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# Report of the Department of the Prime Minister & Cabinet

Report to the House of Representatives  
for the year ended 30 June 2004

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*Presented to the House of Representatives pursuant to  
Section 30 of the State Sector Act 1988 and Section 39  
of the Public Finance Act 1989*

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# *Directory*

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## *The Department's Role*

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

### *Supporting the Prime Minister and Cabinet*

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

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

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

Thirdly, DPMC provides administrative support to the Prime Minister. This includes services to the Prime Minister – such as preparing replies to Parliamentary questions, and dealing with Official Information Act requests

and other correspondence. In many cases, this involves working directly with other departments and agencies as the Prime Minister's role takes her across all areas of government business.

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

### Supporting the Governor-General

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

### Bringing the system together

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

## *Chief Executive's Overview*

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It has been a year of leadership change in the Department of the Prime Minister and Cabinet. At the conclusion of long periods of service by Marie Shroff and Mark Prebble, new appointments have been made to the positions of Cabinet Secretary and Clerk of the Executive Council, and Chief Executive. The Director of the Policy Advisory Group, Mary-Anne Thompson, has also now concluded her service with the department, and a new Official Secretary, Tia Barrett, is scheduled to take up his position at Government House in succession to Hugo Judd.

Together, these changes bring both challenges and opportunities to the department and its management. The infusion of new perspectives and different experience provides the chance to review aspects of departmental organisation, and also to introduce new approaches. At the same time, the new team must ensure one of the department's fundamental goals is achieved – continuity of executive government through good support and maintenance of accepted conventions and practices.

This annual report covers a year during which – with the exception of a fortnight – my predecessor, Mark Prebble, was Chief Executive. It was his leadership, supported by the roles played by his senior colleagues and the staff of the whole department, which delivered the outcomes covered in this document.

The past year has seen some important policy and administrative challenges emerge for the department, in particular surrounding the status of the Foreshore and Seabed. The government's response to this issue was handled through a group of officials brought together as a taskforce within DPMC. The group supported ministers through provision of cross-government policy advice and associated input to draft legislation. The group was also responsible for supporting the Select Committee on Fisheries and other Sea-related Legislation.



Alongside the requirement to deliver ongoing policy advice to the Prime Minister on issues of the day, the department launched a project to upgrade Government House in Auckland. Contracts were let for architectural design and construction, which commenced in June. The work is expected to be concluded early in the coming year. A refurbished and expanded official residence for the Governor-General in Auckland will enable Her Excellency to undertake a wider range of activities in support of her role.

Nature brought its own sharp challenge to the nation in February 2004. DPMC co-ordinated to the government's response to the devastating floods in the southern North Island. There were a number of lessons learned from the response to these floods, and these are being incorporated into civil-emergency management procedures.

Despite the weather turbulence of the year and the organisational changes, the department has been able to discharge its normal workload. In order to strengthen capability to deal with a diverse range of ongoing challenges, DPMC was allocated additional funding in the 2004 Budget. This will be used to build staff strength through a limited number of new positions and additional training.

The remainder of this Overview outlines key events of the year and illustrates how the department's additional funding will bolster the capability of the DPMC's business groups. More detailed information on the activities of each business group can be found in the Statement of Objectives and Service Performance on pages 22 to 36.

### Funding for capability building

In September 2003 the department engaged Paul Carpinter, a long-time senior public servant and former adviser in DPMC, to provide an ownership perspective on the department. He assessed the pressures and tasks facing the department, as well as its current structures and processes. The key outcomes of his review were:

1. On top of its substantial base workload, DPMC faces uncertainty about additional demands that are inevitably placed on it during the financial year. It needs to retain financial flexibility to cope with immediate crises.
2. The department's zone of comfort has disappeared as appropriations have remained static while demands and costs have increased.

3. In attempting to absorb costs, the department has tended to cut back on “non-essentials” such as staff development, investment in information technology, and the use of external advice.
4. The pay rates in DPMC are, in many cases, below public-sector averages. Issues of fairness, reputation, recruitment, and retention suggest that staff should be paid closer to those norms.

As a consequence of this review, in the 2004 Budget, the department received an appropriation increase in funding (\$968,000 in 2004/05 and \$1.164 million a year for subsequent years).

This additional funding will be used to:

- enhance departmental capability over the medium term through training and development, provide greater coverage for key staff, and increase the geographical and in-depth coverage of the assessments carried out by the External Assessments Bureau (EAB)
- ensure that essential maintenance programmes are funded and well managed at Government House, to reflect the increasing heritage and community value of both the Auckland and Wellington residences
- provide a greater shift towards public-sector remuneration rates
- improve information technology systems and strengthen the corporate capability of the department.

The **Corporate Services Group** developed DPMC’s capability bid – including the preparation of the necessary Budget documentation and information to support the department’s case.

Corporate Services, with 14 staff led by Brent Anderson, was involved in a number of other activities during the year. For example, the Group led the effort to put in place administrative systems for the Foreshore and Seabed Group (which has its own budget, personnel, premises, and communication links), within an extremely tight timeframe. DPMC’s intranet (Insite) was also launched during the year, providing enhanced communications and information sharing across the department. In a separate project, new personal computers were installed and software upgraded. The Corporate Services Group also facilitated a work/life balance initiative, in consultation with management and staff.

## Continuity of government

The **Cabinet Office** has undergone a period of significant staff turnover at senior levels, whilst maintaining the full range of ongoing services. The new Secretary of the Cabinet, Diane Morcom, was formerly Deputy Secretary in the Cabinet Office, and had over 10 years experience in that environment. In turn, Diane has appointed two new deputy secretaries, one of whom has the responsibility for strengthening the constitutional capability of the Office. The other deputy secretary is responsible for the delivery of secretariat services. A Manager of Information and Support Services has also been recruited – taking the total staff complement to 24.

The Cabinet Office has a vital role in maintaining the continuity of government. Its expertise is in the decision-making processes of government – providing information in an accessible form, and then accurately recording and disseminating Cabinet decisions that cover the entire gamut of the government’s business. Over the past year, the rate of staff turnover at the Cabinet Office has been higher than normal, at around 20 per cent – a rate that is close to the public service average but unusual in an area where staff traditionally have been long serving.

## Taking an overview and bringing the system together

DPMC’s **Policy Advisory Group** of 11 advisers under now Acting Director Michelle Hippolite, who succeeded Mary Anne Thompson in July, advises the Prime Minister on issues of the day and keeps a watching brief on matters of policy interest to the government. The Group is responsible for co-ordinating the streams of policy advice that flow to the Prime Minister and Cabinet.

The way in which central government departments interact with one another and with local government is an issue in which the department has an increasing interest. The Prime Minister in 2000 inaugurated a Local Government Forum, in which ministers and leaders from the Local Government sector participate. This work is co-ordinated through and supported by the department. Attention is being directed to developing more effective collaboration between central and local government, including the planning, strategy and implementation cycles of local-government administration.

Taking an overview across a diverse range of external issues of interest to New Zealand is the role of the **External Assessments Bureau** (EAB). A



team of 26 staff led by David Kersey provides impartial information to the Prime Minister on urgent and medium-term developments in the Asia/Pacific region, and more widely, and on major areas of tension around the world that have implications for New Zealand's interests.

A range of reports are produced as required. Regional reports may look some years out into the future; others on a specific topic may have a shorter timeframe – particularly when the EAB is advising the Prime Minister on a current issue. The EAB also produces watch group reports when an urgent situation demands intensive monitoring. The role of the EAB is to report and provide assessments on continuing areas of international tension as objectively as possible – it is not involved in policy advice or advocacy.

### Supporting the Governor-General

Providing support for the Governor-General in the execution of her constitutional, ceremonial and community roles is the responsibility of the Official Secretary Hugo Judd, and a **Government House** team of 30 in Wellington and Auckland.

In the past year, the Governor-General travelled extensively in the Pacific and also visited Kuwait, Jordan and Germany. Further official travel is planned for the coming year. The Governor-General travelled extensively throughout New Zealand – meeting New Zealanders at schools, marae, workplaces, conferences and important community events. Many other New Zealanders attended functions at Government Houses in Wellington and Auckland.

The Government Houses in Wellington and Auckland are important heritage properties that have considerable community value. Over the past 10 years, Government House in Wellington has undergone a major programme of interior refurbishment, exterior maintenance, and upgrading of the grounds and driveway.

Now it is the turn for Government House in Auckland. A \$3 million design and construction contract was let during the year to demolish a poorly designed 1960's addition to the house and replace it with new services and reception areas capable of hosting 250 people. This will expand the flexibility and range of functions that can be held by Her Excellency in Auckland, or for other official functions such as the Pacific Forum Leaders' Retreat and Special Leaders' Retreat which were hosted at Government House, Auckland, in August 2003.

## Driving whole-of-government collaboration

The initiative to set up the **Foreshore and Seabed Group** within DPMC in January 2004 is a prime example of the department's role in responding to new and urgent issues within a whole-of-government approach. The Group supports the policy-development process generally, and assisted with the drafting of the Bill that is now before Parliament. The Group is also assisting and supporting the Select Committee that is considering the Bill and public submissions on it.

On a complex matter such as this, inter-departmental and cross-ministerial support processes need to be sensitive to the nuances of the wider policy environment. They must also be capable of tracking and monitoring new developments, reacting quickly to changing circumstances, and ensuring ongoing high-quality policy advice.

