



Cook Islands Government

Quarterly Financial Report

June 2013

Prepared by the Ministry of Finance and Economic Management
www.mfem.gov.ck

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Introduction

The June 2013 Quarterly Financial Report contains more information than the previous quarters as it intends to capture financial information for the whole of the 2012/13 financial year.

The Ministry of Finance and Economic Management provides this information to inform the public on the general state of the Crown's finances as at the end of the 2012/13 financial year. It is not intended to be a replacement for the final 2012/13 audited accounts.

Key Points

It should be noted that the figures contained within the Quarterly Financial Report are unaudited and are subject to change. The net operating balance of the General Government Sector as at 30 June 2013 was a surplus of \$7.9 million.

- Operating revenue was \$115.1 million; and
- Operating expenditure was \$107.2 million.

The overall fiscal balance which excludes depreciation, but includes capital was a deficit of \$2.9 million which incorporated activities financed through the ADB-ERSP loan.

Table 1
Net Operating Balance General Government – June Quarter 2013

	Budget	Actual	Variance	
	('000)	('000)	('000)	Per cent %
Operating Revenue	111,153	115,125	(3,972)	(4)
Operating Expenditure	113,689	107,206	6,483	6
Net Operating Balance	(2,535)	7,919	(10,454)	(412)

Table 2
Fiscal Balance of General Government – June Quarter 2013

	Budget	Actual	Variance	
	('000)	('000)	('000)	Per cent %
Net Operating Balance	(2,535)	7,919	(10,454)	(412)
Add Depreciation	3,460	2,648	812	23
Less Capital Expenditure	14,987	13,506	1,480	10
Fiscal Balance	(14,062)	(2,940)	(11,122)	79

Total revenue collections for 2012/13 were higher than the budget estimate and were mainly attributable to higher than estimated VAT and Import Levies as a result of higher than expected levels of commercial activity.

Total operating expenses for 2012/13 were lower than the budget estimate and are largely attributed to lower expenditure on the underwrite of the Los Angeles and Sydney routes (23 per cent), the TOA profit guarantee (3 per cent) and lower levels of spending by agencies (4 per cent).

Note that all 2012/13 budget figures have been revised to accommodate the appropriation amendment which was passed by the Cook Islands Parliament in February 2013.

Summary of the Financial Position of the General Government

The net operating surplus of the General Government sector for 2012/13 was \$7.9 million, representing an increase of \$10.5 million on the 2012/13 supplementary budget estimates.

Overall, revenue was \$3.9 million higher than the 2012/13 supplementary budget estimates and operating expenditure was lower by \$6.5 million than the 2012/13 supplementary budget estimates.

This statement has been prepared on an accruals basis as far as practical and outlines income and expenses incurred which may not been necessarily received or paid.

Table 3
Net Operating Balance as at 30 June 2013

	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue			
Taxation Revenue	94,971	97,005	(2,034)
Other Crown Receipts	6,706	7,959	(1,253)
Trading Revenue	5,209	5,880	(671)
Interest on Loans to Subsidiaries	203	37	166
Dividends	2,240	2,202	38
Interest on Funds	1,824	2,042	(218)
Total Operating Revenue	111,153	115,125	(3,972)
Operating Expenditure			
Ministry Expenditure Outputs	61,498	60,160	1,338
Air NZ Subsidy	12,300	9,454	2,846
TOA Guarantee	1,500	1,449	51
Social Responsibility Fund	195	195	-
Welfare Benefits	13,096	12,555	541
Other POBOCs	15,298	14,292	1,007
Total POBOCs	42,389	37,944	4,445
Airport Authority	2,240	2,150	90
Bank of Cook Islands	181	181	-
Te Aponga Uira	350	350	-
Ports Authority	200	200	-
Debt Servicing Interest	1,368	770	598
Building Maintenance	1,800	1,800	-
Crown Infrastructure Depreciation	3,478	3,478	-
Disaster/Contingency	184	164	20
Bank Fees	-	8	(8)
Total Operating Expenditure	113,689	107,206	6,483
Net Operating Balance	(2,535)	7,919	(10,454)

Key Balance Sheet Items in General Government:

Cash and Equivalents	49,536
Committed Cash	(32,588)
Net Cash Reserve	16,948
Gross General Government Borrowings	78,871
Net General Government Borrowings	33,220

The gross borrowings by the Crown was \$75.3 million, net borrowings by the General Government Sector (excluding loan reserves and borrowings by SOEs) was \$33.2 million. The net cash reserve which is essentially unencumbered cash rose to \$17.2 million.

General Government Revenue Analysis

General Government sector revenue as at 30 June 2013 was:

- higher than the 2013 June quarter budget estimate (\$3.2 million or 3 per cent); and
- higher than the 2012 June quarter outcome (\$4.7 million or 4 per cent).

