



DEPARTMENT
of the PRIME MINISTER
and CABINET



Annual Report

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State Sector Act 1988 and the Public Finance Act 1989*

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for the year ended 30 June 2007



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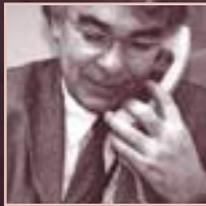
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professionalism,
gallantry, knowledge



Chief Executive's Overview

Two events of national importance over the last year have demonstrated the diverse role of the Department of the Prime Minister and Cabinet. One was the swearing-in as Governor-General of New Zealand, at a ceremony at Parliament on 23 August 2006, of His Excellency the Hon Anand Satyanand – the first New Zealander of Asian heritage to be appointed to the Vice-Regal Office.

The other was the announcement by the Prime Minister, on 2 July 2007, that Her Majesty the Queen had approved four New Zealand Gallantry Awards for service in Afghanistan, including the awarding of the Victoria Cross for New Zealand to Corporal Bill Henry Apiata. This was the first Victoria Cross awarded to a serving New Zealander since the Second World War.

The Department of the Prime Minister and Cabinet, through the Cabinet Office, was closely involved in providing advice and support to the Governor-General and Prime Minister for both these significant events. The consideration of an award of a Victoria Cross and the swearing-in of the new Governor-General, along with the preparations for his taking up his new role, are processes that require absolute discretion and a deep knowledge of precedent, convention, and New Zealand's constitutional arrangements – as well as an understanding of our changing national identity and the ability to work closely with other agencies. Together, these two events demonstrate DPMC's contribution to the outcome "Executive government is well conducted and

continues in accordance with accepted conventions and practices", as identified in the department's *Statement of Intent for the year ending 30 June 2007* (SOI 2006).

The department's role in support of executive government (the Governor-General, the Prime Minister, and ministers) demands high standards of professionalism, clarity of purpose, and excellent relationships across the government system. Our 2006 SOI indicated that we did not expect core activities of the department to alter significantly over the coming three years. These core activities remain: to provide advice to the Prime Minister and Governor-General; to co-ordinate activities across government agencies; to provide systems and administrative support to the Prime Minister, Governor-General, ministers and Cabinet; and to demonstrate leadership across the public service. Each one of these activities has been evident over the past year in areas as diverse as public policy advice, national security, assessments on developments overseas, support for the Governor-General, and support to ministers and Cabinet through the Cabinet Office.

CHIEF EXECUTIVE'S OVERVIEW

Over the last year, as highlighted in the SOI, a priority for the Policy Advisory Group (PAG) has been to support the government's three themes: economic transformation, families – young and old, and national identity. Along with Treasury and the State Services Commission (SSC), DPMC has supported those chief executives tasked to lead the theme work on behalf of the lead ministers. In some cases, DPMC advisers have engaged intensively in supporting particular theme initiatives – for example, working with local and regional authorities in Auckland to strengthen regional governance. The PAG has also contributed policy advice on the customary wide range of issues.

In her statement to Parliament in February, the Prime Minister announced six sustainability initiatives that will reinforce and complement the government's three themes. With the Ministry for the Environment, the Ministry of Economic Development, and other agencies, the PAG worked to shape these six sustainability initiatives through actions to promote sustainable households, improve waste management, promote a carbon-neutral public service, and – in collaboration with the business sector – to strengthen sustainability as a driver for economic development.

Our SOI 2006 noted the work that DPMC had embarked upon to lift the contribution of central agencies. In December, Cabinet received a report on a review of the central agencies' role in promoting and assuring state sector performance. Ministers accepted the review's recommendations for strengthening the central agencies' performance – including a stronger leadership role by the agencies, and greater focus on key areas of government priority. Together with Treasury and SSC, DPMC has now embarked on a cross-agency programme to lift joint performance. Priority policies have been identified for intensified effort (including sustainability); new procedures for joint planning and induction have been initiated; and the three agencies are working more closely together to provide leadership across whole-of-government initiatives.

DPMC has also been active in preparing for and managing domestic and external security risks over the past year. Together with the Ministry of Civil Defence and Emergency Management (MCDEM), the Domestic and External Security Group (DESG) co-ordinated a major national disaster exercise "Capital Quake" – the simulation of a large earthquake in

Wellington. More than one thousand people participated in the two-day exercise, which was designed and run in close collaboration with local authorities in the Wellington region and more widely. Useful lessons were learned, and these must be drawn on by the agencies involved.

DESG also supported, with MCDEM and the Centre for Advanced Engineering at Canterbury University, a sabbatical visit to New Zealand by Professor Tom O'Rourke of Cornell University. An expert in infrastructure resilience, Professor O'Rourke held a number of seminars and workshops in April. They attracted good attendance from central and local government and also from the private sector, generating suggestions for further work to better strengthen New Zealand's infrastructure.

The Officials' Committee for Domestic and External Security Co-ordination (ODESC), chaired by DPMC, met regularly during the year to deal with a series of events which arose (such as despatch of New Zealand defence personnel and police to Tonga in November 2006), and to co-ordinate efforts to assess and mitigate a range of security risks. The Interdepartmental Committee on Security was convened to review the *Security in the Government Sector Manual* in the wake of the Henry Report last year. A programme to strengthen security awareness, training, and procedures across the government sector has been agreed, and will be carried forward over the coming year.

Early in the year, the extending of full support to His Excellency the Governor-General and Mrs Satyanand as they settled into their new roles was the top priority for staff at Government House in Wellington and Auckland. His Excellency undertook a wide range of visits within New Zealand over his first year in office. He also visited Niue and, with the Prime Minister, represented New Zealand at state funerals in Tonga and Samoa.

DPMC has also continued to investigate the state of Government House Wellington (which will be a hundred years old in 2010), with a view to preparing a proposal for refurbishment and maintenance work. Drawing on external expertise – including that of heritage architecture – the department has completed a full assessment of the House. A proposal for a refurbishment project is being drawn up for consideration by ministers.

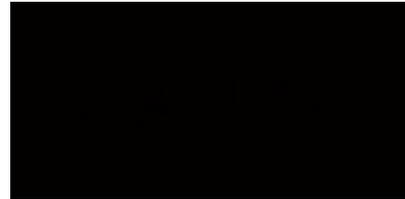


CHIEF EXECUTIVE'S OVERVIEW

The activities highlighted above offer only a glimpse of the wide range of activity that DPMC staff undertook over the past year. The Department of the Prime Minister and Cabinet remains a very busy – a small but central – part of the government machinery. It tends to operate in a less visible way than many other agencies and, with the exception of Government House and the Honours Secretariat of the Cabinet Office, has very limited engagement with members of the public. Staff in the department continue to take considerable pride in their work, and recognise the privilege they have in being able to contribute at the very centre of New Zealand's democratic system of government.

Once again, I want to place on record my appreciation for the many efforts of staff in the department over the year – in particular for the professionalism they continue to show and their willingness to go that extra step in serving the Governor-General and the Prime Minister. I am very grateful for their ongoing support.

In closing I would like to extend my thanks to Andrew Renton-Green QSO, who has just retired from the position of Official Secretary, Government House. I welcome his successor, Adrian Simcock. I would also like to thank my senior management team for their considerable contributions, professional and personal, over the past twelve months – Diane Morcom, Andrew Kibblewhite, Brent Anderson, and also Gregory Baughen and Steve Long who joined us early in the year.



Maarten Wevers CNZM
Chief Executive

THE DEPARTMENT'S ROLE

DPMC has four roles – to lead, advise, support, and co-ordinate. As well as providing impartial high-quality advice and support to the Executive (the Prime Minister, the Governor-General, and the Cabinet), DPMC is required at times to lead on specific areas of work. It also helps co-ordinate the efforts of departments so that decision making takes account of all relevant viewpoints and is as coherent and complete as possible.

SUPPORTING THE PRIME MINISTER AND CABINET

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

DPMC provides three kinds of direct support to the Prime Minister:

Issues that are the direct responsibility of the Prime Minister

An important part of this support is for constitutional issues relating to the conduct of executive government – including the formation of government and transitions between administrations – and issues associated with the operation of the Cabinet system.

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 works with the rest of the public service to achieve this, co-ordinating activity where necessary. For example, it works with the other central agencies and with key departments to ensure that the government's sustainability initiatives and its three priority themes (economic transformation; families – young and old; and national identity) are supported.

Support to the Prime Minister

This includes services such as preparing replies to Parliamentary questions, and dealing with Official Information Act requests and other correspondence.

A totally separate body, the Office of the Prime Minister, also advises the Prime Minister and is the primary point of responsibility for managing political issues and relationships with other political parties.

SUPPORTING THE GOVERNOR-GENERAL

DPMC also supports the Governor-General in carrying out his 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 almost always exercised only on the advice of ministers. The Governor-General is therefore a significant figure in the constitutional framework, with constitutional, ceremonial, and community roles that together build and foster our national identity and unity.