Cathryn Ashley-Jones's Foreshore and Seabed Group has a core staff of 14. Almost all of the advisers involved in the project have a background in other departments. The Group includes secondees from Conservation, Environment, Te Puni Kokiri, Treasury, and Justice. The foreshore and seabed issue links a range of different ministerial portfolios. Accordingly, a whole-of-government outlook is essential for delivering accurate and expert advice on how the government's policy objectives can be met.

Steering groups of officials have been established at two levels. Firstly, a high-level steering group provides an overview of the policy-development process. In addition, teams of officials have been working on a wide range of more detailed legal and policy issues. Both groups of officials provide policy advice to the steering group of ministers.

The foreshore and seabed issue is not the focus of any one department: it has a number of focal points, making it difficult for one department to lead consideration of the range of policy issues. Because a number of perspectives need to be worked through, and because DPMC has a mandate to offer a high-level collective view of issues confronting the Government, it is in a position to bring the various levels of advice together for the Cabinet to consider.

The lower North Island floods in late February 2004 tested the procedures of the **Domestic and External Security Group** under David Hill. The 6-strong group's role is one of planning and policy – helping to make central government better organised to manage security risks. There are two key aspects here: preparedness and dealing with events as they unfold.

In the case of the floods, the Group worked under the overall direction of the Officials' Committee for Domestic and External Security Coordination (ODESC), headed by the Chief Executive of DPMC. ODESC was responsible for determining which agencies needed to be involved in responding to the emergency and for making sure all those involved responded in a timely, relevant and appropriate way. It takes a collective view of the situation – looking at the possible needs and responses, where there are gaps, or where responses or actions are lagging behind.

ODESC met seven times during the period of the floods and their aftermath, with meetings being attended by the relevant departmental chief executives or their senior representatives who could speak for and commit their department. The government wished to go further than the standard reaction and response to this sort of event, and so individual departments developed specific policy responses in areas such as assistance to farmers, matching the dollars donated in private appeals, and extra social assistance.

ODESC oversaw the preparation of papers on assistance to flood victims on a collective whole-of-government basis for consideration by Cabinet. There was considerable discussion with ministers, which was vital in reporting back through the political process on reaction at “ground level” to the responses and assistance offered by both central and local government.

A “lessons learnt” paper is being prepared by an independent evaluator for the Minister of Civil Defence and Emergency Management. One of the issues the evaluator will comment on is the overall response to the floods in a whole-of government sense at a central and local level. This type of evaluation is normal after any exercise involving ODESC and is part of a learning cycle where exercises or real events can be used to improve learning both organisationally and at a personal level.

The Domestic and External Security Group was also heavily involved in a 4-day counter-terrorism exercise held in March 2004. The exercise was based around a terrorist emergency in Christchurch that tested the government's ability to deal with such a situation. Four external umpires observed the exercise and an evaluation report has been prepared by Cary Adamson, a former Chief of the New Zealand Defence Force. This report has a number of recommendations and an improvement action plan is being prepared for implementation over the next 12 months – including designating a group of agencies to drive the action plan so that it is not displaced by “real world” events and activities.

## Taking over the department in a period of change

I have been chief executive for only a few brief months. I look forward to working with my colleagues over the coming year, particularly the senior management team, to further enhance the capability and effectiveness of the department so that we can deliver the support the Prime Minister and the Governor-General deserve. The department has a key role to play in the governmental structure. We are entrusted with a range of vital responsibilities, which we must discharge to the highest level possible. Achieving the necessary levels of policy advice and service performance will be an ongoing challenge, but I am confident the staff are committed to achieving excellence in the delivery of their respective roles.

I should like to record that I have taken over from Mark Prebble, the former Chief Executive, a department that is in good heart. I thank all the department's employees for their efforts and achievements over the last, very challenging year, and record my own commitment to lead them as best I can in the period ahead.



***Maarten Wevers CNZM***  
***Chief Executive***

# Outcomes for DPMC

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The government is increasingly focusing on the longer-term effectiveness of its activities, and so government and departmental activity has shifted from a concentration solely on outputs to a reporting framework that also emphasises outcomes.

Outcomes can provide a strong signal of where the government is heading over the medium to long term. They can be seen as a “progress report” on the effects of government interventions that allows the government to measure (in broad terms) whether it is achieving its aims and where it needs to put in greater effort.

## DPMC’s outcomes

DPMC’s *overall* outcome is:

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Good government with effective public service support.

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This high-level outcome is what DPMC seeks to achieve in collaboration with many other parts of the government system, including ministers and the public service as a whole. Along with the two other central agencies – Treasury and the State Services Commission – DPMC is responsible for providing the leadership that enables the public service to carry out the business of government efficiently, effectively and collectively. DPMC’s particular responsibility is to bring together whatever people, agencies and information are necessary for the operation of Cabinet’s collective decision making. DPMC works at the point of intersection where separate ministers, agencies and advice streams come together at the Cabinet table.

Four *contributing outcomes* have been developed by the DPMC to help achieve its overall outcome. They are:

- Decision making by the Prime Minister and Cabinet is well supported.

- The continuity of executive government within accepted conventions and practices is maintained and well supported.
  - The Governor-General is well supported.
  - The management of domestic and external security and other risks is well planned and co-ordinated.
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These contributing outcomes overlap one another in various ways – with some DPMC business units contributing to several different outcomes. The overall outcome remains the same: that the Prime Minister and the Governor-General are well supported and that the decision-making machinery of government functions effectively to support ministers across the whole range of government business.

# *Statement of Accountability*

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The Chief Executive of the Department of the Prime Minister and Cabinet is accountable to the Prime Minister for the financial and human resources management of the Crown's investment in the department and for the production of the classes of outputs detailed in its Statement of Service Performance, with the following exceptions:

- The Secretary of the Cabinet is responsible directly to the Prime Minister for the impartial recording of Cabinet decisions and the development and administration of Cabinet processes. The Secretary is also responsible to Cabinet as a whole for ensuring the confidentiality of Cabinet proceedings and the impartial and effective operation of the Cabinet system.
- The Secretary of the Cabinet, as Clerk of the Executive Council, is responsible directly to the Governor-General and the Prime Minister for servicing the Executive Council and providing advice as may be required on constitutional matters.
- The Director of the External Assessments Bureau is accountable to the Prime Minister for the provision of impartial information and assessments under the class of outputs "Intelligence Assessments on Developments Overseas".



# **AUDIT REPORT**

## **TO THE READERS OF THE DEPARTMENT OF PRIME MINISTER AND CABINET'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

The Auditor-General is the auditor of the Department of Prime Minister and Cabinet (the Department). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Department, on his behalf, for the year ended 30 June 2004.

### **Unqualified opinion**

In our opinion the financial statements of the Department on pages 22 to 60:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Department's financial position as at 30 June 2004;
  - the results of its operations and cash flows for the year ended on that date;
  - its service performance achievements measured against the performance targets adopted for the year ended on that date; and
  - the assets, liabilities, revenues, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2004.

The audit was completed on 28 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

### **Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable

assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

## Responsibilities of the Chief Executive and the Auditor

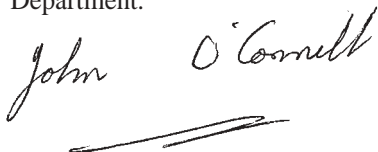
The Chief Executive is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Department as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. In addition, they must fairly reflect the assets, liabilities, revenues, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2004. The Chief Executive's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 38(1) of the Public Finance Act 1989.

## Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Department.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Department of Prime Minister and Cabinet (the Department) for the year ended 30 June 2004 included on the Department's website. The Chief Executive is responsible for the maintenance and integrity of the Department's website. We have not been engaged to report on the integrity of the Department's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the Department's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 September 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of Responsibility

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In terms of Sections 35 and 37 of the Public Finance Act 1989, I am responsible, as Chief Executive of the Department of the Prime Minister and Cabinet, for preparation of the department's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the department for the year ended 30 June 2004.

A handwritten signature in blue ink that reads 'Maarten Wevers'.

**Maarten Wevers CNZM**  
**Chief Executive**

Date: 30 September 2004

A handwritten signature in blue ink that reads 'Brent Anderson'.

Countersigned by:  
**Brent Anderson**  
**Corporate Services Manager**

Date: 30 September 2004

# *Statement of Objectives and Service Performance*

*for the year ended 30 June 2004*

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## OUTPUT CLASS D1: POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

### Description

This class of outputs involves:

- the provision of immediate, medium- and long-term policy advice of an impartial nature, delivered freely and frankly to the Prime Minister and, at the Prime Minister's request, to other ministers
- the promotion and facilitation of interdepartmental co-ordination of policy development and the promotion of a greater collective approach to performance standards across the state sector, through the formulation and implementation of the government's key goals
- the provision of advice to the Governor-General, prime ministers and ministers on constitutional issues to support the continuity of government
- the provision of impartial secretariat services to Cabinet, Cabinet committees, and the Executive Council, and the promulgation of their decisions
- the provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet, and Cabinet committees, including the review of policies and procedures where appropriate
- the co-ordination of the policy and administrative aspects of the legislation programme, as directed by Cabinet Legislation Committee

- the development and promulgation of information, advice, and guidelines on the nature and operations of the central processes of executive government
- the provision of policy and administrative support for the New Zealand Royal Honours system
- the provision of services to assist with the purchase of media time and space for government public-information programmes
- the provision of advice and support in relation to government policy on the foreshore and seabed.

