411
2,298	TOTAL EMPLOYEE ENTITLEMENTS	2,257

The present value of the retirement and long service leave obligations depends on a number of factors that are determined on an actuarial basis using some assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary-inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. In determining the appropriate discount rate, the Department adopts the central table of risk-free discount rates and Consumer Price Index (CPI) assumptions provided by the Treasury.

9. Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

2015/16 Vote PMC Actual \$000	2015/16 Vote CERA Actual \$000	2015/16 Group Actual \$000		2016/17 Actual \$000
4,533	41	4,574	NET SURPLUS (DEFICIT)	11,809
			ADD/(LESS) NON-CASH ITEMS	
968	451	1,419	Depreciation and Amortisation	1,065
968	451	1,419	TOTAL NON-CASH ITEMS	1,065
			ADD/(LESS) WORKING CAPITAL MOVEMENT	
(15,030)	24,853	9,823	(Increase)/Decrease in Receivables and Prepayments	8,524
14	-	14	(Increase)/Decrease in Inventories	15
2,587	(18,152)	(15,565)	Increase/(Decrease) in Creditors and Other Payables	(3,613)
636	150	786	Increase/(Decrease) in GST	1,390
527	(1,231)	(704)	Increase/(Decrease) in Provisions	(457)
785	(2,112)	(1,327)	Increase/(Decrease) in Employee Entitlements	(94)
(10,481)	3,508	(6,973)	TOTAL NET MOVEMENT IN WORKING CAPITAL ITEMS	5,765
427	-	427	Add/(Less) Movements in Non-current Liabilities	(52)
			ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES	
-	-	-	(Gain)/Losses on Disposal of Property, Plant and Equipment	(53)
(4,553)	4,000	(553)	NET CASH FLOWS FROM OPERATING ACTIVITIES	18,534

10. Related-party Transactions

Accounting policy

The Department is a wholly-owned entity of the Crown. The Government significantly influences the roles of the Department as well as its source of revenue.

The Department undertakes transactions with other departments, Crown entities and State-Owned Enterprises (SOEs). These transactions are carried out at an arm's-length basis and are therefore not disclosed as related-party transactions except for rent for part of the Department located at the Beehive where no rental is being incurred.

Apart from those transactions described above, the Department has not entered into any related-party transactions.

DPMC received funding from the Crown of \$68.814 million to provide services to the public for the year ended 30 June 2017 (2016: \$124.168 million). The 2016 funding included \$70.209 million relating to CERA. The Government significantly influences the roles of the Department as well as being its major source of revenue.

In conducting its activities, the Department is required to pay various taxes and levies to the Crown and entities related to the Crown. The payment of these taxes and levies (other than income tax) is based on the standard terms and conditions that apply to all tax and levy payers. The Department is exempt from paying income tax.

Key management personnel – DPMC [DPMC Leadership Team, including the Chief Executive]

2015/16 Actual \$000	2016/17 Actual \$000
1,973 Remuneration	2,324
6 Full-time Equivalent Staff	7

The above key management personnel compensation excludes the remuneration and other benefits for the Prime Minister and other Cabinet Ministers. The Ministers' remuneration and other benefits are not received only for their roles as members of key management personnel of DPMC. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by DPMC.

Related-party transactions involving key management personnel (or their close family members)

There were no related-party transactions involving key management personnel or their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2016: Nil).

11. Explanations of Major Variances against Budget

Explanation for major variances from the Department's original 2016/17 budget figures and comparison to 2015/16 year actuals are as follows:

Statement of Comprehensive Revenue and Expenses

Revenue

Revenue was higher than budgeted by \$9.053 million owing principally to an increase due to the earlier receipt of revenue from the Crown for the National Cell Broadcasting Alerting system than anticipated in the budget, and revenue from agencies funding contributions to the Policy Project from other agencies and staff secondments.

Expenditure

Expenditure is lower overall by \$2.756 million. Other operating expenses were lower than budgeted because of the transfer of the Cyber Security Services appropriation to the Ministry of Business, Innovation and Employment, exiting and sublease of surplus office accommodation and the original budget, which was subsequently revised in the supplementary estimates, being too high.

