



Departmental Forecast Report of the
Department of the
Prime Minister
and Cabinet

for the year ended
30 June 2003

*Presented to the House of Representatives pursuant to
section 34A of the Public Finance Act 1989.*

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**The Prime Minister is the Responsible Minister for the
Department of the Prime Minister and Cabinet.**

STATEMENT OF RESPONSIBILITY

The forecast financial statements of the Department of the Prime Minister and Cabinet for the year ending 30 June 2003 have been prepared in accordance with Section 34A of the Public Finance Act 1989.

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

The financial performance forecast to be achieved by the department for the year ending 30 June 2003 that is specified in the statement of objectives is as agreed with the Prime Minister who is the Minister responsible for the financial performance of the Department of the Prime Minister and Cabinet.

The performance for each class of outputs forecast to be achieved by the department for the year ending 30 June 2003 that is specified in the Statement of Objectives is as agreed with the Prime Minister who is responsible for the Vote administered by the department.

I certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2003 that are being laid before the House of Representatives under Section 9 of the Public Finance Act 1989.

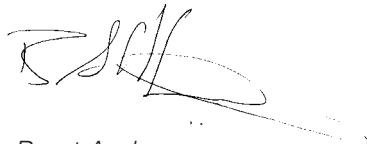
Signed:



*Mark Prebble
Chief Executive*

Date:

Countersigned:



*Brent Anderson
Corporate Services Manager*

PART A — INTRODUCTION AND HIGHLIGHTS

CHIEF EXECUTIVE'S INTRODUCTION

The Department of the Prime Minister and Cabinet (DPMC) provides impartial and free and frank advice to the Prime Minister of the day on public policy and constitutional issues. It also helps to ensure that Government decision-making processes work effectively and efficiently through the provision of high quality secretariat services to the Cabinet and the Executive Council by the Cabinet Office.

That means that the department operates at the heart of government, helping the Prime Minister lead the Cabinet in its role of implementing the Government's policies and programmes. It is not the department's job to determine what those policies and programmes will be — that is the task of the duly elected government. It is the department's role to advise its Minister — the Prime Minister — on how the Government's vision might be translated into effective long-term policy and, where the Government has a clear policy direction in mind, the likelihood of that particular policy delivering what the Government wants.

We do not have direct control of the operations of other government agencies, nor should we. Our job is to provide the Prime Minister with a critical assessment of all areas of government activity. As a result, we have an interest in:

- every agency of state — government departments, Crown entities, crown companies and State owned enterprises;
- every activity of government, including regulation, economic policies and progress, law and order, international affairs, defence, emergency management, national security, care of children and their families and the public health and disability sector; and
- every way the Government and citizens interact — over the counter, on the internet, in the classroom, through public information programmes, in national parks or on the marae.

Using our extensive networks in the public sector, business and the community, we act as the eyes and ears for the Prime Minister, bringing to the Prime Minister's attention any areas of concern, particularly those where it is clear government intervention is needed to improve the lives of citizens, or where existing government policies or programmes need amendment to better meet the needs of citizens and to better reflect the Government's policy intentions.

In addition, we are responsible for providing administrative and constitutional advice and support to the Governor-General. This involves

supporting the Governor-General in her constitutional role as Head of State and all aspects of her day-to-day activities.

The glue that binds the department is not what we do — our tasks and responsibilities are many and varied — but how we do it. Our work must be:

- **thorough.** We must have complete understanding of the policy or programme issue in question (including the views of all parties involved in or with an interest in its resolution) and the options available for its resolution before we advise the Prime Minister;
- **pithy.** We must get to the heart of the matter quickly and communicate our advice clearly;
- **discreet.** The Prime Minister, ministers and the Governor-General must have confidence in our ability keep to Government's business private when it ought to be private;
- **free and frank.** We have an ethical obligation to provide Prime Ministers with the advice they need to hear, not the advice we think they want to hear;
- **honest.** Minister and others with whom we deal must have confidence in our ability to be truthful messengers and honest brokers; and
- **impartial.** Our advice must not be coloured by a political perspective. Our advice must reflect the neutral position of New Zealand's professional public service.