BRINGING THE SYSTEM TOGETHER

A great deal of DPMC's activities focus on facilitating government decision making at a strategic and operational level. To achieve this, the department relies on close relationships with other departments and agencies and – depending on the issue – on local government, business, and the community.



collaboration, responsibility, service



Outcomes

DPMC'S OVERALL OUTCOME IS:

Good government with effective public service support.

This high-level outcome is what DPMC seeks to achieve in collaboration with many other parts of the government system, including ministers, the public service, and the wider state sector. Along with the two other central agencies – Treasury and SSC – 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.

DPMC's five *contributing outcomes* have been developed to help achieve its overall outcome.

Contributing Outcomes 1 to 4

- Decision making by the Prime Minister and Cabinet is well informed and supported.
- Executive government is well conducted and continues in accordance with accepted conventions and practices.
- The Governor-General is well supported.
- The management of domestic and external security risks is well planned, informed and co-ordinated.

The department's fifth *contributing outcome* is shared with the other two central agencies, Treasury and SSC. This is because DPMC, as one of the three central agencies, has an interest in the improvement of state sector performance.

Contributing Outcome 5

- A high-performing, trusted and accessible state sector, delivering the right things, in the right way, at the right prices.

These five 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.

DPMC measures its progress towards its overall and contributing outcomes in terms of its three output classes:

- policy advice and secretariat and co-ordination services
- support services to the Governor-General and maintenance of the two Government Houses
- intelligence assessments on developments overseas.

An overview of DPMC's outcome and output framework is contained in the department's *Statement of Intent for the year ending 30 June 2008* (SOI 2007), page 8.

development, advice, intelligence



Statement of Accountability

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 Output Class 3: Intelligence assessments on developments overseas.

Statement of Responsibility

In terms 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 2007.

COUNTERSIGNED BY



Maarten Wevers CNZM
CHIEF EXECUTIVE

Date: 28 September 2007



Brent Anderson
CORPORATE SERVICES MANAGER

Date: 28 September 2007



AUDIT REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of the Prime Minister and Cabinet's financial statements and performance information for the year ended 30 June 2007.

The Auditor-General is the auditor of the Department of the Prime Minister and Cabinet (the Department). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance and schedules of non-departmental activities included in the annual report of the Department for the year ended 30 June 2007.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Department on pages 20 to 36:
comply with generally accepted accounting practice in New Zealand; and
fairly reflect:
 - the Department's financial position as at 30 June 2007; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Department on pages 11 to 18:
complies with generally accepted accounting practice in New Zealand; and
fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

- The schedules of non-departmental activities on pages 37 to 41 fairly reflect the assets, liabilities, expenses, contingencies, and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2007.

The audit was completed on 28 September 2007, and is the date at which our opinion is expressed.

The basis of our 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 the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance 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 and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. 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;

AUDIT REPORT

- 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 and statement of service performance disclosures are adequate.

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

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

RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND THE AUDITOR

The Chief Executive is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date.

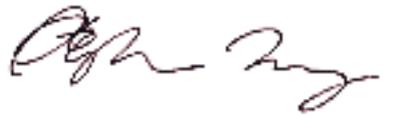
The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, expenses, contingencies and commitments managed by the Department on behalf of the Crown for the year ended 30 June 2007. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) 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.



S B Lucy

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 the Prime Minister and Cabinet (the Department) for the year ended 30 June 2007 included on the Department's web site. The Chief Executive is responsible for the maintenance and integrity of the Department's web site. We have not been engaged to report on the integrity of the Department's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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 2007 to confirm the information included in the audited financial statements presented on this web site.

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



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION 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 more collective approach across the state sector to the formulation and implementation of the government’s key priorities
- the co-ordination of central government activities aimed at protecting New Zealand’s domestic and external security, including intelligence, counter-terrorism preparedness, emergency/crisis management, and defence operations
- the provision of advice to the Governor-General, the Prime Minister and ministers on constitutional issues relating to the conduct of executive government, to support the conduct and continuity of government within accepted conventions and practices (this includes support for the change of Governor-General)
- the provision of impartial secretariat services to Cabinet, Cabinet committees and the Executive Council; and the promulgation of their decisions
- the provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees, and the adaptation of these as required
- the co-ordination of the policy and administrative aspects of the legislative programme as directed by the Cabinet Legislation Committee
- advice on central government decision-making processes
- the provision of policy advice and administrative support for the New Zealand royal honours system.

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 1 Financial Performance

30.06.06		30.06.07		30.06.07	
Actual		Actual	Main Estimates	Supplementary Estimates	
\$000		\$000	\$000	\$000	\$000
7,750	Revenue – Crown	7,680	7,327	7,680	
–	Revenue – Other	–	–	–	
7,718	EXPENDITURE	7,676	7,327	7,680	
32	SURPLUS	4	–	–	

Output Class 1 Service Performance: Policy Advisory Group

POLICY ADVICE TO THE PRIME MINISTER

Objective

To provide high-quality information, analysis and advice that enables the Prime Minister to lead and manage the public policy business of the government.

Performance

The Policy Advisory Group provided advice to the Prime Minister as necessary on Cabinet and Cabinet committee papers in time for her to use in Cabinet or Cabinet committee meetings.

The Policy Advisory Group provided briefing notes on issues of interest to the Prime Minister, either in response to requests from her or on the Group’s initiative.

All written advice provided to the Prime Minister was reviewed by the Director of the Policy Advisory Group and/or the Chief Executive. In most cases this review occurred after the advice was tendered; in sensitive or difficult matters the Director or Chief Executive reviewed the advice before it was submitted.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

Feedback from the Prime Minister on any advice tendered was made available to the Chief Executive, the Director of the Policy Advisory Group, and the adviser concerned.

The Policy Advisory Group participated in a range of whole-of-government processes in support of the government's themes and priority initiatives such as sustainability.

The Policy Advisory Group convened regular meetings of the Officials' Social Development Committee, and briefed the Chair of the Cabinet Social Development Committee before each of that committee's meetings.

Objective

To satisfy the Prime Minister that the Group's advice and co-ordination services are provided to a high standard.

Performance

The Prime Minister gave regular feedback on the advice provided by the Policy Advisory Group. Formal feedback was also sought from other key stakeholders such as the Office of the Prime Minister and selected departmental chief executives.

Objective

To satisfy the Prime Minister that the department's leadership and co-ordination roles are carried out effectively in a timely manner.

Performance

The Prime Minister is regularly advised by the Chief Executive (with the support of the Director of the Policy Advisory Group, the Secretary of the Cabinet, and the Director of DESG in their own specialist areas) of the range of activities undertaken to facilitate cross-agency co-ordination of policy advice and implementation. These activities include fortnightly meetings of departmental chief executives, convened to share information over policy directions; weekly meetings with counterpart central-agency chief executives; and interdepartmental co-ordination of particular policy priorities.

Output Class 1 Service Performance: Cabinet Office

SUPPORT FOR THE PROPER AND EFFECTIVE OPERATION OF THE KEY INSTITUTIONS OF EXECUTIVE GOVERNMENT

Objective

To provide impartial, efficient and effective secretariat services to Cabinet and Cabinet committees to ensure they operate smoothly and within Cabinet's rules.

Performance

The Cabinet Office provided secretariat services to 194 (2005/06: 141) Cabinet and Cabinet committee meetings and 35 (35) Executive Council meetings over the year.

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 2,258 (1,549) summary cover sheets prepared for submissions to Cabinet and Cabinet committees during the past year.

Our performance target for the delivery of submissions to ministers' offices is for all papers to be delivered two days before the meeting. In the past year 87 per cent (88) of submissions were received in the Cabinet Office within the Cabinet deadline for lodging papers.

There were 2,632 (1,743) Cabinet and Cabinet committee minutes recorded over the year.

All Cabinet committee minutes were issued within three days of the meeting, before the next meeting of Cabinet. Ninety per cent (92) of all Cabinet minutes were issued within three days of the Cabinet meeting.

Ninety-nine per cent (98) of all Cabinet and Cabinet committee minutes did not require amendment by the Cabinet Office. This excludes amendments to committee minutes made as a result of Cabinet decision.



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

Objective

To provide impartial and effective advice to the Prime Minister and ministers to support the proper operation of Cabinet and Cabinet committees.

Performance

Eight Cabinet Office circulars were prepared and issued in 2006/07 on a range of issues, including the fees framework for members of statutory and other bodies appointed by the Crown, administrative arrangements for the government coalition, confidence and supply and co-operation agreements, and Regulatory Impact Analysis requirements.

The Cabinet Office provided 8 (2005/06: 20) briefing seminars to departments and interested parties on the Cabinet decision-making process. The Secretary of the Cabinet also gave briefings to a number of chief executives and their senior management teams on Ministers' expectations of Cabinet papers.