The lower other operating expenses was largely offset by higher personnel (which was budgeted too low originally and revised in the supplementary estimates) and additional costs from initiatives that were carried over from the 2015/16 year and costs of back fill for staff who had been seconded out to other agencies.

The net surplus of \$11.809 million for 2016/17 is owing mainly to the uncertainty of timing of activities associated with several events such as the November 2016 Kaikōura earthquake and tsunami response and recovery work and development of a National Cell Broadcast Alerting system for New Zealand.

Statement of Financial Position

The major variations compared to budget for 2016/17 are owing mainly to the higher operating surplus and therefore higher cash and debtor Crown. This also led to an increase in liabilities mainly the provision for repayment of surplus and higher than budgeted unpaid supplier invoices at year-end.

12. Change in Organisational Form and Discontinued Operations

Discontinued operations

Discontinued operations – the disestablishment of CERA

CERA was disestablished as a departmental agency, by the Greater Christchurch Regeneration Act 2016, Schedule 8, as of 18 April 2016, five years after the date of establishment. CERA had been hosted by DPMC from 1 February 2015.

Owing to the disestablishment of CERA there are no Vote CER or Group figures for the reporting period.

13. Events After the Balance Date

There have been no events after the balance date in respect to the Departmental Financial Statements.

Non-departmental Financial Schedules

for the year ended 30 June 2017

Schedule of Non-departmental Expenses

for the year ended 30 June 2017

The Schedule of Expenses summarises expenses that the Department administers on behalf of the Crown.

2015/16 Actual \$000		2016/17 Actual \$000	Budget \$000
VOTE PRIME MINISTER AND CABINET			
927	Non-departmental Output Expenses	4,000	4,000
3,711	Non-departmental Other Expenses	6,288	3,009
1,865	Non-departmental Other Expenses: Permanent Legislative Authority (PLA)	30,404	1,946
1,560	Multi-category Appropriation: Non-departmental Other Expenses	1,557	2,732
6,775	GST Input expense	10,581	858
REMEASUREMENTS:			
(12,800)	Movement in Provision for Horizontal Infrastructure (Three Waters)	7,900	-
2,038	TOTAL VOTE PRIME MINISTER AND CABINET	60,730	12,545
VOTE CANTERBURY EARTHQUAKE RECOVERY			
4,788	Administration and Use from Vote Finance	-	-
9,544	Non-departmental Other Expenses: Permanent Legislative Authority (PLA)	-	-
111,916	Multi-category Appropriation: Non-departmental Expenses	-	-
24,259	GST Input Expense	-	-
REMEASUREMENTS:			
(29,200)	Movement in Provision for Horizontal Infrastructure (Three Waters)	-	-
5,807	Purchase of Land and Buildings – Operating	-	-
127,114	TOTAL VOTE CANTERBURY EARTHQUAKE RECOVERY NON-DEPARTMENTAL EXPENSES	-	-
129,152	TOTAL NON-DEPARTMENTAL EXPENSES	60,730	12,545

The accompanying notes and policies form part of these Financial Schedules.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these schedules should also refer to the Financial Statements of the Government of New Zealand for 2016/17.

Schedule of Non-departmental Revenue and Receipts

for the year ended 30 June 2017

2015/16 Actual \$000		2016/17	
		Actual \$000	Budget \$000
VOTE PRIME MINISTER AND CABINET			
190	Other Revenue	250	150
190	TOTAL VOTE PRIME MINISTER AND CABINET NON-DEPARTMENTAL REVENUE AND RECEIPTS	250	150
VOTE CANTERBURY EARTHQUAKE RECOVERY			
650	Interest Revenue	-	-
(5,853) ¹	Insurance Recoveries from Red Zone Properties	-	-
1,165	Recovery of Demolition Costs from Property Owners	-	-
1,642	Property Management Income	-	-
11,124	Contribution from Christchurch City Council for Red Zoning	-	-
1,149	Recovery of Costs Incurred	-	-
395	Philanthropic Revenue	-	-
10,272	TOTAL VOTE CANTERBURY EARTHQUAKE RECOVERY NON-DEPARTMENTAL REVENUE AND RECEIPTS	-	-
10,462	TOTAL NON-DEPARTMENTAL REVENUE AND RECEIPTS	250	150

- 1 The negative income in the insurance recoveries from Red Zone properties recorded above resulted from an adjustment to the actuarial re-measurement for the recovery of insurance proceeds from insurers and the Earthquake Commission, associated with purchases of Red Zone properties.