Table 4

General Government Revenue Summary – June 2013 YTD

	2011-12 Actual	2012-13 Budget	2012-13 Actual	Variance vs 2011- 12	Percent Variance	Variance vs Budget	Percent Variance
	('000)	('000)	('000)	('000)	%	('000)	%
Value-added Tax	35,711	37,350	38,074	2,363	7	724	2
Income Tax	24,735	26,201	24,934	199	1	(1,267)	(5)
Company Tax	10,139	11,000	11,342	1,203	12	342	3
Import Levies	11,547	13,038	15,053	3,506	30	2,015	15
Withholding Tax	3,297	900	1,501	(1,796)	(54)	601	67
Departure Tax	6,224	6,481	6,101	(123)	(2)	(380)	(6)
Trading Revenue	5,896	5,209	5,880	(16)	(0)	671	13
Other Revenue	12,143	10,973	12,240	97	1	1,267	12
Total Revenue	109,692	111,152	115,125	5,433	5	3,973	4

Value Added Tax

Actual VAT revenue collected in 2012/13 was \$0.724 million above the final 2012/13 budget estimate (2 per cent) due to increased commercial activity over the year and by \$2.363 million on 2011/12 (7 per cent).

Income Tax

Actual Income tax collected in 2012/13 was \$1.267 million below the final 2012/13 budget estimate (-5 per cent) but was \$0.199 million higher than 2011/12 (1 per cent). The increased income tax revenue on 2011/12 reflects an increase in commercial activity in 2012/13.

Company Tax

Actual Company tax collected in 2012/13 was \$0.342 million above the final 2012/13 budget estimate (3 per cent), and \$1.203 million higher (12 per cent) than the collection for 2011/12. Improved efforts in tax collection compliance are believed to be assisting in the overall increase.

Import Levies

Actual Import levies collected in 2012/13 were \$2.015 million above the final 2012/13 budget estimate (15 per cent) and \$3.506 million higher than the 2011/12 June quarter (30 per cent). This increase reflects the increased commercial activity in 2012/13 and the increase in the number of visitor arrivals.

Withholding Tax

Actual Withholding tax collections were \$0.601 million above the final 2012/13 budget estimate (67 per cent) and \$1.796 million lower than the 2011/12 June quarter (54 per cent) as a result of the repatriation of Telecom Holdings dividend in the 2011/12 June quarter.

Departure Tax

Departure tax collections were \$0.380 million below the final 2012/13 budget estimate (-6 per cent) and \$0.123 million lower than 2011/12 (-2 per cent). The lower collections compared to budget was as a result of some

departure tax being foregone during the transition from manually charging the departure tax on departure to it being incorporated into the airline tickets on 1 December 2012.

Trading Revenue

This will be discussed in the next section (Appropriation Analysis).

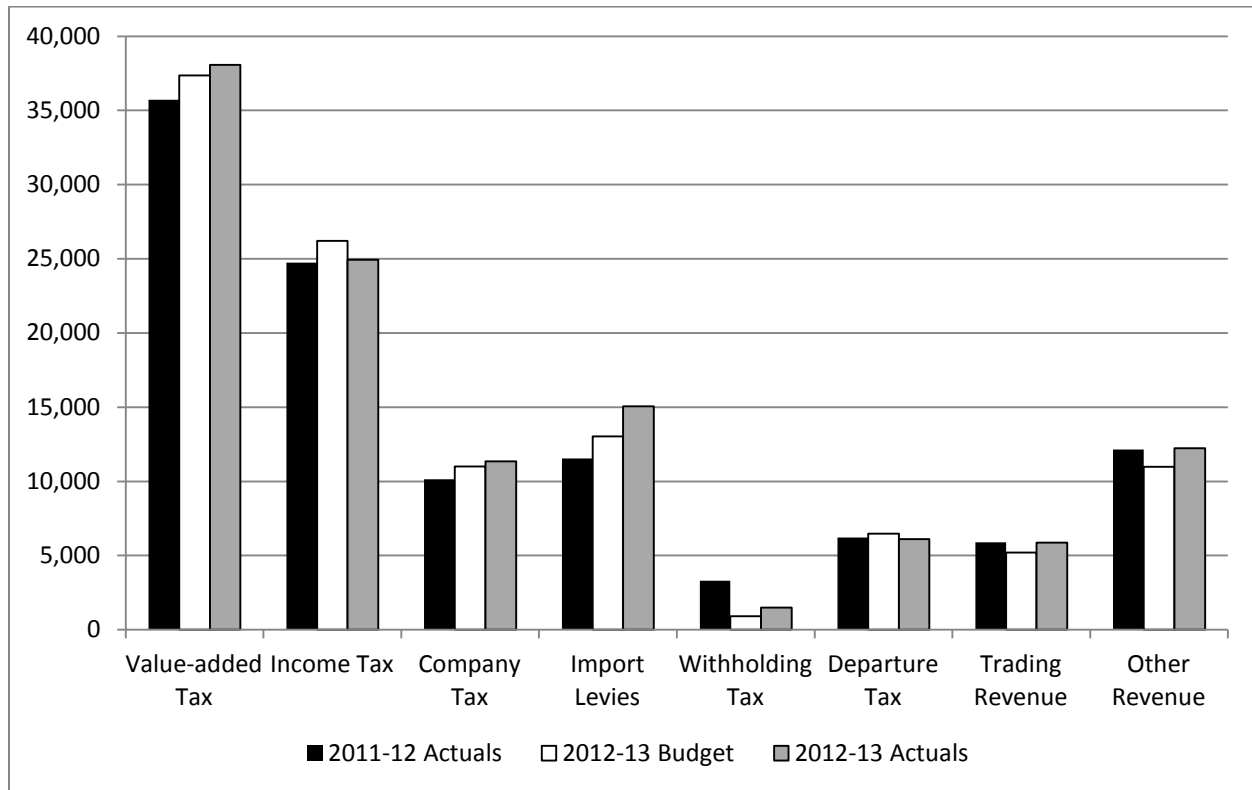
Other Crown Revenue

Other Crown Revenue was \$1.267 million above the final 2012/13 budget estimate (12 per cent) and also \$0.970 million higher than the 2011/12 June (1 per cent). This is predominantly due to the increase collection of a number of revenue items, namely Sale of Currency (130 per cent), Justice fines (90 per cent) and fishing licences (43 per cent).