The Cabinet and committee online workspace is increasingly being used to provide information and guidance to ministers' offices and departments on Cabinet and Cabinet committee procedures. Work also continued on developing the *Step by Step Guide to Cabinet and Cabinet Committee Procedures* into a web-based resource for daily use by ministers' offices and departments.

During the year the Office organised four ministerial meetings with visiting prime ministers and presidents, in the Cabinet Room.

Objective

To provide impartial and effective advice to the Governor-General, the Prime Minister and ministers:

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

Performance

Advice and support was provided to the Prime Minister and the Governor-General on a range of matters. This included the

negotiation and resolution of Te Arawa's claim seeking proper recognition of Haane Manahi. HRH the Duke of York represented Her Majesty the Queen at a recognition ceremony in Rotorua, co-ordinated through the Cabinet Office.

The Clerk of the Executive Council arranged an induction and briefing programme for the new Governor-General in advance of his taking up the role in August 2006. The Cabinet Office co-ordinated arrangements for the state farewell for the former Governor-General Dame Silvia Cartwright on 2 August 2006 and for the swearing-in of the new Governor-General the Hon Anand Satyanand on 23 August 2006.

Objective

To co-ordinate the policy and administrative aspects of the legislative programme, as directed by the Cabinet Legislation Committee.

Performance

Advice and support was provided to the Leader of the House and the Cabinet Legislation Committee on the management of the government's legislative programme and the preparation and management of the legislative programme for the 2007 calendar year.

Objective

To provide 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.

Performance

The Honours Secretariat advised and assisted the Prime Minister and the Cabinet Appointments and Honours Committee on the compilation of the 2007 New Year Honours List (193 recipients) and the 2007 Queen's Birthday Honours List (191 recipients). In addition, a list of New Zealand Bravery Awards (15 recipients) was announced on 20 October 2006 and a Special Honours List with four additional appointments to The Order of New Zealand was announced on 6 February 2007, to mark the 20th anniversary of the institution of the Order.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

A review of the Queen's Service Order and its associated Queen's Service Medal was completed and, as a consequence, the two sub-divisions within the Order and the Medal ("for Community Service" and "for Public Services") were abolished and a new Royal Warrant for the Order was approved by the Queen. Two new sixth-level honours were instituted during the year: the New Zealand Antarctic Medal, recognising those who make an outstanding contribution to New Zealand operations and objectives in Antarctica (instituted on 1 September 2006); and the New Zealand Distinguished Service Decoration, which recognises distinguished and meritorious services by members of the New Zealand Defence Force (instituted on 14 May 2007). Other important initiatives completed during the reporting period were the institution of the New Zealand Special Service Medal (Erebus) on 1 November 2006, and the publication of a new Order of Wear: Orders, Decorations and Medals in New Zealand.

Objective

To maintain the records of Cabinet; and to provide related information services.

Performance

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.

The Cabinet Office receives and redirects Official Information Act requests for Cabinet documents and, in addition, handles substantive requests for information about the work of the Cabinet Office. The Cabinet Office, on behalf of the Prime Minister, consults with the Leader of the Opposition about the proposed release of official information dating from previous Opposition administrations.

In 2006/07 the Cabinet Office received 206 requests from ministers' offices and departments for Cabinet papers.

Output Class 1

Service Performance: Domestic and External Security Group (DESG)

Objective

To provide integrated advice on issues involving national security and defence, emergency management, intelligence, and counter-terrorism; and to guide and co-ordinate crisis-management arrangements across the government.

Performance

The Domestic and External Security Group (DESG) is increasing its capacity and skill base to co-ordinate and provide leadership on a range of policies and preparations for strengthening national security and stability and for dealing with various civil contingencies.

In particular, it is working with a number of government agencies and with local authorities to:

- strengthen early warning of emerging security issues
- assess and evaluate possible threats or national risks
- identify potential vulnerabilities and likely consequences
- determine options for controlling significant risks
- develop management policies for government
- co-ordinate strategic planning and response around security risks.

This work is part of a long-term programme that is already having positive returns for the management of domestic and external security issues, and for building resilience in communities. National management, including responsiveness and co-ordination among central government agencies at times of crisis, has improved steadily in recent years.

As a critical aspect of its co-ordination role, DESG provided policy advice and support for periodic meetings of departmental chief executives under ODESC (Officials' Committee for Domestic and External Security Co-ordination); chaired Watch Group meetings of specialists to deal with detail; and conducted regular meetings with officials from central government, local government, industry, and academia. Issues covered included:



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 1: POLICY ADVICE AND SECRETARIAT AND CO-ORDINATION SERVICES

- regional security matters (such as the Pacific Security Strategy and developments in Timor Leste, Fiji, Tonga, and the Solomon Islands)
- security of New Zealanders at major events overseas (for example Gallipoli and the 2007 and 2011 Rugby World Cup)
- central government's management of natural disasters (such as flooding risks)
- planning for management of a pandemic in New Zealand
- planning to improve national protection against terrorism and other security threats
- examining the functioning and resilience of critical infrastructure
- improved security management in the government sector
- co-ordination of a national exercise programme to test New Zealand's readiness for dealing with risks such as a large Wellington earthquake (exercise "Capital Quake"), terrorism, and a flu pandemic.

The Prime Minister has provided regular feedback on the advice and co-ordination of DESG, and other agencies report that DESG adds value to government co-ordination and risk management.

Objective

To provide a system of foreign intelligence collection and assessment activity that reflects policy priorities, national requirements and available resources, and that also ensures a co-ordinated and harmonised outcome.

Performance

DESG chaired and provided secretariat support for meetings of intelligence committees on a number of sensitive issues throughout the past year. It also undertook other intelligence co-ordination, which included:

- support for intelligence sector projects
- facilitation of inter-agency co-operation
- intelligence support to ODESC, Watch Groups and other inter-agency groupings
- provision of a shared resource to assist agencies in dealing with operational issues.

In the past five years there has been growing emphasis on the use of intelligence to enhance security across a range of government departments. As a consequence, DESG has been involved in an increasing range of co-ordination and guidance activity.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 2: SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE TWO GOVERNMENT HOUSES

Description

This class of outputs involves:

- the provision of financial, administrative, communications, travel, and advisory services to the Office of the Governor-General; and the provision of domestic and personal services to 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 and security of the Government Houses and grounds in Wellington and Auckland
- 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 constitutional, ceremonial and community roles. He requires 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 are also important as historic places.

Output Class 2 Financial Performance

30.06.06		30.06.07	30.06.07	
Actual		Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
3,366	Revenue – Crown	4,069	3,993	4,069
65	Revenue – Other	65	58	58
3,396	EXPENDITURE	4,098	4,023	4,099
35	SURPLUS	36	28	28

Output Class 2

Service Performance: Support services to the Governor-General and maintenance of the two Government Houses

SUPPORT SERVICES TO THE GOVERNOR-GENERAL

Objective

To provide efficient and effective support to the Governor-General to facilitate the ceremonial and the community roles of the Governor-General.

Performance

His Excellency the Hon Anand Satyanand was sworn in as Governor-General on 23 August 2006 and, since assuming office, has undertaken an extensive programme of official engagements both within New Zealand and overseas. Arrangements were made and briefings provided to enable him to attend 376 official engagements in New Zealand.

The Governor-General has hosted 135 functions at Government House Wellington and 88 functions at Government House Auckland. Over the past year, an estimated total of 24,500 people visited the two Houses, either attending functions or on house visits individually or in groups.

The functions included thirteen investitures for recipients from the 2006 Queen's Birthday Honours List and the 2007 New Year Honours List, and six credentials ceremonies. In June, the Governor-General held a dinner at Government House to celebrate the 20th anniversary of the Order of New Zealand. The evening celebrated the achievements and contributions of all those who have received New Zealand's highest honour.

The Governor-General played a key part in New Zealand activities throughout the year. This included attendance at Remembrance Day ceremonies in Wellington, three ANZAC Day commemorations in Wellington, and eight Waitangi Day activities at Waitangi, Porirua, and Wellington. He has also made extended visits to Waikato, Canterbury, Otago, Hawke's Bay and



STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 2: SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE TWO GOVERNMENT HOUSES

Taranaki, during which he visited and met New Zealanders in their communities, schools, marae, institutions, and businesses.

During this period a number of heads of state were officially welcomed at Government House as part of their visits to New Zealand, including the presidents of the Republic of Korea, Finland, Chile, Uganda, and the Philippines.

The Prince and Princess of Orange were also welcomed to Government House; and, in March, HRH the Duke of York was hosted at both Government Houses during his official visit.

The Governor-General, along with the Prime Minister, represented New Zealand at the state funerals for King Taufa'ahau Tupou IV in Tonga in September 2006, and for His Highness Malietoa Tanumafili II in Samoa in May 2007. In April the Governor-General visited Niue, the first of his visits to other parts of the realm of New Zealand.