The accompanying notes and policies form part of these Financial Schedules.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these schedules should also refer to the Financial Statements of the Government of New Zealand for 2016/17.

Schedule of Non-departmental Assets and Liabilities

as at 30 June 2017

2015/16 Actual \$000		Note	2016/17	
			Actual \$000	Budget \$000
ASSETS				
CURRENT ASSETS				
15,150	Cash in Bank		14,734	38
101	Debtors and Other Receivables		50	-
34	Prepayments		-	-
15,285	TOTAL CURRENT ASSETS		14,784	38
NON-CURRENT ASSETS				
107,079	Land, Property, Plant and Equipment	14	109,880	96,594
107,079	TOTAL NON-CURRENT ASSETS		109,880	96,594
122,364	TOTAL NON-DEPARTMENTAL ASSETS		124,664	96,632
LIABILITIES				
CURRENT LIABILITIES				
3,352	Creditors and Other Payables		2,224	50
74,549	Provision – Horizontal Infrastructure (Three Waters)	15	24,931	-
-	Provision – Emergency Expenses	15	28,049	-
77,901	TOTAL CURRENT LIABILITIES		55,204	50
NON-CURRENT LIABILITIES				
-	TOTAL NON-CURRENT LIABILITIES		-	-
77,901	TOTAL NON-DEPARTMENTAL LIABILITIES		55,204	50
REVALUATION RESERVES				
39,464	Property Revaluation Reserves	14	42,724	30,856
39,464	TOTAL REVALUATION RESERVES		42,724	30,856

Schedule of Non-departmental Commitments

as at 30 June 2017

As at 30 June 2017, there are no capital and operating commitments in Vote Prime Minister and Cabinet (2016: Nil).

The accompanying notes and policies form part of these Financial Schedules.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these schedules should also refer to the Financial Statements of the Government of New Zealand for 2016/17.

Schedule of Non-departmental Contingent Liabilities and Contingent Assets

as at 30 June 2017

Vote Prime Minister and Cabinet

Vote Prime Minister and Cabinet, on behalf of the Crown, has the following contingent liabilities and assets as at 30 June 2017.

Contingent liabilities – quantifiable

Dispute with supplier

The Department is currently in dispute with a supplier. Disclosure of further information may prejudice the Department's position (2016: Nil. The dispute with the supplier was disclosed as an unquantifiable contingent liability).

Contingent assets – quantifiable

Dispute with supplier

The Department is currently in dispute with a supplier. This is a counterclaim to the contingent liability above. Disclosure of further information may prejudice the Department's position (2016: Nil. The counterclaim regarding the dispute with the supplier was disclosed as an unquantifiable contingent asset).

Contingent liabilities – unquantifiable

New Zealand Local Authorities

Section 39 of the Civil Defence Emergency Management Act 2002 provides for a national civil defence emergency management plan (the National CDEM Plan). The National CDEM Plan sets out the principles of government financial support to local authorities, and its accompanying Guide sets out the criteria and arrangements for this support as set by government policy for costs incurred as a result of a local or national emergency.

As at 30 June 2017 there were six events from which we expect to receive claims for reimbursement from local authorities for welfare, response and recovery costs being: severe weather and flooding in the Manawatu-Wanganui region on 18-20 June 2015; the Tasman District flooding in December 2010; Kaikōura earthquake and tsunami on 14 November 2016; the Christchurch City and Selwyn bushfire in January/February 2017; severe weather and flooding in Auckland in March 2017; and the cyclones in the Bay of Plenty region in April 2017. Costs are unquantifiable pending engineering assessments. The costs associated with the cyclones in the Bay of Plenty region are likely to be significant.