*The department assists the Prime Minister in overseeing and leading the government as a whole. In addition, it supports the Cabinet decision-making process. As a central agency, the department has a clear role to play in promoting effective policy co-ordination across the public service. Ministers need to have complete trust in the quality of the advice and support the department offers on the proper conduct of government business within accepted conventions and practices.*

### **Output Class D1 Financial Performance**

30.6.03 Actual		30.6.04 Actual	30.6.04 Main Estimates	30.6.04 Supplementary Estimates <sup>1</sup>
\$000		\$000	\$000	\$000
7,445	Revenue – Crown .....	9,275	6,315	9,275
–	Revenue – Other .....	2	–	–
7,034	Expenditure .....	8,569	6,315	9,275
411	Surplus .....	708	–	–

## **Service Performance – Policy Advisory Group**

### **Policy Advice to the Prime Minister**

**Key Tasks**      *Providing good information and effective advice that enables the Prime Minister to lead and manage the public-policy business of the government; and ensuring that the Prime Minister and other key clients show a high level of*

<sup>1</sup> The financial performance of the Foreshore and Seabed Project is included above, and is also separately disclosed on p31.



*satisfaction with the advice and co-ordination services provided.*

#### *Achievements*

##### **Foreign Affairs, Defence and International Trade**

The Policy Advisory Group continued to be involved in a wide range of multilateral and regional issues. These activities were particularly centred on New Zealand's participation in UN-mandated activities in Iraq and Afghanistan, and in the Regional Assistance Mission to the Solomon Islands, as well as on supporting the Prime Minister in her continuing role as Chair of the Pacific Islands Forum. A sustained contribution was also made to a wide range of defence-related issues in the areas of acquisitions, overseas deployments, and organisational development.

In terms of international trade policy, the Group contribution has especially focused on enhancing regional trade linkages (for example, with China, Thailand, Chile, and Singapore), advancing the agenda of the proposed trans-Tasman Single Economic Market, and developing and pursuing New Zealand's objectives in the World Trade Organisation's Doha development round. Support was also given to the Prime Minister's overseas work programme, which included visits to Australia, Italy, Malta, The Netherlands, France, and Norway.

##### **Central Government/Local Government Issues**

The Group was fully involved in the interdepartmental processes to strengthen the relationship between central and local government. This included co-ordinating the Local Government Forum held in July and working with the Department of Internal Affairs on how to build capacity and capability in the public service to engage more effectively with local government.

##### **Other Issues**

During the period January to June 2004, the Group was involved in a range of issues including the co-ordination and delivery of policy advice on the review of the Resource Management Act, marine farming, the Samoa Quota and the Pacific Access Quota, the "Working for Families"

package, and the implementation of primary health organisations. The Group also worked jointly with the State Services Commission and Treasury in assisting Te Puni Kokiri on how to strengthen its policy and regional activities through organisational change.

Feedback from the Prime Minister is provided to the Chief Executive and the Director of the Policy Advisory Group on a regular weekly basis, as well as on an ad hoc basis, and is acted on. Feedback is received from other ministers and chief executives on the quality and timeliness of the advice and co-ordination services provided.

The Prime Minister and other key clients have informed the department of their satisfaction with the advice and co-ordination services provided.

## Service Performance – Cabinet Office

### *Support for the Proper and Effective Operation of the Key Institutions of Executive Government*

*Key Task*                      *Providing impartial secretariat services to the Executive Council, Cabinet and Cabinet committees including: preparing agendas; checking that submissions meet the requirements set by Cabinet; preparing summary cover sheets for submissions; recording decisions; and distributing submissions and minutes.*

*Achievement*                Cabinet Office provided secretariat services to 221 Cabinet and Cabinet committee meetings and 38 Executive Council meetings over the year. This compares with 174 and 34 respectively in 2002/03.

The Prime Minister, the chairs of Cabinet committees, and ministers' offices were consulted as required on the compilation of the agendas and acceptance of submissions for meetings. (See Appendix II for the business statistics for Executive Council, Cabinet, and Cabinet committees).

There were 2,265 summary cover sheets prepared for submissions to Cabinet and Cabinet committees during the past year. This compares with 1,790 in 2002/03.



Eighty-four per cent of submissions were received in the Cabinet Office by the Cabinet deadlines for lodging papers. Seventy-nine per cent of submissions were distributed to ministers' offices within the Cabinet Office's performance targets for the delivery of papers (that is, two days before the meeting). The comparative figures for 2002/03 were 85 per cent and 83 per cent.

There were 2,578 Cabinet and Cabinet committee minutes recorded over the year, compared with 2,108 in 2002/03. All Cabinet committee minutes are issued within two or three days of the meeting, before the next meeting of Cabinet. Ninety-three per cent of all Cabinet minutes were issued within three days of the Cabinet meeting – compared with 97 per cent in 2002/03.

Ninety-nine per cent of all Cabinet and Cabinet committee minutes did not require amendment by the Cabinet Office (this excludes amendments to committee minutes made by Cabinet). This compares with 98 per cent in 2002/03.

*Key Task*

*Providing advice on policies, processes and procedures relating to Cabinet, Cabinet committees and the Executive Council; administering and maintaining the conventions, policies and guidelines in the Cabinet Manual, the Step by Step Guide and related Cabinet Office circulars; and providing policy and procedural advice and information on these matters to ministers' offices and departments.*

*Achievement*

Revisions were made to the online versions of the *Step by Step Guide to Cabinet and Cabinet Committee Processes* (including a major updating on departmental consultation requirements), the Directory of Ministerial Portfolios, and the Schedule of Delegations. The most recent Register of Minister's Interests and Assets was also published on the Cabinet Office's website.

Seven Cabinet Office circulars were prepared and issued in 2003/04 on a range of issues, including the fees framework for members of statutory and other bodies appointed by the Crown, advice on the presentation of material for Cabinet committee consideration, the

development of the Statutes Amendment Bill 2004, Cabinet committee membership, and an invitation to ministers to submit proposals for Law Commission projects for 2004/05.

Three briefings on Cabinet procedures were also provided to new staff in ministers' offices. The Office provided 12 briefing seminars to departments and interdepartmental groups on Cabinet decision-making processes and procedures.

*Key Task*      *Providing advice to the Prime Minister and Governor-General on constitutional policy and procedural issues.*

Advice and support was provided to the Prime Minister and the Governor-General on a range of constitutional and procedural issues.

*Key Task*      *Co-ordinating the policy and administrative aspects of the legislation programme, as directed by the Cabinet Legislation Committee.*

*Achievement*      Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the government's legislation programme for 2003 and the preparation and management of the legislation programme for 2004. The Office also continued to provide advice and support to the Leader of the House on the Members of Parliament (Pecuniary Interest) Bill.

*Key Task*      *Providing advice on the policy aspects of the New Zealand Royal Honours system, support for the compilation of Honours lists, and administration of the Honours system.*

*Achievement*      Policy continued to be developed and ongoing advice given on operational service medals, as well as on new regulations for the New Zealand Memorial Cross, various military and emergency-services long-service awards, and the Polar/Antarctic medal.

Regulations were finalised for medallic recognition of military and other service in East Timor and in Thailand 1962–71. Regulations to recognise similar service in the Solomon Islands and Iraq have been finalised.

The Honours Secretariat of the Cabinet Office advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of the New Year Honours List 2004 (189 recipients) and The Queen's Birthday Honours List 2004 (189 recipients). Investiture ceremonies were held at Government House in July/August 2003 and in March/April 2004.

*Key Task*                    *Maintaining the records of Cabinet and providing related information services.*

*Achievement*            The Cabinet Office maintains records of all Cabinet and Cabinet committee meetings, administers the convention on access to documents of previous administrations, and provides advice to ministers' offices on the storage and disposal of Cabinet papers.

### Service Performance – Domestic and External Security Group (DESG)

*Key Task*                    *Providing integrated advice on domestic and external security, defence operations, intelligence and counter-terrorism preparedness; providing advice on the operational effectiveness of the emergency management system at a national level; and providing advice to the Parliamentary Committee on Intelligence and Security.*

*Achievement*            Twelve meetings of ODESC<sup>1</sup> (Intelligence), six of ODESC (Preparedness), seven of ODESC (Flooding), and two others were held. Watch Groups on people-smuggling, Solomon Islands, Afghanistan, and Iraq were held throughout the year.

*Key Task*                    *Providing a system of intelligence collection and assessment activity that reflects policy priorities, national requirements and available resources; and that also ensures a co-ordinated and harmonised outcome.*

*Achievement*            Three meetings of the Foreign Intelligence Requirements Committee and 49 meetings of the Current Intelligence Requirements Groups were held. The Prime Minister and

<sup>1</sup> ODESC = Officials' Committee for Domestic and External Security Coordination.

other key clients were satisfied with the advice and co-ordination services provided.

Advice was provided to the Prime Minister on a range of domestic and external security issues. The Prime Minister was satisfied with the quality of this advice and with the support provided for the Intelligence and Security Committee of Parliament.