The **general election** is due to be held later this year. During that time we will continue our role of offering loyal support to the Prime Minister in respect of her governmental obligations. However, we will maintain a proper separation from anything connected to the election campaign. After the election, if there is a period of uncertainty before a government emerges, we will be responsible for assisting the operation of the caretaker conventions. If called on we will offer appropriate support in the provision of advice to parties negotiating to form the Government.

When the identity of the Government is clear, it is the department's role to manage any necessary transition, arrange the swearing in of ministers and co-ordinate briefings for ministers.

The events of 11 September 2001 have brought home to us all the horrors of terrorism and acts of extreme violence unleashed on the civilian population of New York. There has been renewed international cooperation to combat terrorism and to prevent such acts occurring in the future. New Zealand has played its part in this cooperation and providing **a response to terrorism**. Increased funding, across a range

of departments and agencies will enable New Zealand's security risks to be more effectively managed and will improve New Zealand's capability to contribute to international efforts to combat terrorism.

New Zealand security agencies, including the **External Assessments Bureau** (EAB), have received some of this additional funding in the 2002 Budget to enable New Zealand's security risks to be more effectively managed.

This additional funding is being directed towards measures that improve New Zealand's ability to monitor and understand the international and domestic security environment and make effective contributions to international counter terrorism efforts. It is important that New Zealand's intelligence collection efforts are well directed and that intelligence is put into context in a way that informs policy and decision-making. The increased expenditure is expected to improve the quality of analysis provided by the EAB; and enhance the EAB's intelligence assessment capability.

In October last year decisions were made to establish the **Climate Change Project** in the Department. The project has involved the development of domestic climate change policy in preparation for ratification of the United Nation's international Kyoto Protocol on reducing global greenhouse gas emissions causing climate change. A broad communications programme and a two staged public consultation programme on climate change issues has also been carried out.



Mark Prebble
Chief Executive

THE DEPARTMENT OF THE PRIME MINISTER AND CABINET

VISION

Building on its position as a central government agency, to provide consistently the best possible advice, and secretariat, information and support services to successive governments to help them govern efficiently and effectively in the interests of New Zealand.

Ē whakatau ana tēnei tari i tōna āke mana mē te kāwanatanga, hei kete mātauranga. E wātea ana, i ngā wā katoa, ā, hei tohu i nga kāi tuhi-kaupapa, ahakoa ko wai te kāwanatanga, mō te painga, mē te tiaki i ngā tikanga katoa hei oranga mō tātou ō Aotearoa.

MISSION

We will add strategic and operational value to the decision-making and the administration of the Executive (the Prime Minister, Cabinet, and the Governor-General) through the provision of:

- high quality impartial policy advice;
- high quality information, assessments and secretariat services;
- high quality and responsive management and support services; and
- high quality co-ordination and facilitation services

which will be built on effective partnerships with our key stakeholders.

THE GOVERNMENT'S KEY GOALS

The department facilitates processes around the review and formulation of the Government's key goals. It also provides advice and support to the Prime Minister, in consultation with officials supporting the Cabinet Policy Committee on those issues identified by the Prime Minister as high risk and high priority.

RELATED GOVERNMENT OUTCOMES

The Department of the Prime Minister and Cabinet contributes to the following Government outcomes through the work of its constituent business units.

- *The Prime Minister in her roles of Head of Government and Chair of the Cabinet is enabled to lead and guide a coherent and informed policy-making process across the range of government activity. **(Policy Advisory Group and Cabinet Office)***

- *More effective coordination of the policy formulation process is promoted. (Policy Advisory Group)*
- *The central processes of executive government are maintained and conducted impartially and effectively, and in accordance with accepted constitutional conventions. (Cabinet Office)*
- *Informed policy decision making, particularly in New Zealand's foreign relations and external linkages is enhanced. (External Assessments Bureau)*
- *The constitutional, social, and ceremonial functions of the Office of the Governor-General are performed. (Cabinet Office and Government House)*
- *The functions and dignity of the Office of the Governor-General are supported and preserved. (Cabinet Office and Government House)*
- *The Governor-General's residences are properly maintained. (Government House)*
- *The Government is enabled to consider policy alternatives and the public are consulted and informed about the effects of climate change. (Climate Change Group)*