To ensure that Government House provides efficient and effective support to the Governor-General in his ceremonial and community roles, informal debriefing was carried out with him immediately after events. Any areas for improvement were discussed at management and programme meetings, and, where possible, incorporated into future events by way of changed procedures. More formal monthly and quarterly meetings were also held with the Governor-General, seeking feedback on all aspects of support for the official programme.

The period in review also includes the remaining month in office of the former Governor-General, Dame Silvia Cartwright, from 1 July to 4 August 2006. Government House supported Dame Silvia as she undertook her final functions and farewell events.

Objective

To provide services to the Governor-General to ensure the efficient and effective running of the official programme and the household. These services include advisory, administrative and household activities, and the organising of functions.

Performance

A wide range of functions and ceremonial occasions were delivered to the standard required by the Governor-General. The standard aims for "best practice", and is informed by standards from other similar institutions.

A management and staff survey in 2006 and a Pay and Employment Equity Review (PEER) survey in 2007 highlighted some areas for improved management and human-resource practices. In addition a review of the management responsibilities and structure at Government House, which was commissioned in March 2007 from an independent consultant, concluded that the management structure should be strengthened. Its recommendations are being implemented; and a work programme has been developed to address both these recommendations and the improvements identified in the earlier surveys.

MAINTENANCE OF THE TWO GOVERNMENT HOUSES

Objective

To preserve, secure, and enhance the buildings and grounds of both Government Houses as appropriate residences for the Head of State and as historic places.

Performance

The major focus for the year has been the preparation for possible redevelopment of Government House Wellington. Expert assessments have confirmed problems with the integrity of the roof and building fabric, and with the state of many of the building services. The redevelopment must also meet the uses and requirements of the Governor-General, address regulatory and statutory requirements, incorporate environmentally sustainable design features, and include a conservation plan to maintain the heritage values of the building. A specialist project manager has been appointed to co-ordinate the work programme, and work is being developed for further Cabinet consideration. The planning of major capital works was discussed at an early stage with the Governor-General.

Significant projects carried out in Government House Auckland during the year included the installation of louvres in the new pavilion and the removal of dangerous trees. In Government House Wellington a new security system (CCTV and electronic access) was installed.

The views of the Governor-General were sought regularly on the maintenance and development of both properties. Where possible, routine maintenance is undertaken when the Governor-General is away on official domestic and overseas travel.

STATEMENT OF SERVICE PERFORMANCE

OUTPUT CLASS 3: 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 collection, 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, scientific, environmental, strategic, and biographic subjects as required.

The use of effective planning and co-ordination processes in government can manage the risks of certain adverse events occurring, and can 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 3 Financial Performance

30.06.06		30.06.07		
Actual		Actual	Main Estimates	Supplementary Estimates
\$000		\$000	\$000	\$000
3,097	Revenue – Crown	3,168	3,097	3,168
3,058	EXPENDITURE	3,162	3,097	3,168
39	SURPLUS	6	–	–

In a few instances, readers (particularly in New Zealand diplomatic missions overseas) provided additional information, insights and interpretations subsequent to the publication of papers, especially for biographic reports. (EAB generally seeks such input before publication, as part of its established process of consultation to improve the quality of its assessments.)

Limits on the length of papers continued to be enforced strictly.

Priority was given to work directly related to topics of immediate concern to policy makers.

During the reporting period:

- the National Assessments Committee (NAC) approved 71 (2005/06: 77) papers
- 536 (541) biographical reports were prepared
- 191 (229) other assessments and reports were prepared, including 92 (93) executive intelligence summaries.

The fall in reporting volume was caused mainly by an unusually high turnover in EAB's staff during the year, which meant a consequent dip in staff numbers and in average levels of experience and capability. With the recruitment of new staff during the year, capability is now being re-built.

Biographic reports were delivered to primary customers before the visits and conferences to which the reports related.

Relevant EAB reports were available at the start of Watch Group (close situation monitoring) meetings.

Output Class 3 Service Performance: External Assessments Bureau (EAB)

Objective

To ensure the effective provision of high-quality, accurate and succinct assessments of overseas developments that are of policy relevance to New Zealand.

Performance

There were no instances where significant factual errors were reported in papers that had already been issued.

Objective

To ensure that the Prime Minister, other senior ministers, and officials are satisfied with the assessments and reports provided.

Performance

Assessments reflected national priorities, and those done in response to specific tasking addressed the topics specified by those who requested them. Substantial positive feedback was received.

At least 90 per cent (2005/06: 90) of assessments submitted to the NAC required no more than minor revision.



Financial statements

for the year ended 30 June 2007



FINANCIAL STATEMENTS

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STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2007

REPORTING ENTITY

The Department of the Prime Minister and Cabinet is a government department defined by 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 1)

Support services to the Governor-General and maintenance of the two Government Houses (Output 2)

Intelligence assessments on developments overseas (Output 3).

The financial statements have been prepared in accordance with 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 the Public Finance Act 1989.

Goods and services tax (GST)

All statements are GST exclusive, with the exception of the Statement of Financial Position (where the entries for creditors and payables and for 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 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	20%

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.



STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2007

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 85 per cent of total departmental appropriation for output costs (2005/06: 82).

Indirect costs are expenses incurred by Corporate Services and by the Office of the Chief Executive. Indirect costs are allocated to each output class based on cost drivers, related activity and usage information. Indirect costs represent 15 per cent of total departmental appropriation for output costs (2005/06: 18).

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 has been one change in accounting policy in respect of capitalisation of assets. Previously groups of assets were capitalised.

At 30 June 2007 the department has expensed groups of assets totalling \$99,108.

The department has not made any other changes in accounting policies since the date of the last audited financial statements.

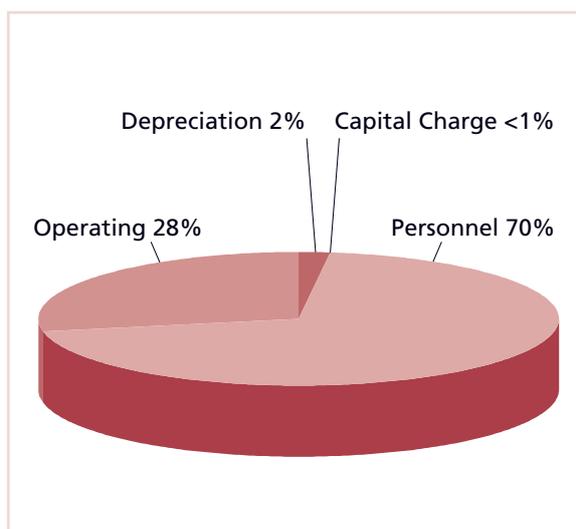
All other policies have been applied on a basis consistent with the previous year.

STATEMENT OF FINANCIAL PERFORMANCE

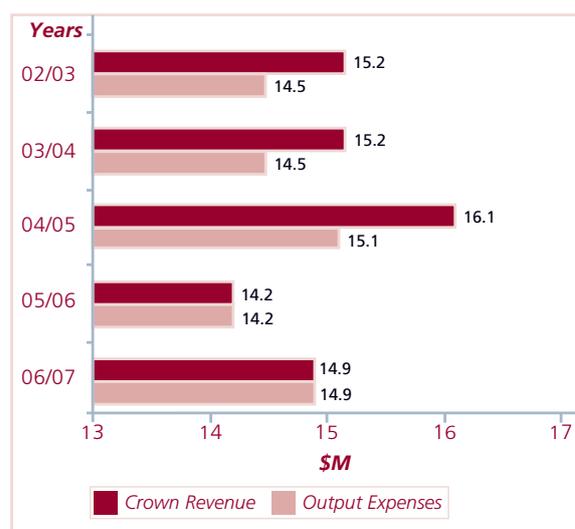
for the year ended 30 June 2007

30.6.06		Note	30.6.07		30.6.07	
Actual \$000			Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
REVENUE						
14,213	Crown	2	14,917	14,417		14,917
65	Other	3	65	58		58
14,278	TOTAL REVENUE		14,982	14,475		14,975
EXPENSES						
9,768	Personnel	4	10,363	10,562		10,564
4,038	Operating	5, 15	4,218	3,482		4,000
299	Depreciation	6	292	340		320
67	Capital charge	7	63	63		63
14,172	TOTAL OUTPUT EXPENSES		14,936	14,447		14,947
14,172	TOTAL EXPENSES		14,936	14,447		14,947
106	NET SURPLUS		46	28		28