## Service Performance – Corporate Services

### *Negotiating Terms and Conditions for Government Agencies’ Advertising and Publicity*

*Key Task*                      *Negotiating annual volume-incentive media agreements that are advantageous to government departments and agencies.*

*Achievement*              Negotiations with media for the year ended 30 June 2004 were completed by the end of July 2003. Details of agreements with media for 2004/05 were communicated to government agencies in August 2004.

## Service Performance – Foreshore and Seabed Group

*Key Task*                      *Providing good information and effective advice to enable the Prime Minister to lead and manage the Foreshore and Seabed Policy Framework; and also ensuring that the Prime Minister and other key clients show a high level of satisfaction with the advice and co-ordination services provided.*

*Achievements*              DPMC played an important co-ordinating role in the development of the foreshore and seabed policy proposals in the latter half of 2003. This work aimed to provide a system for recognising the rights and interests of different groups in the foreshore and seabed, as well as practical initiatives to enhance the relationships of whānau, hapu and iwi with local government. The role of DPMC was to ensure a whole-of-government approach to the many strands of this complex issue. A key area of work was supporting ministers throughout an extensive public-



consultation process that included consultation hui, and various meetings with Māori interests, local government and other interested groups.

In December 2003, as part of determining its policy framework on the foreshore and seabed, the government approved the establishment of a unit within DPMC. The role of the Foreshore and Seabed Group was twofold:

- to develop the legislation required to give effect to the foreshore and seabed policy proposals and to support its passage through the House; and
- to co-ordinate central government's input into the proposed regional working groups.

The Group has:

- provided regular advice to the Prime Minister, the Deputy Prime Minister and the Ad Hoc Ministerial Group on detailed policy issues arising from the December policy framework
- provided advice on the Government's response to the findings in the Waitangi Tribunal's report on the framework
- co-ordinated the input of other departments, by convening an Officials' Steering Committee and working groups
- provided advice on the drafting of the Foreshore and Seabed Bill, in close consultation with the Parliamentary Counsel Office
- drafted several papers for consideration by Cabinet and Cabinet committees.

Following the introduction of the Bill into the House in April 2004, the Foreshore and Seabed Group has supported the processes of the Select Committee that is considering the Bill. This included providing advice, preparing briefings, and analysing submissions. DPMC was appointed as an adviser to the Select Committee.

Alongside the work on policy and legislation, a second workstream has concentrated on improving the effectiveness of existing legislative provisions for Māori involvement in local-government decision making that affects the coastal-marine area. The aim of this work has been to improve the working practice, processes for consultation and participation, and relationships between local authorities and Māori.

The Prime Minister and Deputy Prime Minister have indicated their satisfaction with the establishment and subsequent work of the Foreshore and Seabed Group.

### *Foreshore and Seabed Group Financial Performance*

30.6.03 Actual	30.6.04 Actual	30.6.04 Main Estimates	30.6.04 Supplementary Estimates
\$000	\$000	\$000	\$000
– Revenue – Crown .....	2,827	–	2,827
– Expenditure .....	2,293	–	2,827
– Surplus .....	534 <sup>2</sup>	–	–

<sup>2</sup> Actual personnel costs were lower than budgeted because fewer staff were engaged than originally anticipated. Other operating costs such as Crown Law Office advice, office accommodation fit-out, and other overheads were also lower than budgeted.

## OUTPUT CLASS D2: SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE RESIDENCES

### Description

This class of outputs involves:

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

*The Governor-General is the Queen's representative in New Zealand – and has important constitutional, ceremonial and community roles. She needs to receive high-quality advice and support to carry out these roles in a way that is appropriate for the representative of the head of state. The Wellington and Auckland Government Houses are important facilities for carrying out the Governor-General's duties and also as historic places.*

### Output Class D2 Financial Performance

30.6.03		30.6.04	30.6.04	30.6.04
Actual		Actual	Main	Supplementary
			Estimates	Estimates
\$000		\$000	\$000	\$000
3,102	Revenue – Crown.....	3,102	3,102	3,102
46	Revenue – Other .....	58	48	48
3,131	Expenditure .....	3,131	3,132	3,132
17	Surplus .....	29	18	18

## Service Performance – Support Services to the Governor-General and Government House

### *Support Services to the Governor-General*

*Key Task*            *Ensuring that events and functions run smoothly and are organised to a high standard agreed with the Governor-General.*

*Achievement*      There were 258 functions held at the Government Houses in Wellington and Auckland during the reporting period. This compares with 278 in the previous year (2002/03).

This year's functions included two open days and two outdoor concerts at both Government Houses which were visited by 23,000 people during the year. Many official guests were hosted at Government House, including HRH Earl Of Wessex, HRH Princess Royal, and the Presidents of China and Chile.

Official welcome ceremonies, state dinners, investitures, and credentials ceremonies were held at Government House in Wellington.

*Key Task*            *Ensuring that the services provided are efficient (cost effective and well organised).*

*Achievement*      Services were provided in accordance with the requirements of the Governor-General and her programme.

*Key Task*            *Ensuring that the Governor-General's programme is well balanced.*

*Achievement*      Arrangements were made and briefings provided to the Governor-General to enable her to attend 173 separate official engagements throughout New Zealand as well as a visit to the Ross Dependency. This compares with arrangements and briefings for 226 engagements in 2002/03.

Arrangements were also made for an extensive programme of overseas travel. The Governor-General made state visits to Tonga, Tuvalu, Samoa, Tokelau, the Cook Islands, the Solomon Islands, Kuwait, Jordan, and Germany. She also

attended the funerals of former US President Ronald Reagan and former President of Fiji, Ratu Sir Kamisese Mara.

*Key Task*      *Ensuring that the Governor-General is highly satisfied with all services and functions.*

*Achievement*      Catering and domestic services were provided in accordance with the Governor-General's requirements.

Correspondence requirements were met and speech material provided in a timely manner.

All services, functions and ceremonial occasions were delivered to a standard required by the Governor-General.

### ***Maintenance of Government House***

*Key Task*      *Ensuring that rolling programmes are planned and implemented for garden development, building preservation, and restoration of valuable art works.*

*Achievement*      Site work commenced on 1 June 2004 for the Auckland Government House redevelopment project – following an extensive planning and design stage. Architects and a project manager were appointed and various control structures established to oversee the project. The work is expected to be completed by the end of 2004 and the house operational by February 2005.

*Key Task*      *Ensuring that the programmes implemented meet the requirements of the Governor-General.*

*Achievement*      The annual capital and maintenance programme was presented and accepted by the Governor-General and the department in August 2003.

*Key Task*      *Seeking the Governor-General's views on the quality and adequacy of buildings and grounds maintenance, as part of the quarterly programme-review process.*

*Achievement*      The Governor-General's views were sought regularly, particularly in regard to the residences and garden-development projects.

## OUTPUT CLASS D3: INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

### Description

This class of outputs involves:

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

*The use of effective planning and co-ordination processes in government can manage the risks of certain adverse events occurring or lessen their effect if they do occur. The department is responsible for assessing, monitoring and responding to threats of any kind in a timely and structured way.*

### Output Class D3 Financial Performance

30.6.03		30.6.04	30.6.04	30.6.04
Actual		Actual	Main	Supplementary
\$000		\$000	Estimates	Estimates
			\$000	\$000
2,781	Revenue – Crown .....	2,781	2,781	2,781
2,742	Expenditure .....	2,774	2,781	2,781
39	Surplus .....	7	–	–

### Service Performance – External Assessments Bureau (EAB)

**Key Task**      *Ensuring the effective provision of accurately and succinctly assessed information on overseas developments of policy relevance to New Zealand.*

**Achievement**      The National Assessments Committee approved 84 papers. This compares with 74 in the previous year (2002/03).

There were 509 biographical reports prepared and delivered to primary customers in advance of the visits to which they related. The comparative figure for 2002/03 was 489.

There were 265 other assessments and reports prepared, compared with 321 in 2002/03.

Included in the 265 other assessments and reports were: 94 executive intelligence summaries prepared in consultation with the New Zealand Security Intelligence Service and the Government Communications Security Bureau; and 69 intelligence notes on current developments in the Solomon Islands, Iraq and elsewhere. Fewer watch group reports were required than in the previous year.

Priority was given to work directly related to topics of immediate concern to policy makers, including overseas crises.

*Key Task*                    *Ensuring that the Prime Minister, other senior ministers, and officials are satisfied with the assessments and reports provided.*

*Achievement*            Assessments received substantial positive feedback and reflected national priorities. Those done in response to specific tasks have addressed the topics specified by those who requested them.

No EAB papers to the National Assessments Committee required more than minor revision.

# *Financial Statements*

## *for the year ended 30 June 2004*

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# Statement of Accounting Policies

*for the year ended 30 June 2004*

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## Reporting Entity

The Department of the Prime Minister and Cabinet is a government department defined by Section 2 of the Public Finance Act 1989.

These financial statements incorporate the following classes of outputs of the Department of the Prime Minister and Cabinet:

Policy advice and secretariat and co-ordination services (Output D1)

Support services to the Governor-General  
and maintenance of the residences (Output D2)

Intelligence assessments on developments overseas (Output D3)

The financial statements have been prepared in accordance with Section 35 of the Public Finance Act 1989. They have also been prepared in accordance with Treasury Instructions and generally accepted accounting practice.

## Measurement Base

The measurement base adopted is that of historical cost.