FINANCIAL HIGHLIGHTS

| Vote Prime Minister and Cabinet | 2001/02 | | 2002/03 |
|--|-------------------|------------------------------|-----------------|
| | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Revenue : Crown | 14,246 | 14,246 | 12,726 |
| Revenue : Other | 48 | 48 | 48 |
| Revenue : Interest | 12 | 12 | - |
| Output Expenses | 14,276 | 13,976 | 12,756 |
| Net surplus (Deficit) | 30 | 330 | 18 |
| Taxpayers' funds | 840 | 840 | 840 |
| Net cash flows from operating activities | (225) | (116) | 783 |

PART B — FORECAST FINANCIAL PERFORMANCE

These forecast financial statements for the Department of the Prime Minister and Cabinet contain all of the statements specified in Section 34A of the Public Finance Act 1989 as amended by the Public Finance Act 1994.

STATEMENT OF OBJECTIVES — SPECIFYING THE PERFORMANCE FORECAST FOR EACH CLASS OF OUTPUTS FOR THE YEAR ENDING 30 JUNE 2003

The Department of the Prime Minister and Cabinet has committed to provide output classes in 2002/03, which meet the requirements of the Prime Minister and various purchasers in terms of their nature, timeliness, quality and quantity specifications and costs.

OUTPUT OPERATING STATEMENTS: 2002/03

| Departmental Output Class | Description | Revenue: | Revenue: | Revenue: | Total Expenses | Surplus/ (deficit) |
|---|--|----------|----------|----------|----------------|--------------------|
| | | Crown | Depts | Other | | |
| | | \$000 | \$000 | \$000 | \$000 | |
| Vote Prime Minister and Cabinet | | | | | | |
| D1 Policy Advice and Secretariat and Coordination Services | Frank and impartial advice to the Prime Minister. Secretariat services for Cabinet, its committees, and the Executive Council. Advice and public consultation on the effects of Climate Change. ¹ | 6,843 | — | — | 6,843 | — |
| D2 Support Services to the Governor-General and Maintenance of the Residences | Support and personal services to the Governor-General. Upkeep of Government House and grounds. | 3,102 | — | 48 | 3,132 | 18 |
| D3 Intelligence Assessments on Developments Overseas | Assessments provided on events and trends overseas affecting NZ interests. | 2,781 | — | — | 2,781 | — |

¹ The Prime Minister has delegated the responsibility for this output to the convenor, Ministerial Group on Climate Change.

STATEMENT OF OBJECTIVES — OUTPUT CLASS PERFORMANCE

D1 — POLICY ADVICE AND SECRETARIAT AND COORDINATION SERVICES

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

Description

This class of outputs involves:

- The provision of immediate, medium, and long-term, policy advice of an impartial nature, delivered freely and frankly to the Prime Minister and, at the Prime Minister's request, to other Ministers.
- Promotion and facilitation of interdepartmental coordination of policy development and the promotion of a greater collective approach to performance standards across the State Sector through the formulation and implementation of the Government's key goals.
- The provision of constitutional, policy and procedural advice to the Governor-General, the Prime Minister and, at the Prime Minister's direction, other Ministers, and government departments.
- The provision of advice on the policies, processes and procedures relating to the Executive Council, Cabinet and Cabinet committees, including the review of policies and procedures where appropriate.
- The coordination of the policy and administrative aspects of the legislation programme as directed by Cabinet Legislation Committee.
- The provision of impartial secretariat services to Cabinet, Cabinet committees, and the Executive Council, and the promulgation of their decisions.
- The development and promulgation of information, advice and guidelines on the nature and operations of the central processes of executive government.
- The provision of advice on the policy aspects of the New Zealand Honours system, and administration of the Honours system.
- The provision of services to assist with the purchase of media time and space for Government public information programmes and the monitoring of information programmes against the Government's guidelines and assisting their delivery.

- The provision of advice, co-ordination and communication services relating to the Kyoto Protocol on reducing global greenhouse gas emissions causing climate change.

Performance Measures — Policy Advice and Coordination Services

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

Performance Standards

- Quality* • Advice meets the department's quality criteria for advice (see this page).
- Quantity* • As agreed with the Prime Minister.
- Timeliness* • Advice is prepared within the timeframe required.