Table 5
General Government Other Revenue Summary - June 2013 YTD

	2011-12 Actual ('000)	2012-13 Budget ('000)	2012-13 Actual ('000)	Variance vs 2011-12 ('000)	Percent Variance	Variance vs Budget ('000)	Percent Variance
FSC Fees	486	293	279	(207)	(43)	(14)	(5)
Immigration Fees	562	540	528	(34)	(6)	(12)	(2)
Justice Fines	45	40	76	31	69	36	90
Police Fines	59	65	39	(20)	(34)	(26)	(40)
Fishing Licences	3,872	2,926	4,196	324	8	1,270	43
Dividends	2,507	2,240	2,202	(305)	(12)	(38)	(2)
Numismatic Revenue	416	500	351	(65)	(16)	(149)	(30)
CISNOC	-	93	-	-	-	(93)	(100)
Drivers Licenses	715	700	557	(158)	(22)	(143)	(20)
Vehicle Registrations	352	620	764	412	117	144	23
Interest on Balances	2,269	1,824	2,042	(227)	(10)	218	12
Interest on Advances	24	203	37	13	53	(166)	(82)
BTIB Registrations	18	17	16	(2)	(11)	(1)	(6)
Upper Air Space	227	464	356	129	57	(108)	(23)
Shipping Reg/Licenses	65	70	70	5	8	-	-
Intl Shipping Licenses	10	15	15	5	50	-	-
Liquor Licenses	25	26	26	1	4	-	-
Tattslotto Grants	143	120	142	(1)	(1)	22	18
Censorship Fees	10	10	8	(2)	(20)	(2)	(20)
Sale of Currency	272	100	230	(42)	(15)	130	130
Employers Liability	-	75	23	23	-	(52)	(69)
Other Misc Revenue	66	32	283	217	329	251	784
Total Revenue	12,143	10,973	12,240	97	1	1,267	12

Figure 1
General Government Revenue – 2011/12 Actual and 2012/13 Budget and Actual (\$000)



General Government Expenditure Analysis

Payments on Behalf of Crown (POBOCs)

Table 6

Payments on Behalf of Crown – 2012/13

	Budget ('000)	Actual ('000)	Variance ('000)	Per cent %
Air New Zealand Underwrite	12,300	9,454	2,846	23
Apex (Toa) Profit Support	1,500	1,449	51	3
Welfare Payment	13,096	12,555	541	4
Social Responsibility Fund	195	195	-	-
Other POBOCs	15,298	14,292	1,007	7
Total POBOCs	42,389	37,944	4,445	10

In 2012/13 expenditure on the underwrite of the Sydney (\$3.907 million) and Los Angeles (\$5.547 million) long haul routes was 23 per cent below budget due to a favourable drop in fuel prices and improved loadings.

Welfare payments were below budget by 4 per cent as a result of a lower than estimated number of welfare beneficiaries during 2012/13.

Table 7
Welfare Payments for 2012/13

	Budget	Actual	Variance	
	('000)	('000)	('000)	Per cent %
Legislated Payments				
Child Benefit	2,596	2,507	89	3
New Born Allowance	267	292	(25)	(9)
Old Age Pension	8,618	8,268	350	4
Destitute & Infirm Persons Payment	448	403	45	10
Government funded paid Maternity Leave	49	38	11	22
Non-legislated Welfare Payments				
Caregiver's Allowance	315	294	21	7
Christmas Bonus	300	285	15	5
Funeral Allowance	170	147	23	14
Power Subsidy	86	79	7	8
Special Assistance	100	99	1	1
BCI Transaction Fee	147	142	5	3
Total Welfare Payments	13,096	12,555	541	4

Other POBOCs expenditure was down against 2012/13 final budget estimate by 6 per cent.

Appropriation Analysis

Table 8
Appropriation Analysis – June 2013 YTD

	2011-12	2012-13	2012-13	Var vs	Percent	Variance	Percent
	Actual	Budget	Actual	2011-12	Variance	vs	Variance
	('000)	('000)	('000)	('000)	%	Budget	%
Personnel	43,532	42,526	40,715	(2,817)	(6)	1,811	4
Operating	17,028	15,512	16,797	(231)	(1)	(1,285)	(8)
Depreciation	2,757	3,460	2,648	(109)	(4)	812	23
Trading Revenue	5,896	5,209	5,880	(16)	(0)	671	13
Net Appropriation	57,421	56,289	54,280	(3,141)	(5)	(2,009)	(4)

There was an overall savings of 4 per cent in the net appropriations of Crown-funded agencies at the end of the 2012/13 financial year, amounting to approximately \$2.009 million.