## Accounting Policies

### *Budget figures*

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

### *Goods and services tax (GST)*

The Statement of Unappropriated Expenditure and the Statement of Departmental Expenditure and Appropriations are inclusive of GST. All other statements are GST exclusive, with the exception of the Statement of Financial Position where the entries for creditors and payables and debtors and receivables are GST inclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between output GST and input GST, is

included in creditors and payables or debtors and receivables (as appropriate).

### ***Fixed assets***

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

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

### ***Depreciation of assets***

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

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

### ***Taxation***

The department is exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

### ***Financial instruments***

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

### ***Cost allocation***

Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes. Direct costs represent 88 per cent of total departmental appropriation for output costs. (This compares with 87 per cent in 2002/03.)

Indirect costs are expenses incurred by corporate services and by the office of the chief executive. Indirect costs are allocated to each output class in proportion to the level of appropriation in relation to the total vote. Indirect costs represent 12 per cent of total departmental appropriation for output costs. (This compares with 13 per cent in 2002/03.)

### ***Leases***

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

### ***Employee entitlements***

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

### ***Commitments***

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

### ***Contingent liabilities***

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

### ***Changes in accounting policies***

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

# Statement of Financial Performance Objectives

*for the year ended 30 June 2004*

30.6.03 Actual		Unit	30.6.04 Actual	30.6.04 SOI
<b>Operating results</b>				
12,907	Output expenses .....	\$000	14,474	15,188
538	Operating surplus before capital charge .....	\$000	815	89
467	Net surplus (deficit) .....	\$000	744	18
<b>Working capital</b>				
392	Net current assets .....	\$000	542	360
1:1	Current ratio .....		1:1	1:1
1:1	Liquid ratio .....		1:1	1:1
62	Average creditors outstanding .....	days	53	50
<b>Resource utilisation</b>				
Physical assets:				
866	Total physical assets at year end .....	\$000	810	891
25	Additions as % of physical assets .....	%	29	46
840	Taxpayers' funds .....	\$000	840	840
<b>Forecast net cash flows</b>				
1,118	Surplus (deficit) operating activities .....	\$000	964	465
(204)	Surplus (deficit) investing activities .....	\$000	(147)	(406)
(270)	Surplus (deficit) financing activities .....	\$000	(467)	(467)
644	Net increase (decrease) in cash held .....	\$000	350	(408)
<b>Human resources</b>				
21	Staff turnover .....	%	18	20
5	Average length of service .....	years	5.5	6.5
121	Total staff .....	number	127	121

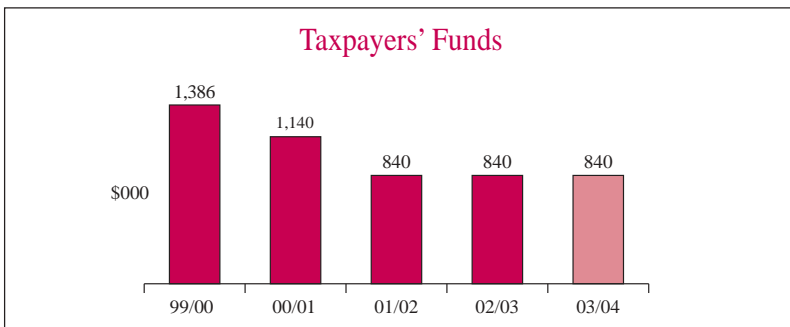
*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*



# Statement of Movements in Taxpayers' Funds

for the year ended 30 June 2004

30.6.03 Actual		30.6.04 Actual	30.6.04 Main Estimates	30.6.04 Supp. Estimates
\$000	Note	\$000	\$000	\$000
467		744	18	18
—		—	—	—
467		744	18	18
(467)	8	744	18	18
—		—	—	—
840		840	840	840
840		840	840	840



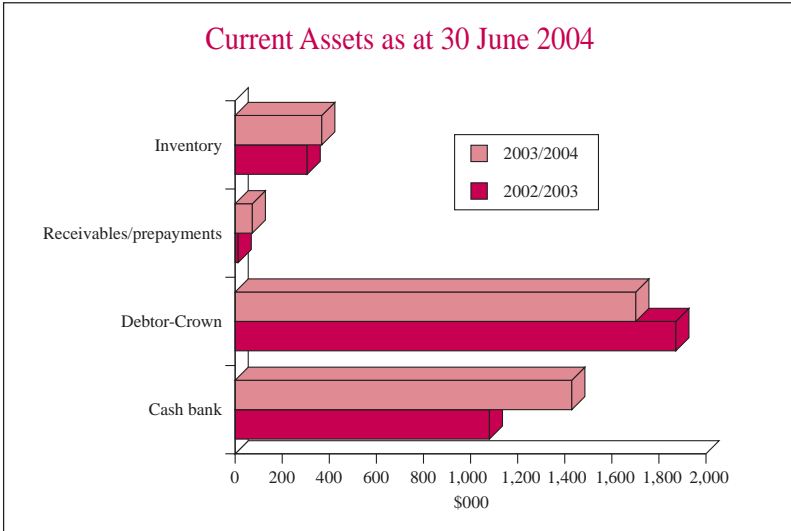
*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*

# Statement of Financial Position

as at 30 June 2004

30.6.03 Actual		30.6.04 Actual	30.6.04 Main Estimates	30.6.04 Supp. Estimates
\$000	Note	\$000	\$000	\$000
<b>Taxpayers' funds</b>				
840		840	840	840
General funds .....				
Represented by:				
<b>Current assets</b>				
1,080		1,430	1,073	672
13		73	13	13
1,872	9	1,702	1,016	1,702
306		368	200	306
3,271		3,573	2,302	2,693
<b>Total current assets</b> .....				
<b>Non-current assets</b>				
866	10	810	1,082	891
866		810	1,082	891
<b>Total non-current assets</b> .....				
4,137		4,383	3,384	3,584
<b>Total assets</b> .....				
<b>Current liabilities</b>				
2,023	11	1,828	1,730	1,930
467	8	744	18	18
389	12	459	385	385
2,879		3,031	2,133	2,333
<b>Total current liabilities</b> .....				
<b>Non-current liabilities</b>				
418	12	512	411	411
3,297		3,543	2,544	2,744
<b>Total liabilities</b> .....				
840		840	840	840
<b>Net assets</b> .....				

*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*



*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*

# Statement of Cash Flows

for the year ended 30 June 2004

30.6.03 Actual	30.6.04 Actual	30.6.04 Main Estimates	30.6.04 Supp. Estimates
\$000	\$000	\$000	\$000
<b>Cash flow – operating activities</b>			
<i>Cash was provided from:</i>			
14,132	15,328	12,375	15,328
46	58	48	48
14,178	15,386	12,423	15,376
<i>Cash was disbursed to:</i>			
Producing outputs			
(8,403)	(9,223)	(8,485)	(9,606)
(4,571)	(5,174)	(3,172)	(5,280)
(15)	46	–	46
(71)	(71)	(71)	(71)
(13,060)	(14,422)	(11,728)	(14,911)
1,118	964	695	465
<b>Cash flow – investing activities</b>			
<i>Cash was provided from:</i>			
13	9	–	–
<i>Cash was disbursed to:</i>			
(217)	(156)	(400)	(406)
(204)	(147)	(400)	(406)
<b>Cash flow – financing activities</b>			
<i>Cash was disbursed to:</i>			
(270)	(467)	(298)	(467)
(270)	(467)	(298)	(467)
644	350	(3)	(408)
436	1,080	1,076	1,080
1,080	1,430	1,073	672
1,080	1,430	1,073	672

The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

# Reconciliation of Net Surplus to Net Cash Flow from Operating Activities

for the year ended 30 June 2004

30.6.03 Actual	30.6.04 Actual	30.6.04 Main Estimates	30.6.04 Supp. Estimates
\$000	\$000	\$000	\$000
467	<b>Net operating surplus</b> .....	744	18
	<b>Non-cash items</b>		
292	Depreciation .....	287	400
	Inc(Dec) in non-current		
7	employee entitlements .....	94	–
299	<b>Total non-cash items</b> .....	381	400
	<b>Working capital movements</b>		
(5)	(Inc)Dec in debtors and receivables .....	(49)	–
5	(Inc)Dec in prepayments .....	(11)	–
804	(Inc)Dec in Crown debtors .....	170	177
(47)	(Inc)Dec in inventory .....	(62)	100
(409)	Inc(Dec) in creditors and payables .....	(277)	–
	Inc(Dec) in current employee		
4	entitlements .....	70	–
352	<b>Working capital movements – net</b> .....	(159)	277
	Add(Less) investing activity items		
–	(Gain)Loss on sale of fixed assets .....	(2)	–
–	<b>Total investing activity items</b> .....	(2)	–
	<b>Net cash flow from</b>		
1,118	<b>operating activities</b> .....	964	695

*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*

## Statement of Commitments

*as at 30 June 2004*

The department leases premises on the third and fifth floors of the Reserve Bank Building, Wellington. The annual lease payments are subject to two-yearly and ten-yearly reviews. The amounts disclosed as future commitments are based on the current rental rates.

Other operating leases include non-cancellable contracts for building services and leases for photocopiers.