QUALITY CRITERIA FOR DPMC ADVICE

Advice provided to our key clients will:

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

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

Performance Standards

- Quality and Timeliness* • The Prime Minister is satisfied with the quality, appropriateness and timeliness of the advice and coordination services provided.
- Other key clients are satisfied with the advice and coordination services provided.

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

Performance Standards

- Whole of Government media agreements are based on conditions equivalent to or better than that applying to similar sized advertisers in the private sector.
- All Government volume incentive agreements ie television, radio, and print media will be negotiated annually and government agencies notified within 30 days of outcome.

Performance Measures — Secretariat Services to Cabinet and Executive Council

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

Performance Standards

- | | |
|-----------------------------|--|
| <i>Quality and Quantity</i> | <ul style="list-style-type: none"> • Minutes are recorded accurately and impartially (at least 98% of minutes will not require amendment). • Well judged summaries are prepared of submissions to Cabinet and Cabinet Committees. • Advice meets the department's quality criteria for advice (see page 11). • Agendas and summaries are distributed in a timely manner to Ministers (with most delivered two days before Cabinet and Cabinet Committees). |
| <i>Timeliness</i> | <ul style="list-style-type: none"> • Minutes are timely (at least 80% of minutes are distributed within two days of the meeting and 95% of minutes are distributed within three days). |

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

Performance Standards

- | | |
|-----------------|---|
| <i>Quality</i> | <ul style="list-style-type: none"> • Advice meets the department's quality criteria for advice (see page 11). |
| <i>Quantity</i> | <ul style="list-style-type: none"> • Policies and procedures relating to the central processes of executive government are reviewed as required. |

- Ministers and officials are informed of ongoing and new Cabinet guidelines and procedures.
- Timeliness*
- The Prime Minister, Ministers officials and government agencies are informed of Cabinet and Cabinet Committee procedures and changes in a timely manner.

Performance Measures — Climate Change Programme

- (1) Provide good information and effective advice to enable the Minister responsible to lead and manage the public policy aspects of the Government's Climate Change Programme.

Performance Standards

- Quality*
- Advice meets the department's quality criteria for advice (see page 11).
- Quantity*
- As agreed with the Minister responsible.
- Timeliness*
- Advice is prepared within the timeframe required by the Protocol ratification process.
- (2) Implement public consultation and communication programmes in relation to ratifying the Kyoto Protocol and domestic policy options.

Performance Standards

- Quality*
- The Government's intentions, key messages, issues relating to ratification and policy options are clearly communicated to promote a balanced, informed public debate.
- Quantity*
- Public consultation should be as wide as possible and include key stakeholders including Maori, the general public, business and sector groups, environmental groups and local government
- Timeliness*
- The consultation process will be completed in time to allow the Government to move ahead with its preferred policy option.

Cost

Policy advice, Secretariat and Coordination Services will be provided within the sum of \$7.699 million including GST. The GST exclusive figure of \$6.843 million will be funded by revenue: Crown. The department will also administer an appropriation of \$20,000 under permanent

legislative authority (the NZSIS Amendment Act (No 2) 1999) for the Commissioner of Security Warrants.

D2 — SUPPORT SERVICES TO THE GOVERNOR-GENERAL AND MAINTENANCE OF THE RESIDENCES

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

Description

This class of outputs involves:

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

Performance Measures — Support Services to the Governor-General

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

Performance Standards

- | | |
|-----------------------------|--|
| <i>Quality and Quantity</i> | <ul style="list-style-type: none"> • Events and funding run smoothly, are organised to a high and appropriate standard agreed with the Governor-General. • Services provided are efficient (cost effective and well organised). • The Governor-General's programme is well balanced. • The Governor-General is highly satisfied with 100% of the services and functions. |
|-----------------------------|--|

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

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

Performance Standards

*Quality,
Quantity and
Timeliness*

- All correspondence is appropriately actioned within one week of receipt.
- All speech material is provided within a timeframe acceptable to the Governor-General.
- All services are provided to meet the requirements of the programme agreed with the Governor-General.