Personnel

Personnel expenditure in 2012/13 was \$1.811 million lower than the final 2012/13 budget estimate (-4 per cent) and \$2.817 million lower than 2011/12 (-6 per cent). The contributing factors to the budget variance were a number of vacancies which continued to exist across the public sector. The Cook Islands Audit Office (\$0.192 million), Office of the Prime Minister (\$0.743 million) and the Ministry of Foreign Affairs (\$0.250 million) were the main contributors to these savings. Twenty eight ministries had personnel savings resulting from vacancies to be filled whilst fourteen exceeded their personnel budgets due to higher duty allowances and unbudgeted unused

leave which was accrued. Agencies were able in some cases to transfer funds from savings in operating expenditure to cover the over expenditure.

Operating

Operating expenditure in 2012/13 was \$1.285 million higher than the final 2012/13 budget estimate (8 per cent) and \$0.231 million lower than 2011/12 (-1 per cent). The Ministry of Foreign Affairs (\$0.254 million), Ministry of Infrastructure and Planning (\$0.201 million), Officer of the Prime Minister (\$0.715 million) and Manihiki Island Administration (\$0.100 million) were the main contributors to the overspend. A total of twenty eight ministries overspent their operating budgets.

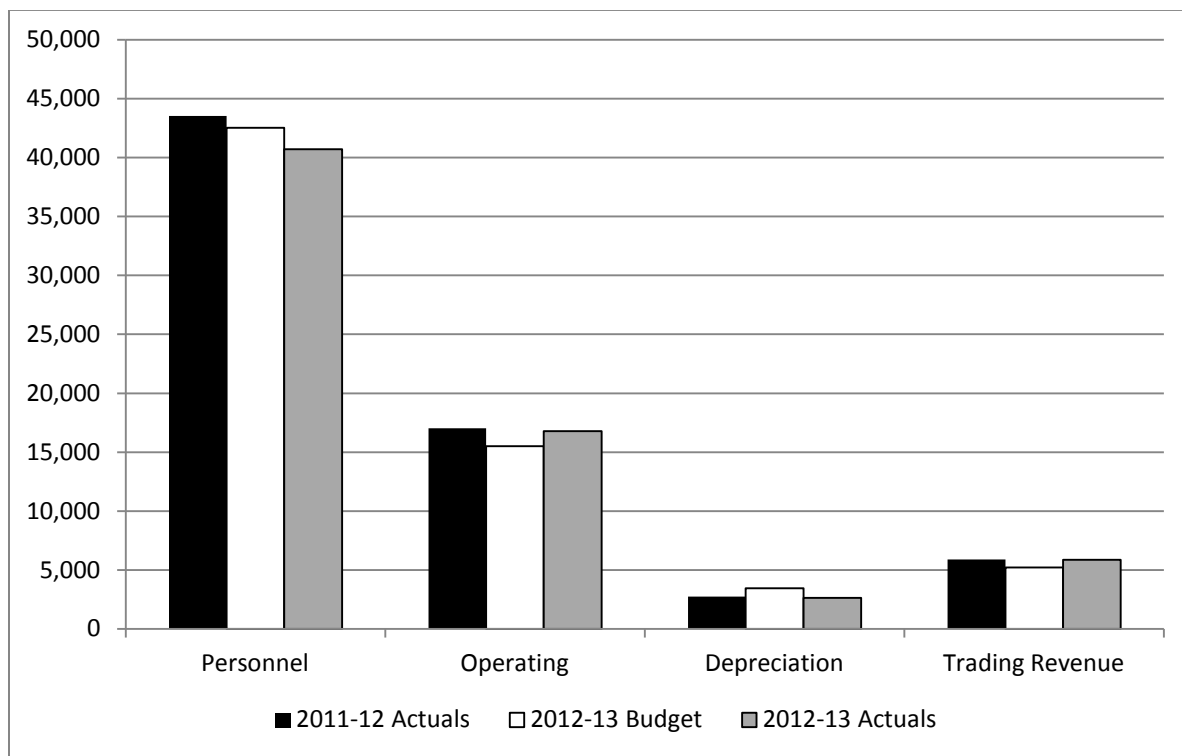
Depreciation

Depreciation expenditure was \$0.812 million lower than the final 2012/13 budget (23 per cent). The Ministry of Health, Police and Education continue to be the major contributors to this as a result of a large number of fixed assets which already have a zero salvage value. In total thirty two ministries had savings to budget while only 5 exceeded their budget due to unbudgeted donated assets. It should be noted that whilst depreciation is appropriated by Parliament these funds are not actually provided to agencies.

Trading Revenue

Trading revenue in 2012/13 was \$0.671 million higher than the final 2012/13 budget estimate (13 per cent). This was due to the higher than anticipated revenue collections by the Ministry of Finance and Economic Management (MFEM) \$0.250 million and Aitutaki Power Supply \$0.430 million. Of twenty five ministries that are appropriated to collect trading revenue 16 ministries exceeded their trading revenue budgets.