Provision of \$24.403 million has been made for Emergency Expenses associated with the earthquake on 14 November 2016 (see note 15) (2016: dispute with supplier above was disclosed as an unquantifiable contingent liability).

Contingent assets – unquantifiable

There are no unquantifiable contingent assets as at 30 June 2017 (2016: the counterclaim regarding the dispute with supplier above was disclosed as an unquantifiable contingent asset).

Notes to the Non-departmental Financial Schedules

Explanatory notes provide details of significant Vote Prime Minister and Cabinet non-departmental expenditure, revenue, assets and liabilities. All non-departmental balances are included in the Financial Statements of the Government of New Zealand.

14. Property, Plant and Equipment (PPE)

Actual 2015/16 \$000 PPE – Government House		Actual 2016/17 \$000 PPE – Government House
98,989	Opening Balance at 1 July	107,079
301	Value of Assets Acquired During the Year – including Work in Progress	301
-	Value of Assets Disposed of During the Year	(60)
-	Reversal of Accumulated Depreciation of Assets Disposed of During the Year	45
8,609	Revaluation Gain/(Loss)	3,259
(820)	Depreciation Expense	(744)
107,079	CLOSING BALANCE AT 30 JUNE	109,880

Depreciation

Depreciation is provided on a straight-line basis to allocate cost or revalued amounts, net of any estimated residual value, over the estimated useful life. The useful lives of major classes of assets have been estimated as follows:

Type of Asset	Estimated Life (years)
Buildings	100–120 years

Property revaluation reserve

Government House land and buildings in Auckland and Wellington have been revalued to fair values as at 30 June 2017 by independent registered valuers from Quotable Value Limited. The collection of antiques and fine arts has been valued by the registered valuer Art and Object Limited. The revaluation gain of \$3.259 million has been recorded in the Property Revaluation Reserve giving the closing balance of \$42.724 million.

Government House has been classified as being of national significance. This has been taken into account in the valuation of the property.

In the absence of clear market evidence, the depreciated replacement cost less an allowance for depreciation and where necessary, obsolescence, is used to determine the fair value of the assets.

The carrying values of land and buildings are assessed annually and the carrying value of antiques and fine arts is assessed every three years, to ensure that they do not differ materially from fair value.

15. Provisions

	Actual 2016/17 \$000	
	Emergency Expenses	Horizontal Infrastructure (Three Waters)
Opening Balance at 1 July	-	74,549
Additional Provision Recognised	28,049	7,900
Payments Made During the Year/Provision Used for the Year	-	(57,518)
Closing Balance at 30 June	28,049	24,931
Current Portion of the Provision	28,049	24,931
Non-current Portion of the Provision	-	-

When significant emergency events occur, the Crown may provide financial support to local authorities for response and recovery costs relating to damaged infrastructure. The Civil Defence Emergency Management Plan stipulates how the Crown may contribute to these costs. The Crown's contribution to response and recovery costs, most notably for Three Waters infrastructure (wastewater, stormwater and potable water) is typically 60% of the total cost for valid and eligible work. Currently there are two provisions, the Horizontal Infrastructure (Three Waters) provision for Canterbury earthquakes and the Emergency Expenses provision for other emergency events.

Horizontal Infrastructure (Three Waters) provision

The liability recorded by the Department of the Prime Minister and Cabinet as at 30 June 2017 comprised a provision for the Crown's contribution to Three Waters response and recovery costs arising from the 2010 and 2011 Canterbury earthquakes. This provision consists of the following:

- the rebuild/repair of earthquake damaged Three Waters infrastructure as per the cost-sharing agreement with the Christchurch City Council, and
- the rebuild/repair of earthquake damaged Three Waters infrastructure as per the cost-sharing agreement with the Waimakariri District Council.

The Department considers the \$24.931 million balance at year end, which has cumulative payments from both Councils deducted from it, the appropriate provision to complete the Christchurch and Waimakariri District Horizontal Infrastructure programmes. The determination of this remaining liability is subject to some level of estimation and uncertainty, particularly around the ongoing validation of payments and work-scope eligibility, finalisation of the Funding of Renewals sum, defects liability and programme completion.