Performance Measures — Maintenance of the Residences

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

Performance Standards

*Quality,
Quantity and
Timeliness*

- Rolling programmes are planned and implemented for garden development, building preservation and restoration of valuable art works.
 - The programmes implemented meet the requirements of the Governor-General.
 - Government House management meets monthly to assess progress against the approved programme.
 - The Governor-General's views on the quality and adequacy of buildings and grounds maintenance will be sought as part of the programme review process, conducted quarterly.
 - All contracts let for maintenance, security and gardening meet required specifications.
 - All contractors meet pre-agreed contract standards in terms of workmanship, special requirements of the House, hours of work and completion times.
 - All security systems, external doors, perimeter fencing and lighting systems are regularly inspected, maintained and reviewed against changing security requirements.
- (2) The Governor-General is satisfied with the maintenance programmes implemented.

- Quality and Quantity*
- The Governor-General is satisfied that the maintenance programmes undertaken meet her requirements.
 - The Governor-General's views on the quality and adequacy of buildings and grounds maintenance will be sought as part of the programme review process conducted quarterly.
- Timeliness*
- Routine maintenance activities are carried out in a timely way.

Cost

Outputs provided to the Crown will be produced within the sum of \$3.524 million, including GST. The GST exclusive figure of \$3.102 million will be funded from revenue: Crown and \$30,000 from revenue: other. The department will also administer:

- an appropriation of \$0.169 million for the purchase and development of capital assets by the Crown; and
- an appropriation of \$0.623 million under permanent legislative authority (the Civil List Act 1979) for the purposes of meeting the Governor-General's salary, allowances and travel.

D3 — INTELLIGENCE ASSESSMENTS ON DEVELOPMENTS OVERSEAS

(Provided by the External Assessments Bureau)

Description

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

Performance Measures

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

Performance Standards

- Quality*
- All assessments and reports will be:
 - ◆ factually correct;
 - ◆ comprehensive (take into account all available information);
 - ◆ concise (no longer than necessary to convey the information);
 - ◆ pertinent and informative (reflect national priorities and address topics requested by readers);
 - Feedback from the readers of assessments and reports is positive. No more than 5% of readers make substantive complaints in terms of agreed performance standards.
 - 90% of assessments submitted to the National Assessments Committee require no more than minor revision. External Assessments Bureau management document the Committee's consideration of assessments weekly.
- Quantity*
- As agreed with the Prime Minister.
 - An annual report on work output, including the number of assessments and their nature and

comparative historical data, will be provided to senior officials.

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

Cost

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

**STATEMENT OF FORECAST FINANCIAL PERFORMANCE
FOR THE YEAR ENDING 30 JUNE 2003**

| | 2001/02 | | 2002/03 |
|-----------------------------|---------------|---------------|---------------|
| | Budgeted | Estimated | Budget |
| | \$000 | Actual | \$000 |
| | \$000 | \$000 | \$000 |
| Revenue | | | |
| Crown | 14,246 | 14,246 | 12,726 |
| Other | 48 | 48 | 48 |
| Interest | 12 | 12 | - |
| Total Revenue | 14,306 | 14,306 | 12,774 |
| Expenses | | | |
| Personnel | 8,557 | 8,557 | 8,102 |
| Operating | 5,180 | 4,880 | 4,065 |
| Depreciation | 450 | 450 | 500 |
| Capital charge | 89 | 89 | 89 |
| Total Expenses | 14,276 | 13,976 | 12,756 |
| Net Surplus/(Deficit) | 30 | 330 | 18 |