Figure 2
Appropriation Analysis – June 2013 YTD



Other General Government Operating Expenditure

Table 9
Other General Government Operating Expenditure

	Budget	Actual	Variance	
	('000)	('000)	('000)	Per cent %
Airport Authority	2,240	2,150	90	4
Bank of Cook Islands	181	181	-	-
Te Aponga Uira	350	350	-	-
Debt Servicing Interest	1,368	770	598	44
Building Maintenance	1,800	1,800	-	-
Crown Infrastructure Depreciation	3,478	3,478	-	-
Disaster/Contingency	184	164	20	11
Total Other Operating	9,601	8,893	708	7

Other operating costs for the General Government sector are 7 per cent under the 2012/13 budget. The most significant variation contributing to this is the decrease in the debt servicing interest expense as a result of favourable movements in exchange rates.

Crown Borrowings

The Crown's gross borrowing for the June 2013 quarter was \$75.3 million, a decrease of \$4.8 million from the March 2013 quarter. The cause of this decrease was derived from:

- a favourable movement in exchange rates against the New Zealand dollars of \$4.1 million;
- principal repayment of \$0.7 million during the quarter.

The exchange rates movement for this quarter are shown in the following table:

Table 10
Average Exchange Rates Used

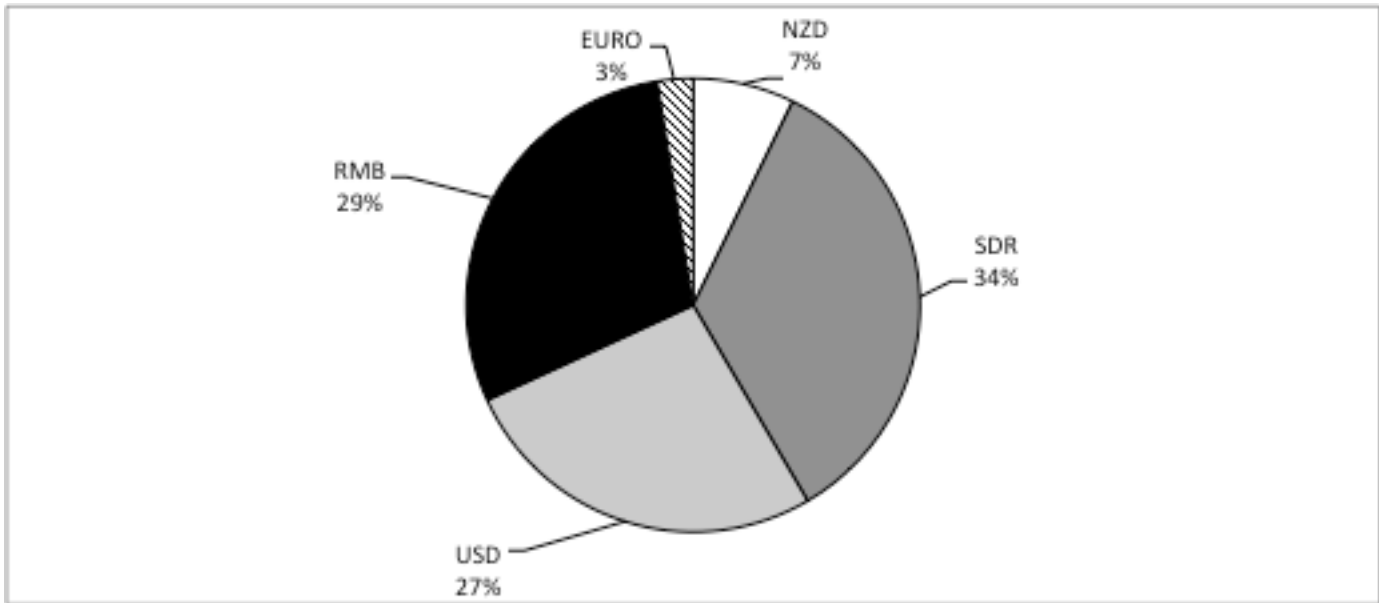
Foreign Exchange Currency	31 March 2013 Average	31 June 2013 Average	Changes
EUR	0.6346	0.5980	(0.0366)
USD	0.8318	0.7781	(0.0537)
CNY	5.1846	4.7827	(0.4019)
SDR	0.5341	0.5176	(0.0165)

The unrealised foreign exchange loss of \$4.1 million is largely the effect of the positive movement in the Special Drawing Rights (SDR) as about 34 per cent of the total government borrowing is denominated in SDR as illustrated in Figure 3.

Net borrowings by the General Government for this quarter were \$33.2 million, a \$3.5 million reduction from the March 2013 quarter. This reduction is made up of \$0.7 million in principal repayments and \$2.8 million foreign exchange adjustment.

The second tranche of the ADB Economic Recovery Loan of NZD \$7.3 million has not included in this report because it has not been drawn down. Final loan documents are expected to be finalised shortly expected to be utilised during the latter half of this financial year.

Figure 3
Composition of Crown Debt by Currency



The Cook Islands is currently in the process of finalising conversion of USD \$23.3 million (Ports Authority loan of USD \$13.3 million and Economic Recovery Support Program (ERSP) tranche 1 of USD \$10 million) into NZD, this will increase the local proportion to 34 per cent

Managing the exchange risk is an ongoing task for the Crown and it will continue to do so by working closely with local banks counterpart over the global exchange rates movement to accommodate its annual debt servicing plan.

Table 11 below summarised Crown's estimated debt position for June 2013 quarter.