During the 2016/17 year the physical works for the Christchurch Three Waters programme were completed. The net reduction in the provision represents the payments by the Crown towards these works and an uplift in provision to reflect latest estimates of the Crown's share of costs. Of the \$24.931 million balance at year end, the \$12.476 million provision for the Christchurch Three Waters programme is for the final wash-up of costs between the funding partners and for likely costs of defects repairs during the next 12 months. The remaining \$12.455 million is for the completion of the Waimakariri District Horizontal Infrastructure programme.

The Waimakariri District Horizontal Infrastructure programme is currently tracking on time and on budget. The Crown's involvement in the programme will end with the completion of the physical works, in 2018.

Emergency Expenses provision

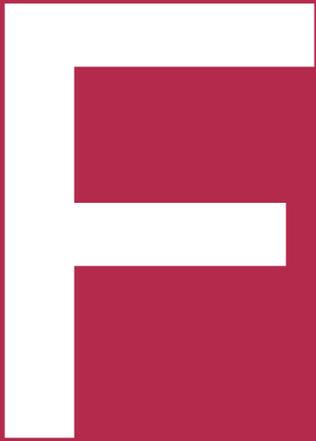
The November 2016 Kaikōura earthquake and tsunami resulted in damage to the Three Waters networks across three districts (Hurunui, Kaikōura and Marlborough). A new provision of \$24.403 million has been established for the estimated cost of the Crown's contribution to the local authorities' cost of repairs. This estimate was based on information provided from the District Councils based on initial damage assessments. The respective District Councils are progressing with the recovery and the estimate of the Crown's contribution to this will continue to be refined as the Councils undertake more comprehensive engineering assessments. An unquantifiable contingent liability has also been disclosed for this event to cover the uncertainty of the costs associated with the event.

The Emergency Expenses provision also includes \$1.511 million for estimated costs associated with the severe weather and flooding event in the Manawatu-Whanganui region on 18-20 June 2015 and \$2.135 million for the cyclones in the Bay of Plenty region in April 2017. These estimates are based on information provided from the relevant local authorities. It is likely that additional provision will be required for the cyclones in the Bay of Plenty region as sufficiently reliable estimates of the cost of repairs for all necessary works had not been completed at the time of preparing these Financial Statements. We have included an unquantified contingent liability for emergency expense to recognise the uncertainty associated with the estimates included in the provision.

16. Events After the Balance Date

Christchurch Cathedral

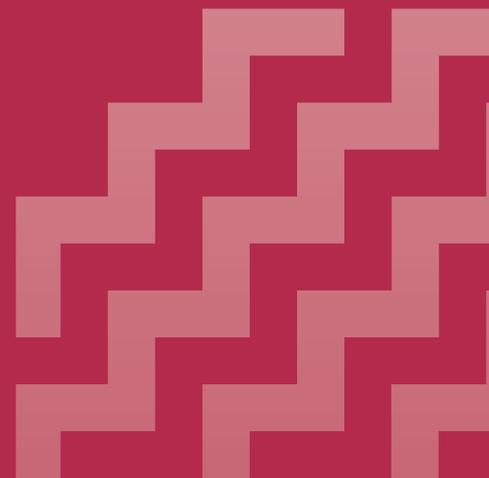
Since balance date, the Crown has offered to assist with the cost of reinstatement of the Christchurch Cathedral. The offer was for \$10 million Crown contribution towards reinstatement and \$15 million suspensory loan under which repayment is not required if the Government's offer of assistance for the reinstatement is accepted and subject to the proposed reinstatement proceeding. The Crown has also offered to provide other support through the promotion of legislation to streamline consenting and approval processes for the project, and through the establishment of an independent fundraising trust which will lead fundraising and partner in a joint venture with the Church Property Trustees to govern and manage the delivery of the project. On 9 September 2017, the Anglican Synod voted to reinstate Christchurch Cathedral.