**STATEMENT OF ESTIMATED FINANCIAL POSITION AS AT
30 JUNE 2002 AND FORECAST FINANCIAL POSITION AS AT 30
JUNE 2003**

| | Actual Financial Position as at 30 June 2001 \$000 | Estimated Financial Position as at 30 June 2002 \$000 | Forecast Financial Position as at 30 June 2003 \$000 |
|---|--|---|--|
| Current Assets | | | |
| Cash and bank balances | 193 | 167 | 120 |
| Short term deposits with the Crown | 750 | – | – |
| Debtor-Crown | 1,053 | 2,675 | 2,060 |
| Prepayments | 13 | 12 | 12 |
| Inventory | 305 | 300 | 200 |
| Total Current Assets | 2,314 | 3,154 | 2,392 |
| Physical Assets | 1,158 | 861 | 861 |
| Total Assets | 3,472 | 4,015 | 3,253 |
| Current Liabilities | | | |
| Payables and provisions | 1,474 | 2,100 | 1,650 |
| Provision for payment of surplus | 122 | 330 | 18 |
| Provision for employee entitlements | 345 | 345 | 345 |
| Total Current Liabilities | 1,941 | 2,775 | 2,013 |
| Non-current liabilities | | | |
| Provision for employee entitlements | 391 | 400 | 400 |
| Total Liabilities | 2,332 | 3,175 | 2,413 |
| Taxpayers' Funds | | | |
| General funds | 1,140 | 840 | 840 |
| Total Taxpayers' Funds | 840 | 840 | 840 |
| Total Liabilities and Taxpayers' Funds | 3,472 | 4,015 | 3,253 |

**STATEMENT OF CASH FLOWS AS AT 30 JUNE 2002 AND
FORECAST CASH FLOWS TO 30 JUNE 2003**

| | 2001/02 | | 2002/03 |
|---|------------------|-------------------|-------------------|
| | Budgeted | Estimated | Budget |
| | | Actual | |
| | \$000 | \$000 | \$000 |
| Cash Flows from Operating Activities | | | |
| Cash provided from | | | |
| Supply of outputs to: | | | |
| Crown | 12,624 | 12,624 | 13,341 |
| Other | 48 | 48 | 48 |
| Interest | 13 | 13 | - |
| Cash disbursed to: | | | |
| Output expenses | (12,821) | (12,712) | (12,517) |
| Capital charge | (89) | (89) | (89) |
| Net Cash Flows from Operating Activities | <u>(225)</u> | <u>(116)</u> | <u>783</u> |
| Cash Flows from Investing Activities | | | |
| Cash provided from: | | | |
| Sale of physical assets | 12 | 12 | - |
| Cash disbursed to: | | | |
| Purchase of physical assets | (250) | (250) | (500) |
| Net Cash Flows from Investing Activities | <u>(238)</u> | <u>(238)</u> | <u>(500)</u> |
| Cash Flows from Financing Activities | | | |
| Cash provided from: | | | |
| Capital contribution | - | - | - |
| Cash disbursed to: | | | |
| Capital Repayment | (300) | (300) | - |
| Payment of surplus to the Crown | (122) | (122) | (330) |
| Net Cash Flows from Financing Activities | <u>(422)</u> | <u>(422)</u> | <u>(330)</u> |
| Net Increase/(Decrease) in Cash Held | <u>(885)</u> | <u>(776)</u> | <u>(47)</u> |
| Opening Cash Balance | <u>943</u> | <u>943</u> | <u>167</u> |
| Closing Total Cash Balances at 30 June | <u><u>58</u></u> | <u><u>167</u></u> | <u><u>120</u></u> |

**FORECAST RECONCILIATION OF NET CASH FLOWS FROM
OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT) IN THE
OPERATING STATEMENT FOR THE YEAR ENDING 30 JUNE 2003**

| | 2001/02 | | 2002/03 |
|---|----------|-----------------|---------|
| | Budgeted | Estimated | Budget |
| | \$000 | Actual \$000 | \$000 |
| Surplus/(Deficit) from Operating Statement | 30 | 330 | 18 |
| Add/(deduct) non-cash items | | | |
| Depreciation | 450 | 450 | 500 |
| Movements in working capital items | | | |
| (Increase)/Decrease in receivables and prepayment | 1 | 1 | – |
| (Increase)/Decrease on Debtor-Crown | (1,622) | (1,622) | 615 |
| (Increase)/Decrease in Inventories | 5 | 5 | 100 |
| Increase In payables and provisions | 888 | 697 | (450) |
| Items classified as investing activities | | | |
| Net (gain)/loss on sale of physical assets | 23 | 23 | – |
| Net Cash Flows from Operating Activities | (225) | (116) | 783 |

STATEMENT OF FORECAST MOVEMENTS IN TAXPAYERS' FUNDS (EQUITY) AS AT 30 JUNE 2003

| | Estimated Position as at 30 June 2002 \$000 | Forecast Position as at 30 June 2003 \$000 |
|--|--|---|
| Taxpayers' funds at start of period | 1,140 | 840 |
| Prior-period adjustments | – | – |
| Amended taxpayers' funds at start of period | 1,140 | 840 |
| Taxpayers' funds at end of period | 840 | 840 |
| Change in taxpayers' funds during the period | 300 | – |
| Less change in taxpayers' funds through contributions from owners | – | – |
| Less capital repayment | (300) | – |
| Change in taxpayers' funds | – | – |