Table 11
Crown Borrowings –June 2013 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	Mar 13 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Loan Drawn Down	Jun 13 Balance ('000)	Change Mar 13 Qtr ('000)
New Zealand GSF Loan	NZD	5,849	Nov-80	Jun-13	439	0	0	0	439	0
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	3,419	(181)	(187)	0	3,051	(368)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	13,070	0	(1,013)	0	12,057	(1,013)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	716	0	(22)	0	694	(22)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	668	(19)	(20)	0	629	(39)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	2,097	0	(65)	0	2,032	(65)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	4,837	0	(149)	0	4,688	(149)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,244	(18)	(38)	0	1,188	(56)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	427	(6)	(13)	0	408	(19)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	443	0	(14)	0	429	(14)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,701	0	(83)	0	2,618	(83)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,234	0	(69)	0	2,165	(69)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,930	0	(152)	0	4,778	(152)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	826	0	(26)	0	800	(26)
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,438	(32)	(74)	0	2,332	(106)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,208	0	(99)	0	3,109	(99)
ADB 2472 Avatiu Port Development	USD	8,630	Sep-09	Nov-33	10,424	0	(673)	0	9,751	(673)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	8,211	0	(254)	0	7,957	(254)
ADB 2739 Amend Avatiu Port Development	USD	4,700	Dec-11	Nov-35	5,675	0	(366)	0	5,309	(366)
ADB 2565 Economic Restructuring Loan 1	USD	10,000	Jan-10	Oct-24	12,079	(449)	(751)	0	10,879	(1,200)
ANZ - Airport Authority	NZD	8,100	Dec-10	TBC	4,406	(848)	0	0	3,558	(848)
Total Gross Borrowings					84,492	(1,553)	(4,068)	0	78,871	(5,621)
<i>Total Loans with ADB</i>					63,158	(524)	(2,868)	0	59,766	(3,392)
<i>Total Loans with Other Sources</i>					21,334	(1,029)	(1,200)	0	19,105	(2,229)
Total Gross Borrowings					84,492	(1,553)	(4,068)	0	78,871	(5,621)
Less Loan Reserve					19,076	0	0	0	19,076	0
Net Borrowing by the Crown					65,416	(1,553)	(4,068)	0	59,795	(5,621)
Less Avatiu Port Development					24,310	0	(1,293)	0	23,017	(1,293)
Less ANZ - Airport Authority					4,406	(848)	0	0	3,558	(848)
Net Borrowing by the General Government					36,700	(705)	(2,775)	0	33,220	(3,480)

General Government Cash Reserves

General government cash reserves at the June 2013 quarter were at \$16.9 million, an increase of \$3.4 million from the March 2013 quarter.

This increase in cash reserves reflects the savings in expenses and the favourable variance to budgeted income for the quarter as explained earlier in this report.

Table 12
Cash Reserves – June 2013 YTD

	Dec 12 Qtr ('000)	Mar 13 Qtr ('000)	Jun 13 Qtr ('000)	Change Mar 13 Qtr ('000)
Total Term Deposit at the Bank				
Westpac	8,903	9,006	3,066	(5,940)
ANZ	22,487	22,777	32,080	9,303
ANZ - NZAID Fund 5 million	3,065	3,114	-	(3,114)
ANZ - ADB USD 10 million	4,336	4,336	3,888	(448)
BCI	10,478	10,478	10,502	24
Total Term Deposit at the Bank	49,269	49,711	49,536	(175)
Committed:				
Trust Fund General Reserve	2,911	2,911	2,911	-
Disaster Response Trust ¹	468	468	468	-
Loan Reserve Fund ²	19,076	19,076	19,076	-
ADB USD 10 million loan - Project pending ³	4,336	4,336	3,888	(448)
DCD - NZAID Project Fund 5 million ⁴	3,065	3,114	-	(3,114)
Trust Account Deposit ⁵	2,675	2,725	2,745	20
Carry Forward Contingency – OPEX ⁶	500	500	500	-
Working Capital ⁷	3,000	3,000	3,000	-
Total Commitment for this year	36,031	36,130	32,588	(3,542)
Estimated General Cash Reserve	13,238	13,581	16,948	3,367

* - This does not include cash balances on the Ministry Operating Bank Accounts.

¹ Disaster Response Trust – funds set aside for emergency response in the event of disasters

² Loan Reserve Fund – established in 2001 to hold SOE loan repayments to the Crown

³ ADB USD 10 million loan – ADB Economic Recovery Support Program loan funds used to fund Project City

⁴ DCD NZAID Project Fund – NZ Aid project funds invested to earn interest until ready to be expended by projects

⁵ Trust Account Deposit – funds held on behalf of Land Trust and Workers Compensation Trust

⁶ Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

⁷ Working Capital – funds tagged to cover overall Government cash flow requirements

Agency Spending 2012/13

The Cook Islands Government operates a decentralized financial management system. MFEM relies on agencies to provide verifiable and accurate financial information. Agencies have submitted their unaudited financials to MFEM for 2012/13. MFEM has done initial vetting of the financials but this will only be finally undertaken when the audit process is completed.

It should be noted that Agencies are not provided with funds for depreciation. Agencies are able to transfer funds within year between personnel and operating with the authorisation of the Minister. The financial performance of a Ministry should exclude depreciation.