Output expenses for the year ended 30 June 2007



Revenue – Crown & output expenses: 5-year comparison



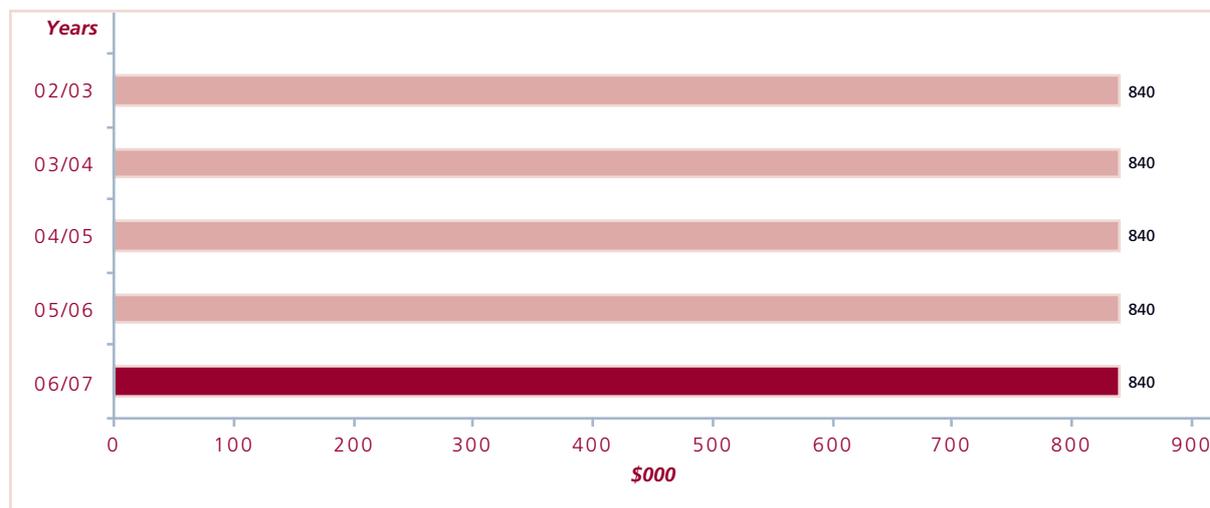


STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

for the year ended 30 June 2007

30.6.06				30.6.07	30.6.07	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
106	Net surplus					
–	Other recognised revenues and expenses		46	28	28	
106	TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR		46	28	28	
106	Provision for repayment of surplus to the Crown	8	46	28	28	
–	MOVEMENTS IN TAXPAYERS' FUNDS FOR THE YEAR		–	–	–	
840	TAXPAYERS' FUNDS AS AT 1 JULY		840	748	840	
840	TAXPAYERS' FUNDS AS AT 30 JUNE		840	748	840	

Taxpayers' funds

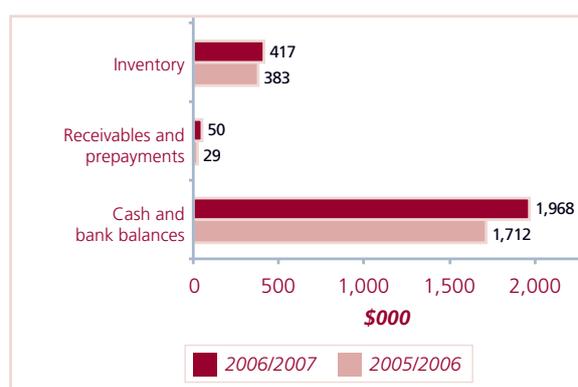


STATEMENT OF FINANCIAL POSITION

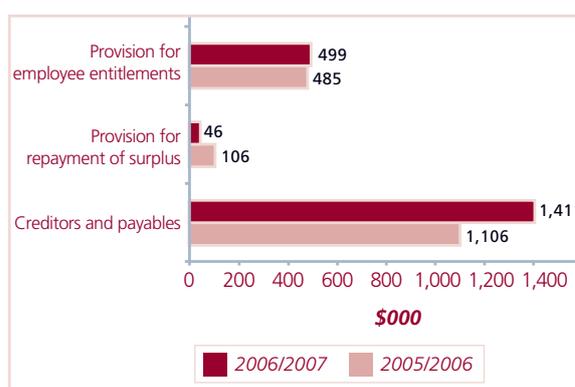
as at 30 June 2007

30.6.06		Note	30.6.07		
Actual \$000	Actual \$000		Main Estimates \$000	Supplementary Estimates \$000	
840	TAXPAYERS' FUNDS General funds		840	748	840
	<i>Represented by:</i>				
	CURRENT ASSETS				
1,712	Cash and bank balances		1,968	1,042	1,711
29	Receivables and prepayments	9	50	13	29
383	Inventory		417	485	400
2,124	TOTAL CURRENT ASSETS		2,435	1,540	2,140
	NON-CURRENT ASSETS				
893	Fixed assets	10	828	1,390	873
893	TOTAL NON-CURRENT ASSETS		828	1,390	873
3,017	TOTAL ASSETS		3,263	2,930	3,013
	CURRENT LIABILITIES				
1,106	Creditors and payables	11	1,411	1,180	1,180
106	Provision for repayment of surplus	8	46	28	28
485	Provision for employee entitlements	12	499	465	485
1,697	TOTAL CURRENT LIABILITIES		1,956	1,673	1,693
	NON-CURRENT LIABILITIES				
480	Provision for employee entitlements	12	467	509	480
2,177	TOTAL LIABILITIES		2,423	2,182	2,173
840	NET ASSETS		840	748	840

Current assets as at 30 June 2007



Current liabilities as at 30 June 2007





STATEMENT OF CASH FLOWS

for the year ended 30 June 2007

30.6.06		30.6.07	30.6.07	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	CASH FLOW – OPERATING ACTIVITIES			
	Cash was provided from:			
15,667	Supply of outputs to Crown	14,917	14,417	14,917
63	Other	49	58	58
15,730		14,966	14,475	14,975
	Cash was disbursed to:			
	Producing outputs			
(10,124)	personnel	(10,014)	(10,562)	(10,601)
(4,301)	operating	(4,256)	(3,475)	(3,812)
46	net GST paid	(58)	–	(54)
(67)	capital charge	(63)	(63)	(63)
(14,446)		(14,391)	(14,100)	(14,530)
1,284	NET CASH FLOW FROM OPERATING ACTIVITIES	575	375	445
	CASH FLOW – INVESTING ACTIVITIES			
	Cash was provided from:			
2	Sale of fixed assets	16	–	–
	Cash was disbursed to:			
(235)	Purchase of fixed assets	(229)	(700)	(340)
(233)	NET CASH FLOW FROM INVESTING ACTIVITIES	(213)	(700)	(340)
	CASH FLOW – FINANCING ACTIVITIES			
	Cash was disbursed to:			
(1,000)	Repayment of net surplus to Crown	(106)	–	(106)
(1,000)	NET CASH FLOW FROM FINANCING ACTIVITIES	(106)	–	(106)
51	Net increase/(decrease) in cash held	256	(325)	(1)
1,661	Add opening cash and bank at 1 July	1,712	1,367	1,712
1,712	CLOSING CASH AND BANK AT 30 JUNE	1,968	1,042	1,711

RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

for the year ended 30 June 2007

30.6.06		30.6.07		30.6.07	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000	
106	NET OPERATING SURPLUS	46	28	28	
	NON-CASH ITEMS				
299	Depreciation	292	340	320	
(29)	Increase/(decrease) in non-current employee entitlements	14	–	–	
270	TOTAL NON-CASH ITEMS	306	340	320	
	WORKING CAPITAL MOVEMENTS				
49	(Increase)/decrease in receivables and prepayments	(21)	7	–	
1,454	(Increase)/decrease in debtor – Crown	–	–	–	
(11)	Increase/(decrease) in inventory	(34)	–	(17)	
(602)	Increase/(decrease) in creditors and payables	307	–	114	
20	Increase/(decrease) in current employee entitlements	(13)	–	–	
910	WORKING CAPITAL MOVEMENTS – NET	239	7	97	
	INVESTING ACTIVITY ITEMS				
(2)	(Gain)/loss on sale of fixed assets	(16)	–	–	
(2)	TOTAL INVESTING ACTIVITY ITEMS	(16)	–	–	
1,284	NET CASH FLOW FROM OPERATING ACTIVITIES	575	375	445	



STATEMENT OF COMMITMENTS

as at 30 June 2007

The department leases premises on the third and fifth floors of the Reserve Bank Building, Wellington (see Note 5).

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 commitments include contracts for photocopying and garden maintenance services.

30.6.06		30.6.07	
Actual \$000		Actual \$000	
	OPERATING COMMITMENTS		
1,261	Accommodation leases	887	
1,044	Other operating commitments	110	
2,305	TOTAL COMMITMENTS	997	
	TERM CLASSIFICATION FOR OPERATING COMMITMENTS		
935	Less than one year	473	
622	One to two years	219	
748	Two to five years	305	
2,305	TOTAL COMMITMENTS	997	

STATEMENT OF CONTINGENT LIABILITIES

as at 30 June 2007

At 30 June 2007 the department has a contingent and unquantifiable liability pending court proceedings involving a minister of the Crown.

At 30 June 2006 the department had no contingent liabilities.

STATEMENT OF UNAPPROPRIATED EXPENDITURE

for the year ended 30 June 2007

The department has no unappropriated expenditure for the year ended 30 June 2007.