Appendices

This section includes:

- A list of acronyms used in this report
- Supplementary statistical information regarding the activities of Cabinet Office



List of acronyms

BEFU	Budget Economic and Fiscal Update
BPS	Better Public Services
CASS	Central Agencies Shared Services
CDEM	Civil Defence Emergency Management
CERA	Canterbury Earthquake Recovery Authority
CERT	Cyber Emergency Response Team
CPI	Consumer Price Index
DPMC	Department of the Prime Minister and Cabinet
GCSB	Government Communications Security Bureau
GCG	Greater Christchurch Group
HoPP	Head of the Policy Profession
LSP	Leadership Success Profile
MBIE	Ministry of Business, Innovation and Employment
MCH	Ministry for Culture and Heritage
MCDEM	Ministry of Civil Defence and Emergency Management
MOH	Ministry of Health
NAB	National Assessments Bureau
NCMC	National Crisis Management Centre
NCPO	National Cyber Policy Office
NRO	National Recovery Office
NSP	National Security Policy Directorate
NSSD	National Security Systems Directorate
NSS	National Security System
NZBN	New Zealand Business Number
NZ GAAP	New Zealand Generally Accepted Accounting Practices
NZ PBE IPSAS	New Zealand Public Benefit Entity International Public Sector Accounting Standards
NZIC	New Zealand Intelligence Community
NZSIS	New Zealand Security Intelligence Service
OCE	Office of the Chief Executive
ODESC	Officials Committee for Domestic and External Security Coordination
PAG	Policy Advisory Group

PLA	Permanent Legislative Authority
PMCSA	Prime Minister's Chief Science Advisor
SCIRT	Stronger Christchurch Infrastructure Rebuild Team
SIG	Security and Intelligence Group
SOEs	State-owned Enterprises
SSC	State Services Commission

Cabinet Office statistics

	2016/17 Actual	2015/16 Actual	2014/15 Actual
MEETINGS			
Executive Council	36*	35	30
Cabinet	44	41	39
Cabinet committees	165	166	121
SUBMISSIONS			
Summary cover sheets to Cabinet and Cabinet committee papers	1,701	1,617	1,374
Submissions lodged by Ministers' offices by the Cabinet Office deadline	90%	93.5%**	83%
Papers published by the close of business, two days before the meeting	91%	96%	88%
CABINET AND CABINET COMMITTEE MINUTES			
Cabinet and Cabinet committee minutes	2,048	1,943	1,523
Cabinet and Cabinet committee minutes requiring an amendment by the Cabinet Office***	10	7	3
Cabinet minutes published by the close of business, three days after the Cabinet meeting	98.8%	98.6%	88%
Cabinet committee minutes prepared in time for the next meeting of Cabinet	100%	100%	100%
OTHER SERVICES			
Cabinet Office circulars	6	5	11
Briefing seminars to departments, Ministers' offices and other interested parties on the Cabinet decision-making process	18	25	16
Enquiries and requests from Ministers' offices and departments about Cabinet papers and related information	160	222	232

*Two additional Executive Council meetings were held to swear-in new Ministers.

**This figure is for the six-month period 1 January to 30 June 2016, owing to the progressive roll-out of CabNet to Ministers' offices and agencies during the second half of 2015.

***Excludes amendments to Cabinet and Cabinet committee minutes made as a result of a Cabinet decision.

Meeting statistics for the year ended 30 June 2017

	Number of Meetings	Number of Agenda items	Average Number of Items per Meeting
Executive Council	36*	225	6
Cabinet	44	467	11
TOTAL CABINET COMMITTEE MEETINGS	80	692	-

CABINET COMMITTEE MEETINGS

Cabinet Appointments and Honours Committee	27	318	12
Cabinet Business Committee	4	25	6
Cabinet Economic Growth and Infrastructure Committee	29	390	13
Cabinet External Relations and Defence Committee	9	31	3
Cabinet Legislation Committee	27	163	6
Cabinet National Security Committee	5	9	2
Cabinet Committee on State Sector Reform and Expenditure Control	21	78	4
Cabinet Social Policy Committee	29	183	6
Cabinet Strategy Committee	6	7	1
Cabinet Committee on Treaty of Waitangi Negotiations	8	28	3.5

*Two additional Executive Council meetings were held to swear-in new Ministers.