Table 13
Agency Expenditure – 2012/13

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Ministry of Agriculture	Budget (\$)	763	95	20	878	91	788
	Actual (\$)	761	66	13	840	61	779
	Variance (\$)	2	30	7	38	30	8
	Variance (%)	0	31	35	4	33	1
Cook Islands Audit Office	Budget (\$)	887	110	27	1,023	179	845
	Actual (\$)	695	162	10	868	237	631
	Variance (\$)	192	(53)	17	156	(58)	213
	Variance (%)	22	(48)	63	15	(32)	25
Business Trade and Investment Board	Budget (\$)	414	251	13	679	-	679
	Actual (\$)	424	256	14	695	26	669
	Variance (\$)	(9)	(5)	(1)	(16)	(26)	10
	Variance (%)	(2)	(2)	(8)	(2)	(100)	2
Crown Law	Budget (\$)	453	156	6	615	-	615
	Actual (\$)	458	159	3	621	6	615
	Variance (\$)	(5)	(3)	3	(6)	(6)	0
	Variance (%)	(1)	(2)	48	(1)	(100)	0
Ministry of Culture	Budget (\$)	523	242	97	862	175	687
	Actual (\$)	475	271	42	787	216	571
	Variance (\$)	48	(29)	55	74	(41)	116
	Variance (%)	9	(12)	57	9	(23)	17
Ministry of Education	Budget (\$)	8,551	1,087	319	9,957	-	9,957
	Actual (\$)	8,467	1,006	175	9,647	-	9,647
	Variance (\$)	84	81	145	310	-	310
	Variance (%)	1	7	45	3	-	3
National Environment Service	Budget (\$)	820	174	30	1,025	20	1,005
	Actual (\$)	780	225	10	1,014	23	992
	Variance (\$)	41	(50)	20	11	(3)	14
	Variance (%)	5	(29)	66	1	(14)	1
Ministry of Finance and Economic Management	Budget (\$)	2,449	577	64	3,090	454	2,637
	Actual (\$)	2,634	613	53	3,300	704	2,596
	Variance (\$)	(185)	(36)	11	(210)	(250)	41
	Variance (%)	(8)	(6)	17	(7)	(55)	2
Financial Services Development Authority	Budget (\$)	235	190	8	433	-	433
	Actual (\$)	231	194	7	433	-	433
	Variance (\$)	4	(4)	1	1	-	1
	Variance (%)	2	(2)	7	0	-	0

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Ministry of Foreign Affairs and Immigration	Budget (\$)	998	601	46	1,645	8	1,637
	Actual (\$)	748	855	60	1,664	12	1,652
	Variance (\$)	250	(254)	(15)	(19)	(4)	(15)
	Variance (%)	25	(42)	(32)	(1)	(45)	(1)
Head of State	Budget (\$)	148	37	26	210	-	210
	Actual (\$)	144	44	6	194	-	194
	Variance (\$)	4	(7)	20	16	-	16
	Variance (%)	3	(20)	78	8	-	8
Ministry of Health	Budget (\$)	7,677	1,715	700	10,092	400	9,692
	Actual (\$)	7,626	1,768	440	9,834	405	9,429
	Variance (\$)	51	(53)	260	259	(5)	264
	Variance (%)	1	(3)	37	3	(1)	3
Ministry of Infrastructure and Planning	Budget (\$)	1,542	745	122	2,409	183	2,225
	Actual (\$)	1,491	946	118	2,554	217	2,337
	Variance (\$)	51	(201)	5	(145)	(34)	(111)
	Variance (%)	3	(27)	4	(6)	(18)	(5)
Ministry of Internal Affairs	Budget (\$)	963	134	50	1,147	6	1,141
	Actual (\$)	929	173	10	1,112	4	1,108
	Variance (\$)	34	(39)	40	35	2	33
	Variance (%)	4	(29)	80	3	26	3
Ministry of Justice	Budget (\$)	1,371	410	94	1,875	468	1,407
	Actual (\$)	1,436	481	94	2,012	497	1,515
	Variance (\$)	(65)	(71)	0	(136)	(29)	(107)
	Variance (%)	(5)	(17)	0	(7)	(6)	(8)
Ministry of Marine Resources	Budget (\$)	928	280	57	1,265	15	1,250
	Actual (\$)	937	271	32	1,240	15	1,225
	Variance (\$)	(10)	9	26	25	(0)	25
	Variance (%)	(1)	3	45	2	(0)	2
Office of the Ombudsman	Budget (\$)	175	58	6	239	-	239
	Actual (\$)	151	82	6	239	-	239
	Variance (\$)	24	(24)	(0)	0	-	0
	Variance (%)	14	(42)	(0)	0	-	0
Parliament	Budget (\$)	490	92	17	599	8	591
	Actual (\$)	481	125	12	618	11	607
	Variance (\$)	9	(33)	5	(19)	(2)	(16)
	Variance (%)	2	(36)	32	(3)	(29)	(3)
Cook Islands Pearl Authority	Budget (\$)	212	249	21	482	-	482
	Actual (\$)	197	280	18	496	-	496
	Variance (\$)	14	(31)	3	(14)	-	(14)
	Variance (%)	7	(13)	13	(3)	-	(3)
Police	Budget (\$)	2,909	463	218	3,589	69	3,519
	Actual (\$)	2,821	474	147	3,441	83	3,358
	Variance (\$)	88	(11)	71	147	(14)	161
	Variance (%)	3	(2)	33	4	(20)	5
Office of the Prime Minister	Budget (\$)	919	169	28	1,116	-	1,116
	Actual (\$)	176	884	28	1,089	0	1,088
	Variance (\$)	743	(715)	(0)	27	(0)	28
	Variance (%)	81	(423)	(0)	2	(100)	2
Public Service Commission	Budget (\$)	350	60	9	419	-	419
	Actual (\$)	339	67	7	412	-	412
	Variance (\$)	11	(7)	2	7	-	7
	Variance (%)	3	(11)	28	2	-	2