<b>30.6.03</b>		<b>30.6.04</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
<b>Operating commitments</b>		
1,743	Accommodation leases .....	1,488
909	Other operating commitments .....	1,211
<u>2,652</u>	<b>Total commitments</b> .....	<u>2,699</u>
<b>Term classification for operating commitments</b>		
856	Less than one year .....	879
558	One to two years .....	665
751	Two to five years .....	835
487	More than five years .....	320
<u>2,652</u>	<b>Total commitments</b> .....	<u>2,699</u>

## Statement of Contingent Liabilities

*as at 30 June 2004*

The department has no contingent liabilities as at 30 June 2004. (30 June 2003: Nil)

## Statement of Unappropriated Expenditure

*for the year ended 30 June 2004*

The department has no unappropriated expenditure for the year ended 30 June 2004. (30 June 2003: Nil)

*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*

# Statement of Departmental Expenditure and Appropriations

*for the year ended 30 June 2004*

(Figures are GST inclusive where applicable)

	<b>30.6.04 Expenditure Actual \$000</b>	<b>30.6.04 Main Estimates \$000</b>	<b>30.6.04 Supp. Estimates \$000</b>
<b>Vote Prime Minister and Cabinet</b>			
<b>Appropriations for classes of outputs</b>			
D1 – Policy Advice and Secretariat and Coordination Services .....	9,728	7,104	10,434
D2 – Support Services to the Governor-General and Maintenance of the Residences .....	3,526	3,526	3,526
D3 – Intelligence Assessments on Developments Overseas .....	3,122	3,129	3,129
<b>Total</b> .....	<u>16,376</u>	<u>13,759</u>	<u>17,089</u>

*The accompanying accounting policies and notes form part of  
and are to be read in conjunction with these statements.*

# Notes to the Financial Statements

for the year ended 30 June 2004

## Note 1: Budget composition

		30.6.04 Budget Forecast \$000	30.6.04 Supp. Estimates Changes \$000	30.6.04 Final Budget Total \$000
	Note			
<b>Revenue</b>				
Crown .....	2	12,198	2,960	15,158
Other .....	3	48	–	48
<b>Total revenue</b> .....		<u>12,246</u>	<u>2,960</u>	<u>15,206</u>
<b>Expenditure</b>				
Personnel .....		8,485	961	9,446
Operating .....	4	3,272	2,024	5,296
Depreciation .....	5	400	(25)	375
Capital charge .....	6	71	–	71
<b>Total expenses</b> .....		<u>12,228</u>	<u>2,960</u>	<u>15,188</u>
<b>Net surplus</b> .....		<u>18</u>	<u>–</u>	<u>18</u>

## Note 2: Revenue-Crown

This is revenue earned for the supply of outputs to the Crown.

## Note 3: Other revenue

30.6.03		30.6.04 Actual \$000	30.6.04 Main Estimates \$000	30.6.04 Supp. Estimates \$000
Actual \$000				
46	Rental income .....	58	48	48
–	Gain on sale of fixed assets .....	2	–	–
<u>46</u>	<b>Total other revenue</b> .....	<u>60</u>	<u>48</u>	<u>48</u>

*Notes continued ...*

#### Note 4: Employee remuneration of more than \$100,000 per annum

2002/03		2003/04
Number of Staff	Remuneration Band	Number of Staff
4	\$100,001–\$110,000 .....	4
1	\$110,001–\$120,000 .....	2
5	\$120,001–\$130,000 .....	3
3	\$130,001–\$140,000 .....	3
2	\$140,001–\$150,000 .....	4
–	\$150,001–\$160,000 .....	1
–	\$160,001–\$170,000 .....	1
2	\$170,001 and above .....	2

(The Chief Executive's remuneration is excluded as it is reported by the State Services Commissioner.)

#### Note 5: Operating expenses

30.6.03		30.6.04	30.6.04	30.6.04
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
	Audit fees for audit of			
32	financial statements .....	33	30	32
423	Premises rental .....	401	352	387
111	Operating lease rental .....	124	108	113

The premises rental expenses do not include accommodation costs for personnel located on two floors of the Beehive (estimated annual rental for the furnished accommodation of \$350,000) which are provided by the Parliamentary Service.

#### Note 6: Depreciation

30.6.03		30.6.04	30.6.04	30.6.04
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
67	Fixtures & fittings .....	66	80	80
15	Furniture .....	16	15	15
23	Office equipment .....	22	22	22
32	Motor vehicles .....	21	50	50
3	Major plant & equipment .....	2	2	2
33	Minor plant & equipment .....	24	30	30
110	IT equipment .....	126	193	168
8	Kitchen equipment .....	10	8	8
1	Ground improvements .....	–	–	–
292	<b>Total depreciation</b> .....	<b>287</b>	<b>400</b>	<b>375</b>

*Notes continued ...*

### Note 7: Capital charge

The department pays a capital charge on its taxpayers' funds at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2004 was 8.5% (8.5% for 2003).

### Note 8: Provision for repayment of surplus

30.6.03 Actual \$000		30.6.04 Actual \$000
467	Current year net surplus (deficit) .....	744
–	Add: other expenses (not for production of outputs) .....	–
<u>467</u>	<b>Total provision for repayment of surplus</b> .....	<u>744</u>

### Note 9: Debtors and receivables

30.6.03 Actual \$000		30.6.04 Actual \$000
1,872	Debtor-Crown .....	1,702
5	Sundry receivable .....	54
8	Prepayment .....	19
<u>1,885</u>	<b>Total debtors and prepayment</b> .....	<u>1,775</u>

### Note 10: Fixed assets

30.6.03 Actual \$000		30.6.04 Actual \$000
	<b>Fixtures &amp; fittings</b>	
729	At cost .....	745
260	Accumulated depreciation .....	327
<u>469</u>	<b>Fixtures &amp; fittings – net book value</b> .....	<u>418</u>
	<b>Furniture</b>	
219	At cost .....	216
174	Accumulated depreciation .....	190
<u>45</u>	<b>Furniture – net book value</b> .....	<u>26</u>
	<b>Office equipment</b>	
378	At cost .....	398
334	Accumulated depreciation .....	356
<u>44</u>	<b>Office equipment – net book value</b> .....	<u>42</u>

*Notes continued ...*

<b>30.6.03</b>		<b>30.6.04</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
	<b>Motor vehicles</b>	
189	At cost .....	163
119	Accumulated depreciation .....	120
70	<b>Motor vehicles – net book value</b> .....	43
	<b>Major plant &amp; equipment</b>	
122	At cost .....	122
118	Accumulated depreciation .....	120
4	<b>Major plant &amp; equipment – net book value</b> .....	2
	<b>Minor plant &amp; equipment</b>	
332	At cost .....	332
293	Accumulated depreciation .....	317
39	<b>Minor plant &amp; equipment – net book value</b> .....	15
	<b>IT equipment</b>	
2,161	At cost .....	2,340
1,982	Accumulated depreciation .....	2,102
179	<b>IT equipment – net book value</b> .....	238
	<b>Kitchen equipment</b>	
97	At cost .....	118
81	Accumulated depreciation .....	92
16	<b>Kitchen equipment – net book value</b> .....	26
	<b>Ground improvements</b>	
20	At cost .....	20
20	Accumulated depreciation .....	20
–	<b>Ground improvements – net book value</b> .....	–
	<b>Total fixed assets</b>	
4,247	At cost .....	4,454
3,381	Accumulated depreciation .....	3,644
866	<b>Total fixed assets – net book value</b> .....	810

**Note 11: Creditors and payables**

<b>30.6.03</b>		<b>30.6.04</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
771	Trade creditors .....	969
6	Fixed assets creditors .....	88
1,246	Accrued liabilities and provisions .....	771
2,023	<b>Total creditors and payables</b> .....	1,828

*Notes continued ...*

### Note 12: Employee entitlements

<b>30.6.03</b>		<b>30.6.04</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
	<b>Non-current liabilities</b>	
355	Retirement leave .....	431
63	Long-service leave .....	81
<u>418</u>		<u>512</u>
	<b>Current liabilities</b>	
356	Annual leave .....	420
33	Long-service leave .....	39
<u>389</u>	<b>Total current portion</b> .....	<u>459</u>
<u>807</u>	<b>Total employee entitlements</b> .....	<u>971</u>

### Note 13: Financial instruments

The department is a party to financial arrangements as part of its everyday operations. These include instruments such as bank balance, investments, sundry receivables and trade creditors.

#### *Credit risk*

Credit risk is the risk that a third party will default on its obligations to the department, causing the department to incur a loss. In the normal course of its operations, the department incurs credit risk from sundry debtors and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The department does not require any collateral or security to support financial instruments with financial institutions it deals with, or with NZDMO, as these entities have high credit ratings. For other financial instruments, the department does not have significant concentrations of credit risk.

#### *Fair value*

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position. The department is not involved in any off-balance-sheet transactions.



*Notes continued ...*

***Currency risk and interest rate risk***

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rate.

Interest rate risk is the risk that the department's return on the funds it has invested will fluctuate because of changes in market interest rates.

The department has no significant exposure to currency risk or interest rate risk on its financial instruments.

All interest earned on short-term deposits with the NZDMO are returned to the Crown as part of the surplus repayable to the Crown.

**Note 14: Related party information**

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. These transactions are carried out at an arm's length basis and are not considered to be related party transactions.

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

**Note 15: Major budget variations**

***DI – Policy Advice and Secretariat and Coordination Services***

The appropriation for this output class was increased by \$2.960 million for the Foreshore and Seabed project.