At 30 June 2006 the department had unappropriated expenditure of \$448,000 related to unanticipated legal costs for the Taito Phillip Field inquiry and additional unanticipated expenses. Cabinet approval was obtained for interim authority under the imprest supply to meet these expenses.

STATEMENT OF DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2007

30.6.06			30.6.07	30.6.07	
Actual \$000		Note	Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>				
	APPROPRIATIONS FOR CLASSES OF OUTPUTS				
7,718	D1 – Policy advice and secretariat and co-ordination services	15	7,676	7,327	7,680
3,396	D2 – Support services to the Governor-General and maintenance of the two Government Houses	15	4,098	4,023	4,099
3,058	D3 – Intelligence assessments on developments overseas	15	3,162	3,097	3,168
14,172	TOTAL		14,936	14,447	14,947



STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2007

30.6.06			30.6.07		
Actual \$000		Note	Actual \$000	30.6.07 Main Estimates \$000	Supplementary Estimates \$000
	APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN (PERMANENT LEGISLATIVE AUTHORITY)				
396	Depreciation Expenses on Crown Assets		423	460	460
29	Commissioner of Security Warrants (NZSIS Amendment (No 2) Act 1999)		16	30	30
784	Government House – other payments (Civil Act 1979)	15	818	798	798
1,209	SUB-TOTAL		1,257	1,288	1,288
	APPROPRIATION FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN				
795	Government House – capital investment		146	150	150
795	SUB-TOTAL		146	150	150
2,004	TOTAL		1,403	1,438	1,438

FINANCIAL PERFORMANCE OBJECTIVES

for the year ended 30 June 2007

30.6.06			30.6.07	01.7.06
Actual		Unit	Actual	SOI
	OPERATING RESULTS			
65	Other revenue	\$000	65	58
14,172	Output expenses	\$000	14,936	14,447
173	Operating surplus before capital charge	\$000	109	91
106	Net surplus/(deficit)	\$000	46	28
	WORKING CAPITAL			
427	Net current assets	\$000	479	(161)
1:1	Current ratio		1:1	1:1
1:1	Liquid ratio		1:1	1:1
50	Average creditors outstanding	Days	51	50
	RESOURCE UTILISATION			
	Physical assets:			
893	Total physical assets at year end	\$000	828	1,390
18	Additions as % of physical assets	%	28	50
840	Taxpayers' funds	\$000	840	748
	FORECAST NET CASH FLOWS			
1,284	Surplus/(deficit) operating activities	\$000	575	375
(233)	Surplus/(deficit) investing activities	\$000	(213)	(700)
(1,000)	Surplus/(deficit) financing activities	\$000	(106)	–
51	Net increase/(decrease) in cash held	\$000	256	(325)
	HUMAN RESOURCES			
21	Staff turnover ¹	%	28.5	20
5.9	Average length of service	Years	5.1	5.8
123	Total staff	Numbers	125	127

¹ Staff turnover figures exclude aides de camp on rotational secondments.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 1: Budget composition

	Note	30.6.07		30.6.07
		Budget Forecast \$000	Supplementary Estimates Changes \$000	Final Budget Total \$000
REVENUE				
Crown	2	14,417	500	14,917
Other	3	58	–	58
TOTAL REVENUE		14,475	500	14,975
EXPENDITURE				
Personnel		10,562	2	10,564
Operating	5	3,482	518	4,000
Depreciation	6	340	(20)	320
Capital charge	7	63	–	63
TOTAL EXPENSES		14,447	500	14,947
NET SURPLUS		28	–	28

Note 2: Revenue – Crown

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

Note 3: Revenue – Other

30.6.06		30.6.07	30.6.07	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
63	Rental income	49	58	58
2	Gain on sale of fixed assets	16	–	–
65	TOTAL OTHER REVENUE	65	58	58

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

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

2005/06		2006/07
Number of Staff	Remuneration Band ¹	Number of Staff
3	\$100,001-\$110,000	3
1	\$110,001-\$120,000	2
3	\$120,001-\$130,000	1
2	\$130,001-\$140,000	5
4	\$140,001-\$150,000	2
2	\$150,001-\$160,000	1
1	\$160,001-\$170,000	3
1	\$170,001-\$180,000	2
1	\$180,001-\$190,000	1
2	\$190,001 and above	2

¹ The Chief Executive's remuneration is excluded as it is reported by the State Services Commissioner.

Note 5: Operating expenses

30.6.06		30.6.07	30.6.07	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
42	Audit fees for audit of financial statements	46	46	46
400	Premises rental ¹	400	400	400
69	Contract for photocopying services	113	100	80

¹ 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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 6: Depreciation

30.6.06		30.6.07		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
15	Fixtures & fittings	94	115	82
87	Furniture	21	20	20
13	Office equipment	17	15	20
14	Motor vehicles	10	13	15
42	Plant & equipment	39	30	35
120	IT equipment	102	137	138
8	Kitchen equipment	9	10	10
299	TOTAL DEPRECIATION	292	340	320

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 2007 was 7.5 per cent (2005/06: 8).

Note 8: Provision for repayment of surplus

30.6.06		30.6.07	
Actual \$000		Actual \$000	
106	Current year net surplus/(deficit)	46	
106	TOTAL PROVISION FOR REPAYMENT OF SURPLUS	46	

Note 9: Debtors and receivables

30.6.06		30.6.07	
Actual \$000		Actual \$000	
16	Sundry receivables	38	
13	Prepayments	12	
29	TOTAL DEBTORS AND PREPAYMENTS	50	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 10: Fixed assets

30.6.06		30.6.07
Actual \$000		Actual \$000
	FIXTURES & FITTINGS	
886	At cost	880
400	Accumulated depreciation	488
486	FIXTURES & FITTINGS – NET BOOK VALUE	392
	FURNITURE	
263	At cost	303
212	Accumulated depreciation	231
51	FURNITURE – NET BOOK VALUE	72
	OFFICE EQUIPMENT	
450	At cost	316
383	Accumulated depreciation	259
67	OFFICE EQUIPMENT – NET BOOK VALUE	57
	MOTOR VEHICLES	
139	At cost	96
134	Accumulated depreciation	59
5	MOTOR VEHICLES – NET BOOK VALUE	37
	PLANT & EQUIPMENT	
623	At cost	610
503	Accumulated depreciation	520
120	PLANT & EQUIPMENT – NET BOOK VALUE	90
	IT EQUIPMENT	
2,462	At cost	2,224
2,310	Accumulated depreciation	2,078
152	IT EQUIPMENT – NET BOOK VALUE	146
	KITCHEN EQUIPMENT	
122	At cost	135
110	Accumulated depreciation	112
12	KITCHEN EQUIPMENT – NET BOOK VALUE	23
	GROUND IMPROVEMENTS	
20	At cost	33
20	Accumulated depreciation	22
–	GROUND IMPROVEMENTS – NET BOOK VALUE	11
	TOTAL FIXED ASSETS	
4,965	At cost	4,597
4,072	Accumulated depreciation	3,769
893	TOTAL FIXED ASSETS – NET BOOK VALUE	828



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 11: Creditors and payables

30.6.06		30.6.07	
Actual \$000		Actual \$000	
446	Trade creditors	730	
40	Fixed assets creditors	38	
620	Accrued liabilities and provisions	643	
1,106	TOTAL CREDITORS AND PAYABLES	1,411	

Note 12: Employee entitlements

30.6.06		30.6.07	
Actual \$000		Actual \$000	
	NON-CURRENT LIABILITIES		
410	Retirement leave	399	
70	Long-service leave	68	
480	TOTAL NON-CURRENT LIABILITIES	467	
	CURRENT LIABILITIES		
387	Annual leave	381	
49	Long-service leave	47	
49	Retirement leave	71	
485	TOTAL CURRENT LIABILITIES	499	
965	TOTAL EMPLOYEE ENTITLEMENTS	966	

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 TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

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 rates.

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.

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

D1 – Policy advice and secretariat and co-ordination services

The appropriation for this output class increased by \$353,000 in supplementary estimates for unexpected costs relating to professional services, personnel and IT costs.

D2 – Support services to the Governor-General and maintenance of the two Government Houses

The appropriation for this output class increased by \$76,000 in supplementary estimates for additional costs relating to changeover of Governors-General.

D3 – Intelligence assessments on developments overseas

The appropriation for this output class increased by \$71,000 in supplementary estimates for unexpected costs relating to personnel and IT costs.

Statement of Financial Performance for the year ended 30 June 2007

The variance between actual and budgeted personnel costs was due to management of staff vacancies in anticipation of higher operating expenses.

The variance between actual and budgeted operating costs was due to costs for legal services and IT implementation.

Statement of Non-Departmental Expenditure and Appropriations for the year ended 30 June 2007

At 30 June 2007, expenditure under permanent legislative authority (the Civil List Act 1979) exceeded the forecast appropriation.

During the year there was a changeover of Governors-General (a five-yearly event) which necessitated additional expenses for the salary and allowance for both Governors-General and, with additional overseas travel undertaken, the appropriation was overspent by \$20,000.