New Zealand Honours for the year ended 30 June 2017

The New Zealand Order of Merit

Knight Grand Companion	1
Dame Companion	5
Knight Companion	7
Companion	23
Officer	77
Member	118
Honorary Officer	2
Honorary Member	3

The Queen's Service Order

Companion	12
Additional Companion	1
The Queen's Service Medal	125

New Zealand Bravery Awards

The New Zealand Bravery Decoration	3
The New Zealand Bravery Medal	8

The New Zealand Antarctic Medal

The New Zealand Antarctic Medal	1
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The New Zealand Distinguished Service Decoration

The New Zealand Distinguished Service Decoration	6
TOTAL	392

Other honours and appointments

Grant of the title "The Honourable" for life	7
GRAND TOTAL	399

Report by the Minister of Civil Defence on Non-departmental Appropriations – Civil Defence (B.14)

The following pages of this document meet the requirement, set out in the supporting information to the 2016/17 Estimates or 2016/17 Supplementary Estimates, for information on certain non-departmental appropriations to be reported by the Minister of Civil Defence.

Although the reports are presented in the same document as DPMC's Annual Report, they do not form part of DPMC's Annual Report for the year ended 30 June 2017 (including reporting by DPMC on appropriations for that year).

Local Authority Emergency Expenses PLA (M11)

Scope of Appropriation

This appropriation is limited to reimbursing a local authority for, or meeting, expenses incurred by a local authority in connection with an emergency as authorised by section 115A of the Civil Defence Emergency Management Act 2002.

This appropriation is intended to achieve reimbursement of local authorities for the purposes of reimbursing, or meeting, expenses incurred by them in connection with an emergency as authorised by section 115A of the Civil Defence Emergency Management Act 2002.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17	
Claims received against the appropriation will be assessed in conjunction with approved criteria as set out in clause 33 of the Guide to the National Civil Defence Emergency Management Plan	New measure	100%	Achieved	
			2016/17 Actual \$000	2016/17 Budget \$000
				2016/17 Supp. Estimates \$000
- Expenses			36,202	-
				65,000

Rehabilitation of Kaikōura Harbour (M11)

Scope of Appropriation

This appropriation is limited to a contribution to the Kaikōura District Council acting on behalf of Environment Canterbury for work necessary to restore the functionality of Kaikōura Harbour.

This appropriation is intended to achieve restoration of the functionality of Kaikōura Harbour.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17	
Dredging of harbour and marina entrance completed in accordance with project plan by 30 June 2017	New measure	Achieved	Achieved	
			2016/17 Actual \$000	2016/17 Budget \$000
				2016/17 Supp. Estimates \$000
- Expenses			3,250	-
				5,000

Restoration of Kaikōura District Three Waters Network (M11)

Scope of Appropriation

This appropriation is limited to a contribution to the Kaikōura District Council to support additional resilience, capacity, improved materials or other alternatives to the original infrastructure as part of restoration of essential infrastructure systems.

This appropriation is intended to achieve additional resilience, capacity or other improvements where appropriate to the Kaikōura District Three Waters network.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17	
Additional resilience or other improvements to support the restoration of infrastructure systems are carried out as recommended by the Infrastructure and Facilities Rebuild Steering Group	New measure	Achieved	Achieved	
			2016/17 Actual \$000	2016/17 Budget \$000
				2016/17 Supp. Estimates \$000
- Expenses			-	-
				600

Report by the Department of the Prime Minister and Cabinet on Non-departmental Appropriations – Government House Buildings and Assets (B.14)

The following pages of this document meet the requirement, set out in the supporting information to the 2016/17 Estimates or 2016/17 Supplementary Estimates, for information on certain non-departmental appropriations to be reported by the Department of the Prime Minister and Cabinet.

Although the reports are presented in the same document as DPMC's Annual Report, they do not form part of DPMC's Annual Report for the year ended 30 June 2017 (including reporting by DPMC on appropriations for that year).

Government House Buildings and Assets (M52)

Overarching Purpose Statement

The overarching purpose of this appropriation is maintaining the Government House buildings and related assets in Wellington and Auckland to the standards necessary to fulfil their constitutional ceremonial and community roles.