***Statement of Financial Performance***

The variance between actual and budgeted operating costs was because of underspending on the Foreshore and Seabed project. This is reflected in the higher bank balance and higher provision for repayment of the surplus to the Crown.

# Financial Statements and Schedules for Non-Departmental Activities

*for the year ended 30 June 2004*

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## Overview

The following statements and schedules record the expenses, assets and liabilities that the department manages on behalf of the Crown.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

## Statement of Accounting Policies

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

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

### *Budget figures*

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

### *Goods and services tax (GST)*

All Crown items are inclusive of GST.

### *Property, plant and equipment*

#### **Valuation**

Quotable Value New Zealand revalued land and buildings in Wellington as at 30 June 2004, and land and buildings in Auckland as at 1 May 2003.

Land and buildings are recorded at fair value. Fair value is determined using market-based evidence; in cases where there is insufficient market-based evidence, land and buildings are valued at optimised depreciated replacement cost.

Land and buildings are revalued at least every three years. Additions between revaluations are recorded at cost.

Any revaluation surplus arising from the revaluation of a class of asset is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for a particular class of fixed

asset is recognised in the Statement of Financial Performance in the period in which it arises.

Fixed assets are initially recorded at cost if the valuation is less than accumulated depreciation.

All individual assets or groups of assets are capitalised if their purchase cost is \$2,000 or greater.

### **Depreciation of assets**

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

Buildings .....	2 %
Fixtures and fittings .....	10%
Furniture .....	20%
Motor vehicles .....	25%
Plant and equipment .....	20%
Ground improvements .....	20%
Household ornaments .....	20%
Artwork .....	2%

### ***Commitments***

Future payments are disclosed as commitments at the point where a contractual obligation arises, to the extent that they are equally unperformed obligations.

### ***Contingent liabilities***

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

### ***Changes in accounting policies***

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

### ***Assets and liabilities***

All assets and liabilities are recognised at fair value.

## Schedule of Expenses

for the year ended 30 June 2004

The Schedule of Expenses summarises non-departmental expenses that the department administers on behalf of the Crown.

30.6.03 Actual \$000		30.6.04 Actual \$000	30.6.04 Budgeted \$000
<b>Vote: Department of the Prime Minister and Cabinet</b>			
639	Other expenses to be incurred by the Crown: .....	795	850
363	Depreciation .....	356	830
(50)	(Gain) loss on sales of fixed assets .....	-	-
952	<b>Total non-departmental expenses</b> .....	<b>1,151</b>	<b>1,680</b>

## Statement of Expenditure and Appropriations

for the year ended 30 June 2004

The Statement of Expenditure and Appropriations details expenditure and capital payments incurred against appropriations. The department administers these appropriations on behalf of the Crown.

30.6.03 Actual Expenditure \$000		30.6.04 Actual Expenditure \$000	30.6.04 Supp. Estimates \$000
<b>Vote: Department of the Prime Minister and Cabinet</b>			
Other Expenses to be incurred by the Crown:			
8	Fees for the Commissioner of Security Warrants ..... (NZSIS Amendment (No 2) Act 1999)	20	20
631	Government House-other payments .....	775	830
	(Civil List Act 1979)		
639	<b>Total appropriations for other expenses incurred by the Crown</b> .....	<b>795</b>	<b>850</b>
<b>Purchase or development of capital assets by the Crown</b>			
169	Government House .....	788	788
169	<b>Total appropriations for purchase or development of Crown assets</b> .....	<b>788</b>	<b>788</b>

The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.

# Schedule of Assets and Liabilities

as at 30 June 2004

The Schedule of Assets and Liabilities summarises the assets and liabilities that the Department administers on behalf of the Crown.

30.6.03 Actual Expenditure \$000		30.6.04 Actual Expenditure \$000	30.6.04 Budgeted \$000
<b>Vote: Department of the Prime Minister and Cabinet</b>			
<b>Current assets</b>			
253	Bank .....	879	596
<b>Property, plant and equipment</b>			
25,310	Land .....	27,660	26,310
11,389	Buildings .....	13,667	10,448
7	Plant and equipment .....	2	2
86	Furniture and fittings .....	51	64
156	Motor vehicles .....	116	217
657	Other assets .....	601	522
<u>37,858</u>	<b>Total non-departmental assets .....</b>	<u>42,976</u>	<u>38,159</u>
<b>Current liabilities</b>			
32	Accounts payable .....	169	500
73	Accrued liabilities .....	39	–
52	Fixed asset accruals .....	520	500
<u>157</u>	<b>Total non-departmental liabilities .....</b>	<u>728</u>	<u>1,000</u>

*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*

## Schedule of Commitments

*as at 30 June 2004*

<b>30.6.03</b>		<b>30.6.04</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
<b>Vote: Department of the Prime Minister and Cabinet</b>		
	Capital commitments	
–	Land & buildings .....	2,003
–	<b>Total commitments</b> .....	<b>2,003</b>
<b>Term classification for operating commitments</b>		
–	Less than one year .....	2,003
–	<b>Total commitments</b> .....	<b>2,003</b>

## Schedule of Contingent Liabilities

*as at 30 June 2004*

**Vote: Department of the Prime Minister and Cabinet**

There are no contingent liabilities as at 30 June 2004. (30 June 2003: Nil.)

*The accompanying accounting policies and notes form part of and are to be read in conjunction with these statements.*

# *Organisational Information*

*for the year ended 30 June 2004*

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## Staff Information

Staff numbers as at 30 June were:

	<b>2004</b> <i>(FTE)</i>	<b>2003</b>	<b>2002</b>
Office of the Chief Executive	2 (2.0)	2	2
Policy Advisory Group	15 (14.6)	16	15
Domestic and External Security Group	6 (6.0)	7	6
External Assessments Bureau	26 (26.0)	27	27
Cabinet Office	24 (22.6)	24	24
Corporate Services	14 (13.6)	15	13
Government House	30 (29.3)	30	29
Foreshore and Seabed Group <sup>5</sup>	11 (10.7)	–	–
Climate Change Project <sup>6</sup>	–	–	19
<b>TOTAL</b>	<b>128<sup>1</sup> (124.8)<sup>2</sup></b>	<b>121<sup>3</sup></b>	<b>133<sup>4</sup></b>

<sup>1</sup> Total includes 10 part-time staff and 14 seconded from other departments and organisations. Casual staff are not included.

<sup>2</sup> Figures in parenthesis represent full-time equivalent (FTE) employees.

<sup>3</sup> Total includes 6 part-time and 13 seconded staff.

<sup>4</sup> Total includes 6 part-time and 32 seconded staff.

<sup>5</sup> The Foreshore and Seabed Group was established in DPMC on 22 January 2004.

<sup>6</sup> The Climate Change Project was transferred to the Ministry for the Environment on 31 January 2003.

## Management Personnel

Maarten Wevers CNZM	Chief Executive (appointed 14 June 2004)
Mary Anne Thompson	Acting Chief Executive (28 February – 14 June 2004)
Mark Prebble	Chief Executive (until 27 February 2004)
Brent Anderson	Corporate Services Manager

### *Policy Advisory Group*

Michelle Hippolite	Acting Director (from 12 July 2004)
Mary Anne Thompson	Director (until 9 July 2004)

### *Cabinet Office*

Diane Morcom	Secretary of the Cabinet and Clerk of the Executive Council (appointed 29 September 2003)
Marie Shroff, CNZM, CVO	Secretary of the Cabinet and Clerk of the Executive Council (until 28 September 2003)
Martin Bell	Deputy Secretary of the Cabinet (appointed 29 September 2003)
Rebecca Kitteridge	Deputy Secretary of the Cabinet (appointed 24 November 2003)

### *Domestic and External Security Group*

David Hill, CNZM	Director
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### *External Assessments Bureau*

David Kersey	Director
Hessel Baas	Assessments Manager
Gregory Baughen	Assessments Manager
Graeme Roberts	Assessments Manager