Note 16: Progress toward adopting International Financial Reporting Standards

Full adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) by departments will occur in the 2007/08 financial year. Therefore these financial statements are prepared under current New Zealand GAAP (Generally Accepted Accounting Practice).

Treasury is managing the adoption of NZ IFRS for the consolidated financial statements of the government reporting entity. Currently DPMC has undertaken a review of NZ IFRS accounting policies for the financial statements and the implementation guidelines developed by Treasury. The potential area of impact from adoption of NZ IFRS is minimal. At this time it is expected that the recognition requirements and classification and measurement choices in the financial instrument standard NZ IAS 39 are likely to have the greatest impact on reported results compared with current accounting policies.



NON-DEPARTMENTAL ACTIVITIES STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2007

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 Financial Statements of the Government of New Zealand and therefore readers of these statements and schedules should also refer to those Financial Statements for the year ended 30 June 2007.

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 the Public Finance Act 1989.

Goods and services tax (GST)

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

Property, plant and equipment valuation

QV Valuations revalued land and buildings in Wellington and Auckland as at 30 June 2006. Land and buildings are recorded at fair value. Fair value is determined using market-based evidence unless insufficient market-based evidence exists, in which case they are valued at optimised depreciated replacement cost.

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

Other artwork, ornaments and some antique furniture and fittings are valued as necessary. Dunbar Sloane Ltd valued these assets in Wellington as at 30 June 2007. It is proposed to complete the Auckland valuations in the forthcoming year.

Any revaluation surplus arising on 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 the class of fixed asset is recognised in the Statement of Financial Performance in the period in which it arises.

Other property, plant and equipment is initially recorded at cost. All individual 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 & fittings	10%
Furniture	20%
Motor vehicles	25%
Plant & 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.

NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF EXPENSES

for the year ended 30 June 2007

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

30.6.06		30.6.07	30.6.07	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
813	Other expenses to be incurred by the Crown	834 ¹	828	828
396	Depreciation on assets	423	460	460
1,209	TOTAL NON-DEPARTMENTAL EXPENSES	1,257	1,288	1,288

¹ At 30 June 2007, expenditure under permanent legislative authority (the Civil List Act 1979) exceeded the forecast appropriation.



NON-DEPARTMENTAL ACTIVITIES STATEMENT OF EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2007

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

30.6.06		30.6.07	30.6.07	
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
	OTHER EXPENSES TO BE INCURRED BY THE CROWN			
29	Fees for the Commissioner of Security Warrants (NZSIS Amendment (No 2) Act 1999)	16	30	30
784	Government House – other payments (Civil List Act 1979)	818	798	798
813	TOTAL APPROPRIATIONS FOR OTHER EXPENSES INCURRED BY THE CROWN	834	828	828
	PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS BY THE CROWN			
795	Government House	146	150	150
795	TOTAL APPROPRIATIONS FOR PURCHASE OR DEVELOPMENT OF CROWN ASSETS	146	150	150

NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2007

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

30.6.06		30.6.07		
Actual \$000		Actual \$000	Main Estimates \$000	Supplementary Estimates \$000
	<i>Vote: Prime Minister and Cabinet</i>			
	CURRENT ASSETS			
644	Bank	442	272	365
	PROPERTY, PLANT AND EQUIPMENT			
33,850	Land	33,850	27,660	33,850
17,038	Buildings	16,802	16,181	16,844
–	Plant & equipment	–	28	–
20	Furniture and fittings	1,279 ¹	98	–
37	Motor vehicles	–	–	–
533	Other assets (artworks, ornaments)	2,072	386	474
52,122	TOTAL NON-DEPARTMENTAL ASSETS	54,445	44,625	51,533
	CURRENT LIABILITIES			
136	Accounts payable	15	50	50
22	Accrued liabilities	48	–	–
221	Fixed-asset accruals	127	50	50
379	TOTAL NON-DEPARTMENTAL LIABILITIES	190	100	100

¹ A revaluation was done at 30 June 2007 of furniture and fittings, artworks and ornaments at Government House Wellington resulting in an increase in value of these assets.



NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF COMMITMENTS

as at 30 June 2007

There are no capital or operating commitments as at 30 June 2007.
(30 June 2006: Nil)

NON-DEPARTMENTAL ACTIVITIES SCHEDULE OF CONTINGENT LIABILITIES

as at 30 June 2007

Vote: Prime Minister and Cabinet

There are no contingent liabilities as at 30 June 2007.
(30 June 2006: Nil)

STAFF NUMBERS

as at 30 June 2007

	2007		2006	2005	2004
		FTE			
Office of the Chief Executive	2	(2)	2	2	2
Policy Advisory Group	16	(14.4)	14	15	15
Domestic and External Security Group	8	(7.0)	7	5	6
External Assessments Bureau	28	(27.2)	29	29	26
Cabinet Office	27	(24.5)	27	24	24
Corporate and Support	16	(15.7)	15	15	14
Government House	28	(27.75)	29	31	30
Foreshore and Seabed Group ⁵	–	–	–	–	11
TOTAL	125 ¹	(118.6) ²	123 ³	121 ⁴	128 ⁵

¹ Total includes 16 part-time staff and 11 seconded from other departments and organisations. Casual staff are not included.

² Figures in parenthesis represent full-time-equivalent (FTE) employees.

³ Total includes 8 part-time staff and 8 seconded from other departments and organisations.

⁴ Total includes 5 part-time and 7 seconded staff.

⁵ Total includes 10 part-time and 14 seconded staff.

⁵ The Foreshore and Seabed Group was established within DPMC on 22 January 2004 and was disestablished in February 2005.

EQUAL EMPLOYMENT OPPORTUNITIES (EEO) AND EQUITY

Gender analysis

As at 30 June 2007, DPMC's overall workforce was 55 per cent female (2006: 47) and 45 per cent male (53). The comparison with the previous year shows the impact of staff changes on a small agency.

In the second half of 2006/07, the department undertook a Pay and Employment Equity Review (PEER) focusing on gender equity against three indicators: rewards, participation, and fair treatment. The review showed no evidence of gender inequity in relation to respect and fair treatment and no significant differences in opportunities for participation. This is a confirmation of results from staff climate surveys that DPMC held in 2005 and again in 2006.

A gender pay gap favouring males does exist in the department. This is not the result of pay inequity, however, but of occupational gender segregation: more men are in senior management and senior professional positions, and women fill most of the administration and support roles in the department.

The gender of recent appointees and applicant pools reflects this existing pattern.

There is no quick solution to such occupational segregation, as the department will continue to appoint on merit and the majority of DPMC positions require specialist skills and experience. Consideration is being given to the changes that can be made over time, including ways in which the department can (where possible) attract a wider and more gender-balanced pool of applicants for particular positions.

Ethnicity analysis

Most staff at DPMC have noted their ethnicity as New Zealand European, with 8 per cent of staff identifying as Māori. In the policy area, the department is not a lead agency on reducing economic and social inequalities for Māori and Pacific peoples but it has been a member of an officials' group that looked at this and related issues.