Financial Information – Total Government House Building and Assets MCA

2015/16 Actual \$000	2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
1,810 Expenses	1,924	3,782	4,062

Scope of Appropriation

GOVERNMENT HOUSE MAINTENANCE

This category is limited to the ongoing maintenance of the Government House buildings and related assets, and the grounds on which they are located.

This appropriation is intended to achieve an ongoing programme of planned capital and maintenance for Government Houses.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
The Governor-General's official residences are well maintained with maintenance, heritage and gardening plans adhered to	Plans are adhered to	Plans are adhered to	Achieved (see Note 1)

Note 1 – A programme of work was set out in June 2016 for the financial year 2016/17 for both Maintenance Non-departmental Other Expenses (Planned Maintenance), and Capital Investment Non-departmental Capital expenses. Generally, work was scheduled and completed as projected throughout the year. For Planned Maintenance – 92% of the originally planned milestones were completed, while 8% (a total of seven tasks) have been deferred owing to unforeseen delays in establishing supplier contracts. Owing to the deferrals, an additional 18 tasks were rescheduled to 2016/17 from 2017/18, leaving milestones completed at 100% within the same budgeted amount. For CAPEX – 90% of the originally planned milestones were completed, while 10% (a total of four tasks) have been delayed and expenditure was carried forward into the future 2017/18 financial year.

Financial Information – Government House Maintenance

2015/16 Actual \$000	2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
740 Expenses	813	600	1,050

DEPRECIATION OF CROWN ASSETS

This category is limited to depreciation expenses on the Government House buildings and related assets.

Financial Information – Depreciation of Crown Assets

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
820	Expenses	744	1,962	1,962

LOSS ON DISPOSAL OF CROWN ASSETS

This category is limited to loss on disposal of Government House precinct buildings and related assets.

Financial Information – Loss on Disposal of Crown Assets

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
-	Expenses	-	170	170

GOVERNMENT HOUSE BUILDINGS AND ASSETS CAPITAL INVESTMENT

This category is limited to investment necessary to preserve the functionality and value of the Government House buildings and related assets.

Financial Information – Government House Buildings and Assets Capital Investment

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
250	Expenses	367	1,050	880

Report by the Minister supporting Greater Christchurch Regeneration on a Non-departmental Appropriation – Regenerate Christchurch (B.14)

The following pages of this document meet the requirement, set out in the supporting information to the 2016/17 Estimates or 2016/17 Supplementary Estimates, for information on certain non-departmental appropriations to be reported by the Minister supporting Greater Christchurch Regeneration.

Although the reports are presented in the same document as DPMC's Annual Report, they do not form part of DPMC's Annual Report for the year ended 30 June 2017 (including reporting by DPMC on appropriations for that year).

Regenerate Christchurch (M85)

Regenerate Christchurch was established in April 2016 to lead, support and coordinate regeneration activities across Christchurch. It is jointly funded by the Crown and the Council and governed by legislation through the Greater Christchurch Regeneration Act 2016.

This appropriation is intended to achieve strategies and planning activities for the regeneration of areas in Christchurch. In 2016/17, Regenerate Christchurch has achieved the following key deliverables: developed an overarching vision, values and objectives for the Ōtākaro/Avon River Corridor Residential Red Zone and commenced developing a draft Regeneration Plan for this area.

Performance measure	Actual 2015/16	Standard 2016/17	Actual 2016/17
Regenerate Christchurch will lead and contribute to the regeneration of Christchurch in accordance with its purpose, objective and functions set out in the Greater Christchurch Regeneration Act 2016, and with the responsible Minister's and Christchurch City Mayor's Letter of Expectations (see Note 1)	New measure	Achieved	Achieved (see Note 2)

Note 1 – In the absence of Regenerate Christchurch's final work programme, the measure and standard have been updated to ensure Regenerate Christchurch meets its statutory requirements.

Note 2 – As Regenerate Christchurch has now finalised its work programme in its *2017-2021 Statement of Intent*, a revised measure is being considered.

Financial Information

2015/16 Actual \$000	2016/17 Actual \$000	2016/17 Budget \$000	2016/17 Supp. Estimates \$000
927 Expenses	4,000	4,000	5,073