***Government House***

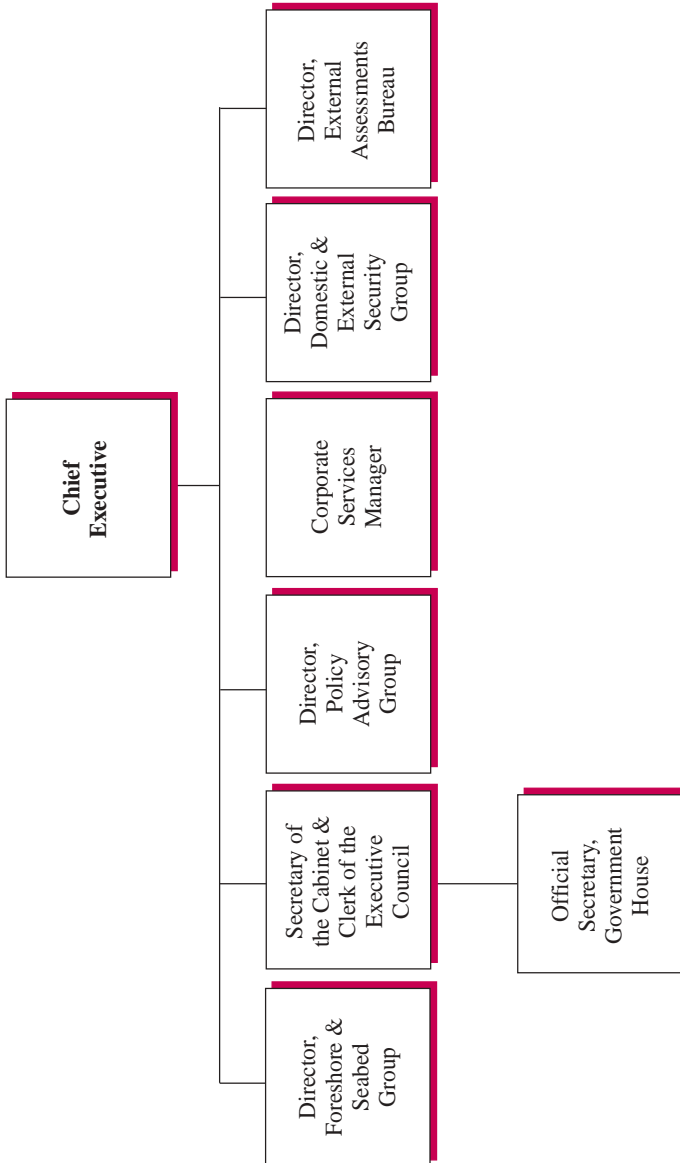
Tia Barrett	Official Secretary (from 10 September 2004)
Hugo Judd, CVO	Official Secretary (until 9 September 2004)
Don Smith	Manager, Support Services

***Foreshore and Seabed Group***

Parekawhia McLean	Director (from 6 September 2004)
Cathryn Ashley-Jones	Director (until 3 September 2004)

# Management Structure

*as at 30 June 2004*



## Personnel Policies

### *Maintaining work/life balance*

The focus during 2003/2004 was on investigating where improvements could be made in the work/life balance of the department's staff members. After an initial phase of consultation, a DPMC-wide working group was established to identify potential work/life balance issues. This working group then reported to the senior management group with a series of recommendations. Most initiatives have been approved and are currently being implemented. Managers have also been encouraged to work with their staff in identifying and addressing specific work/life balance issues within their units.

### *Employee relations*

All staff members are employed on individual employment agreements. The most recent collective employment contract expired on 30 June 2000, and no requests have been received from staff to renew it. No formal Partnership for Quality agreement is in place; rather, a series of regular meetings are held with the PSA.

### *Commitment to childcare*

Children of DPMC employees were eligible for places at the playHouse child care centre in the Parliamentary complex. The department has also helped children of its staff members gain access to school-holiday programmes offered through other public-sector agencies.

### *Superannuation and retirement*

DPMC continued to subsidise contributions to the Global Individual Retirement Plan (IRP), the National Provident Fund, the new State Sector Retirement Savings Scheme (SSRSS), and the Government Superannuation Fund. Administrative costs and an employer subsidy (on a dollar-for-dollar basis) were met for employees who contributed to the IRP or SSRSS schemes. At 30 June 2004, 61 per cent of employees received employer contributions to superannuation.

Seminars on financial planning and retirement preparation were offered to staff.



### *Occupational Health and Safety (OSH)*

DPMC maintained its OSH programme – ergonomic furniture and equipment for staff who use computers, occupational safety advice, eye-testing for those exposed to computer screens for prolonged periods, and an annual workplace hazard audit. New staff, and those moving to new offices, received an ergonomic assessment as well as training in the correct use of desktop computers.

DPMC's two health and safety committees operated across the department's three locations: the Beehive, Reserve Bank Building and Government House. The department also has a representative on the health and safety committee for the wider Parliamentary complex. The committees have actively reviewed DPMC's health and safety policies and are preparing for an ACC audit. Committee members attended health and safety representative training during the year.

Staff were encouraged to maintain a good level of physical fitness, and the department offered a subsidy for approved fitness-related programmes. The personal physical fitness fees subsidy was increased from \$260 (less PAYE) to \$500 (less PAYE) a year, to better reflect the cost of gym membership.

DPMC operated an employee assistance programme and continued to administer a group health insurance scheme for staff, through Southern Cross Healthcare.

## Information Management

This year DPMC completed the upgrade of its system infrastructure, replacing all the desktop PCs and moving to the Microsoft Office and Windows XP environment. The installation of this new computing platform was accompanied by in-house training for all staff. There is now a medium-term replacement strategy for DPMC's computer hardware and software, which involves progressive upgrades of key components within a 4-year cycle.

DPMC also upgraded its communications network to a higher speed fibre and switch backbone, leaving the old fibre in place for redundancy purposes.

The opportunity was also taken to review the department's system security and Kaon Technologies were hired to carry out a technical-security audit. Its report was favourable and recommendations for further improvement have now been actioned.

Insite, DPMC's new intranet resource, was launched during the year. It will be a core tool for communication and collaboration across the department – and a steering group is being established to plan Insite's ongoing strategic development. A fibre link to Government House has been commissioned and access to Insite will be the first service provided.

Staff resources were strengthened through the appointment of a full-time corporate system administrator (who is also responsible for managing the department's help desk), while the Cabinet Office appointed a full-time information and support services manager.

Two projects this year had to be carried out at short notice: establishing the Foreshore and Seabed Group, and returning the Cabinet Office to the 10th floor of the Beehive after an extensive Beehive refurbishment project – both projects were completed successfully.

The year's activities has seen DPMC improve its capability to manage and support its information services system. It now has a robust platform from which it can move ahead in alignment with its Statement of Intent, information strategy, and other e-government initiatives.

# *Appendix I: Statutory and Formal Responsibilities*

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## *Chief Executive*

The Chief Executive has the following responsibilities:

- the statutory responsibility to appoint such officers as may be required to assist the Intelligence and Security Committee of Parliamentarians (established under the Intelligence and Security Committee Act 1996) to carry out its duties
- co-ordination responsibilities in the response phase of an emergency under the International Terrorism (Emergency Powers) Act 1987.

## *Secretary of the Cabinet and Clerk of the Executive Council*

The statutory and formal responsibilities of the Secretary of the Cabinet and the Clerk of the Executive Council are:

- to administer the Letters Patent Constituting the Office of the Governor-General of New Zealand 1983
- to be the Registrar of Ministers' Interests
- to preserve and maintain the official records of Cabinet, and to administer the convention on access to documents of a previous administration
- to administer the Civil List Act 1979
- to certificate subordinate legislation approved in Executive Council in terms of Section 32 of the Evidence Act 1908
- to certificate other instruments executed by the Governor-General in terms of the Official Appointments and Documents Act 1919

- to administer the Oath of Allegiance and the Executive Councillors' Oath in terms of Section 23 of the Oaths and Declarations Act 1957
- to administer the Statutes of The Queen's Service Order (1975 and 1981), The Order of New Zealand (1987) and The New Zealand Order of Merit (1996 and 2000)
- to administer the Royal Warrants of the New Zealand Gallantry Awards and the New Zealand Bravery Awards (1999)
- to certificate and seal documents of the New Zealand Government Property Corporation in terms of Section 10 of the New Zealand Government Property Corporation Act 1953
- to administer the Seal of New Zealand Act 1977
- to administer the Royal Titles Act 1978.

## *Appendix II: Business Statistics for Executive Council, Cabinet and Cabinet Committees*

*for the year ended 30 June 2004*

<b>Committee</b>	<b>Number of meetings</b>	<b>Number of agenda items</b>	<b>Average number of items per meeting</b>
Executive Council .....	38	311	8.2
Cabinet .....	40	638	16.0
Cabinet Policy Committee .....	32	371	11.6
Cabinet Economic Development Committee .....	30	247	8.2
Cabinet Social Development Committee .....	32	214	6.7
Cabinet External Relations and Defence Committee .....	16	77	4.8
Cabinet Legislation Committee .....	31	242	7.8
Cabinet Appointments and Honours Committee .....	15	247	16.5
Cabinet Committee on Government Expenditure and Administration .....	12	99	8.2
Cabinet Committee on Domestic and External Security Coordination .....	2	6	3.0
Cabinet Business Committee .....	11	124	11.3
<b>Subtotal of Cabinet committee meetings</b> .....	<b>181</b>	<b>1,627</b>	<b>9.0</b>
<b>Total including Cabinet</b> .....	<b>221</b>	<b>2,265</b>	<b>10.2</b>

# *Appendix III: Summary of New Zealand and Other Honours Granted by The Queen*

*for the year ended 30 June 2004*

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**The Order of New Zealand**

Ordinary Member	0
Honorary Member	0

**The New Zealand Order of Merit**

Principal Companion (PCNZM)	0
Distinguished Companion (DCNZM)	10
Companion (CNZM)	25
Officer (ONZM)	50
Honorary Officer (ONZM)	1
Member (MNZM)	114
Honorary Member (MNZM)	2

**The Queen's Service Order**

Companion for Community Service (QSO)	11
Companion for Public Services (QSO)	19

**The Queen's Service Medal**

for Community Service (QSM)	67
for Community Service (QSM) (Honorary)	1
for Public Services (QSM)	77
for Public Services (QSM) (Honorary)	1

**TOTAL****378****Other Honours and Appointments**

Grant of the title "The Honourable" for life	3
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**GRAND TOTAL****381**

All honours and appointments were promulgated in the *New Zealand Gazette*.