SENIOR MANAGEMENT

as at 30 June 2007

Maarten Wevers CNZM
CHIEF EXECUTIVE

Brent Anderson
CORPORATE SERVICES MANAGER

Policy Advisory Group

Andrew Kibblewhite
DIRECTOR

Cabinet Office

Diane Morcom
SECRETARY OF THE CABINET AND
CLERK OF THE EXECUTIVE COUNCIL

Domestic and External Security Group

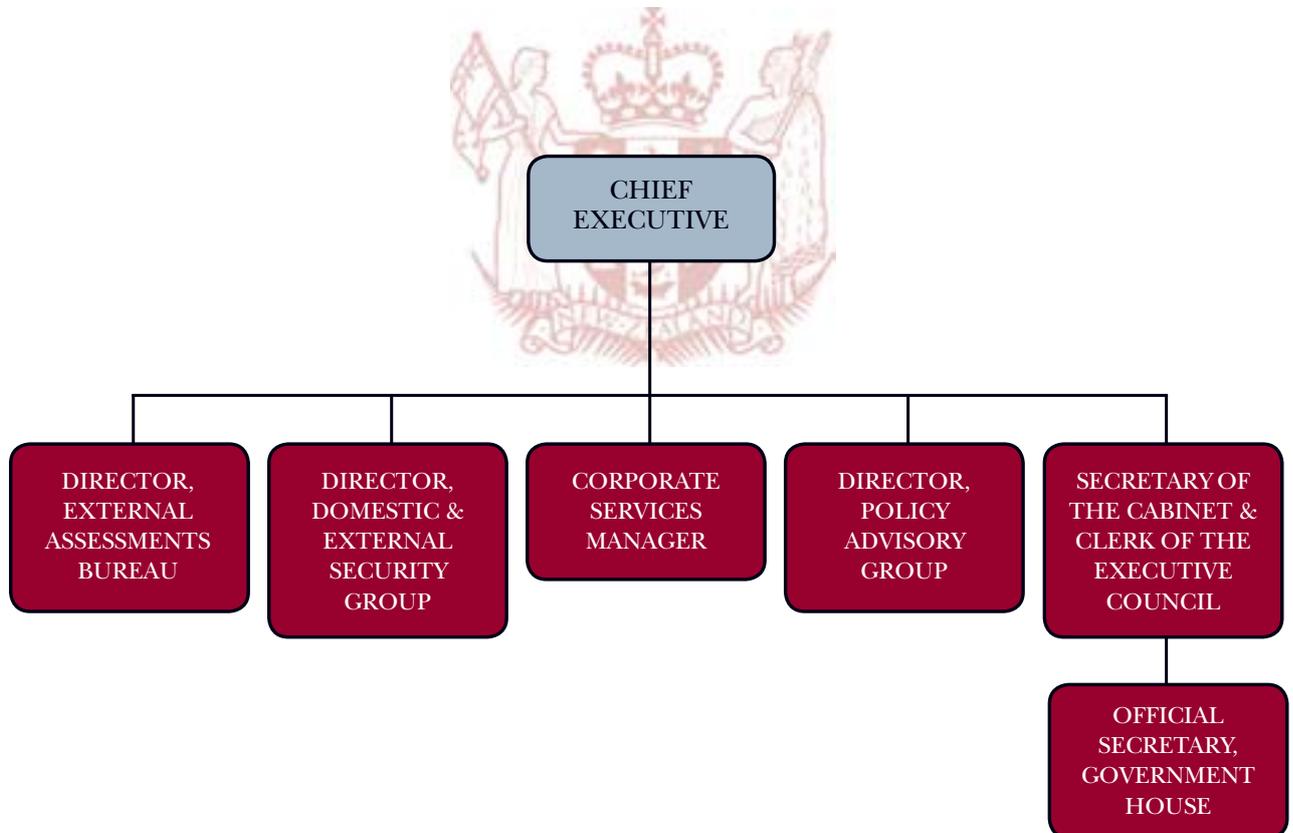
Steve Long QSO
DIRECTOR

External Assessments Bureau

Gregory Baughen
DIRECTOR

Government House

Andrew Renton-Green QSO
OFFICIAL SECRETARY



DEPARTMENTAL CAPABILITY

Ongoing capability analysis is central to the department's ability to maintain high performance

Key capability requirements in DPMC are fairly constant. They are based on our ability to: attract and retain high-performing staff; maintain agency credibility; build and sustain strong networks and effective working relationships; ensure robust infrastructure; and deliver strong information-management.

OUR PEOPLE

Significant staff turnover during 2006/07 focused the department's attention on recruitment and retention pressures and the best way of managing these. Given its need to maintain specialist knowledge and skills in key roles within a small specialist organisation, DPMC is well aware of the risks of unplanned departures.

In the wake of David Henry's independent review of its security processes (the Henry Report), DPMC had committed to implementing all of that report's recommendations during 2006/07. Several of the recommendations related to enhancements to existing recruitment and selection processes. In response DPMC undertook a comprehensive review of its recruitment and selection strategy and processes, in order to ensure rigour and continue attracting staff with the right skills, experience and attributes.

Part of our approach has been to promote DPMC as a great place to hone skills and experience in areas such as policy advice and co-ordination, assessments, and Cabinet processes (Development Goal 1 for the State Services). A good indicator of the effectiveness of DPMC's recruitment strategy and processes is the calibre of people who have been appointed during the year.

The department has introduced changes to its performance management system, with full implementation scheduled for 2007/08. Key changes include the promotion of more frequent performance and development discussions between managers and staff, and more emphasis on the range of development opportunities available to staff (such as extension, secondment, and stepping-up options). DPMC also formalised a special exchange relationship with the Leadership Development Centre (LDC) as part of the department's commitment to Development Goal 2 for the State Services.

Staff wellbeing is an ongoing priority. The Senior Management Group (SMG) committed to a Health Check Day for DPMC staff in February 2007: there was a high take-up of this, and staff feedback was very positive.

The department also continued its analysis of staff feedback (from climate surveys, the recent PEER survey results, and exit interviews) to determine possible retention issues. No specific concerns were found, although workload and remuneration pressures will continue to be monitored. Most staff feedback indicates that people like working for DPMC, that morale is good, and that when staff leave the department it is primarily for career progression and not because of dissatisfaction.

OUR PERFORMANCE

One departmental priority has been actions to expand capability for improving whole-of-government performance, which is part of DPMC's commitment to Development Goals 3, 4, 5 and 6 for the State Services. The department has been working more closely with the other central agencies (Treasury and SSC) to improve the exchange of information and to prioritise areas of targeted performance improvements within the state sector. During 2006/07, the department initiated a major infrastructure-resilience project whose overall objective is to find and put in place ways of improving infrastructure-failure protection for communities. In 2007/08, along with the other two central agencies, DPMC will be leading priority projects aimed at improvements to whole-of-government performance.

RISK-ASSURANCE PROCESSES

The new DPMC Audit and Risk Committee, which was established in June 2006, has met five times in 2006/07 – including participating in a risk management workshop with the department's SMG. The committee has an independent chairperson (Michael Wintringham, former State Services Commissioner) and includes one independent member (Souella Cumming, a KPMG partner).

The Audit and Risk Committee's main purpose is twofold: to determine the adequacy, efficiency and effectiveness of DPMC's management, financial and operating systems; and to determine the effectiveness of DPMC's risk management framework (including legislative and regulatory compliance).



DEPARTMENTAL CAPABILITY

Particular emphasis is placed on providing assurance to the Chief Executive that internal-control measures are working effectively.

A key programme activity for the Committee during the year has been its receipt of progress reports on the full implementation of all security improvements recommended in the Henry Report. In March 2007 an independent review of DPMC's actions to improve its security processes in response to the Henry Report was commissioned. The review confirmed that action had been taken on all of the Henry Report's recommendations, and noted a few areas where further work is required.

INFORMATION MANAGEMENT

Staff changes have slowed some of the initiatives that were earmarked for the 2006/07 year. A change not in direction but in how DPMC support arrangements could be improved has come through the GSN (Government Shared Network), and a Memorandum of Understanding for this was signed in late June.

The latter part of 2006/07 saw two separate security audits, one in conjunction with the other four parliamentary agencies and the second as part of Audit New Zealand's general auditing commitments. These activities have increased the level of assurance around the department's IT networks.

Internationally there is an increasing number of viruses, spam, and cyber attacks, with some targeted specifically at government agencies. More internal resource time is required to administer and upgrade the defences, and to patch software on a regular basis.

Blackberry usage continues to grow, putting added demands on our support team. Government House has retained its event-management software, to deliver more efficient updating and co-ordination of the Governor-General's diary.

APPENDIX I: STATUTORY AND FORMAL RESPONSIBILITIES

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 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 2007

	Number of meetings	Number of agenda items	Average number of items per meeting
Executive Council	35	294	8
Cabinet	48	634	13
Cabinet Policy Committee	30	479	16
Cabinet Economic Development Committee	26	226	9
Cabinet Social Development Committee	18	104	6
Cabinet External Relations and Defence Committee	4	14	3
Cabinet Legislation Committee	25	184	7
Cabinet Appointments and Honours Committee	16	257	16
Cabinet Committee on Government Expenditure and Administration	7	51	7
Cabinet Committee on Domestic and External Security Co-ordination	0	0	0
Cabinet Business Committee	20	309	15
SUBTOTAL OF CABINET COMMITTEE MEETINGS	146	1,624	11
TOTAL INCLUDING CABINET	194	2,258	11

APPENDIX III: SUMMARY OF NEW ZEALAND AND OTHER HONOURS GRANTED BY THE QUEEN

for the year ended 30 June 2007

The Order of New Zealand	
Ordinary Member (ONZ)	3
Additional Member	4
The New Zealand Order of Merit	
Principal Companion (PCNZM)	–
Distinguished Companion (DCNZM)	10
Companion (CNZM)	24
Officer (ONZM)	51
Member (MNZM)	104
Honorary Member (MNZM)	5
The Queen's Service Order	
Companion for Community Service (QSO)	5
Companion for Public Services (QSO)	8
Companion (new)	15
The Queen's Service Medal	
for Community Service (QSM)	40
for Community Service (QSM) (Honorary)	2
for Public Services (QSM)	38
for Public Services (QSM) (Honorary)	–
Medal (new)	69
The New Zealand Gallantry Awards	
The New Zealand Bravery Awards	
The New Zealand Bravery Decoration (NZBD)	5
The New Zealand Bravery Medal (NZBM)	10
The New Zealand Antarctic Medal	
Medal	3
Medal (Honorary)	1
The Distinguished Service Decoration	
Decoration	9
TOTAL	406
Other honours and appointments	
Grant of the title "The Honourable" for life	4
GRAND TOTAL	410

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