FORECAST DETAILS OF FIXED ASSETS BY CATEGORY AS AT 30 JUNE 2003

| | 30 June 2002 | 30 June 2003 Forecast Position | | |
|------------------------------|--|--------------------------------|--------------------------------------|----------------------------|
| | Estimated Actual Position \$000 | Cost \$000 | Accumulated Depreciation \$000 | Net Book Value \$000 |
| Furniture and Fittings | 503 | 950 | 480 | 470 |
| Motor Vehicles | 8 | 135 | 85 | 50 |
| Plant and Equipment | 350 | 3,427 | 3,086 | 341 |
| TOTAL | 861 | 4,512 | 3,651 | 861 |

STATEMENT OF OBJECTIVES SPECIFYING THE FINANCIAL PERFORMANCE FORECAST FOR THE DEPARTMENT FOR THE YEAR ENDING 30 JUNE 2003

| | Unit | 2001/02 Budgeted | Estimated Actual | 2002/03 Budget |
|--|-------|---------------------|---------------------|-------------------|
| Operating Results | | | | |
| Revenue: interest | \$000 | 12 | 12 | – |
| Output expenses | \$000 | 14,276 | 13,976 | 12,756 |
| Operating surplus before capital charge ... | \$000 | 119 | 419 | 107 |
| Net surplus (Deficit) | \$000 | 30 | 330 | 18 |
| Working Capital | | | | |
| Net Current assets ¹ | \$000 | 370 | 279 | 379 |
| Current ratio ² | % | 114 | 114 | 118 |
| Liquid ratio | % | 2 | 6 | 7 |
| Average creditors outstanding | days | 50 | 55 | 50 |
| Resource Utilisation | | | | |
| Physical assets: | | | | |
| Total physical assets at year end | \$000 | 861 | 861 | 861 |
| Additions as % of physical assets | % | 23 | 23 | 58 |
| Taxpayers' funds: | | | | |
| Level at year-end | \$000 | 840 | 840 | 840 |
| Forecast Net Cash Flows | | | | |
| Surplus/(deficit) operating activities | %000 | (225) | (116) | 783 |
| Surplus/(deficit) investing activities | %000 | (238) | (238) | (500) |
| Surplus/(deficit) financing activities | %000 | (422) | (422) | (330) |
| Net increase/(decrease) in cash held | %000 | (885) | (776) | (47) |
| Human Resources | | | | |
| Staff turnover | % | 20 | 15 | 15 |
| Average length of service | years | 5 | 5 | 5 |
| Total staff | no. | 120 | 125 | 123 |

The department aims to provide a work environment and conditions of employment that enable it to recruit and retain staff of the calibre (e.g. with the skills and experience³) it requires.

¹ Current assets minus current liabilities

² Current assets as a proportion of current liabilities

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS³

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

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Specific Accounting Policies

Goods and services tax

The Statement of Unappropriated Expenditure and Statements of Departmental and Non-Departmental Expenditure and Appropriations are inclusive of GST. All other statements are GST exclusive. The Statement of Financial Position is also exclusive of GST, except for Creditors and Payables and Debtors and Receivables which are GST inclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Creditors and Payables or Debtors and receivables (as appropriate).

Fixed assets

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

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

³ This statement is required for each department by section 34A(4) of the Public Finance Act 1989 as amended by the Public Finance Amendment Act 1994.

Depreciation of assets

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

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

Taxation

The department is exempt from the payment of income tax in terms of the Income Tax Act 1976. Accordingly, no charge for income tax has been provided for.

Financial instruments

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

Cost allocation

Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes. Direct costs represent 90 percent of total departmental appropriation for output costs.

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

Leases

The department leases office premises and photocopiers. As all risks and ownership are retained by the lessor, these leases are classified

as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Provision for employee entitlements

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

Commitments

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

Contingent liabilities

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

Changes In Accounting Policies

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