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Cook Islands Tourism Corporation	Budget (\$)	1,436	2,728	16	4,179	0	4,179
	Actual (\$)	1,394	2,599	9	4,003	265	3,739
	Variance (\$)	41	128	7	176	(265)	441
	Variance (%)	3	5	41	4	(100)	11
Ministry of Transport	Budget (\$)	487	149	39	676	36	640
	Actual (\$)	407	216	10	633	33	600
	Variance (\$)	80	(67)	29	42	3	39
	Variance (%)	16	(45)	75	6	9	6
Aitutaki	Budget (\$)	976	384	158	1,518	48	1,470
	Actual (\$)	869	430	154	1,454	54	1,399
	Variance (\$)	107	(47)	4	64	(6)	70
	Variance (%)	11	(12)	2	4	(13)	5
Atiu	Budget (\$)	643	412	139	1,194	265	930
	Actual (\$)	642	411	153	1,205	261	945
	Variance (\$)	2	1	(14)	(11)	4	(15)
	Variance (%)	0.28	0.31	(10)	(1)	1	(2)
Mangaia	Budget (\$)	791	561	205	1,557	388	1,169
	Actual (\$)	637	347	188	1,172	328	845
	Variance (\$)	154	214	16	384	60	324
	Variance (%)	19	38	8	25	15	28
Manihiki	Budget (\$)	542	188	92	822	119	703
	Actual (\$)	486	288	61	835	141	693
	Variance (\$)	56	(100)	32	(13)	(22)	9
	Variance (%)	10	(53)	34	(2)	(19)	1
Mauke	Budget (\$)	547	305	81	933	143	790
	Actual (\$)	573	185	284	1,042	127	915
	Variance (\$)	(27)	121	(203)	(109)	15	(124)
	Variance (%)	(5)	40	(251)	(12)	11	(16)
Mitiaro	Budget (\$)	431	91	55	577	66	511
	Actual (\$)	397	115	42	554	67	487
	Variance (\$)	35	(24)	13	24	(1)	24
	Variance (%)	8	(26)	23	4	(2)	5
Pukapuka	Budget (\$)	679	146	141	966	48	917
	Actual (\$)	644	244	107	995	53	941
	Variance (\$)	35	(98)	33	(29)	(5)	(24)
	Variance (%)	5	(67)	24	(3)	(10)	(3)
Penhryn	Budget (\$)	334	206	52	593	76	517
	Actual (\$)	355	58	15	428	55	373
	Variance (\$)	(20)	148	38	165	20	145
	Variance (%)	(6)	72	72	28	27	28
Palmerston	Budget (\$)	236	71	42	349	22	327
	Actual (\$)	229	84	44	357	26	331
	Variance (\$)	7	(13)	(2)	(8)	(4)	(4)
	Variance (%)	3	(19)	(6)	(2)	(17)	(1)
Rakahanga	Budget (\$)	318	110	53	481	59	421
	Actual (\$)	328	94	23	445	46	399
	Variance (\$)	(10)	16	30	35	13	22
	Variance (%)	(3)	14	56	7	22	5
Aitutaki Power Supply	Budget (\$)	254	1,610	349	2,213	1,864	349
	Actual (\$)	268	1,670	208	2,146	1,908	238
	Variance (\$)	(14)	(60)	141	67	(43)	111
	Variance (%)	(5)	(4)	40	3	(2)	32

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Prime Minister Support Office	Budget (\$)	256	108	11	375	-	375
	Actual (\$)	261	114	11	386	-	386
	Variance (\$)	(5)	(6)	-	(11)	-	(11)
	Variance (%)	(2)	-	-	(3)	-	(3)
DPM Support Office	Budget (\$)	191	113	6	310	-	310
	Actual (\$)	190	137	5	332	-	332
	Variance (\$)	1	(24)	1	(22)	-	(22)
	Variance (%)	0.45	-	-	(7)	-	(7)
Minister Brown Support Office	Budget (\$)	190	88	7	285	-	285
	Actual (\$)	193	84	7	284	-	284
	Variance (\$)	(3)	4	-	1	-	1
	Variance (%)	(2)	-	-	0	-	0
Minister Glassie Support Office	Budget (\$)	105	90	10	205	-	205
	Actual (\$)	106	87	10	204	-	204
	Variance (\$)	(2)	3	-	1	-	1
	Variance (%)	(1)	-	-	1	-	1
Minister Bishop Support Office	Budget (\$)	69	127	9	205	-	205
	Actual (\$)	73	114	6	193	-	193
	Variance (\$)	(5)	13	3	12	-	12
	Variance (%)	(7)	-	-	6	-	6
Minister Heather Support Office	Budget (\$)	114	80	11	205	-	205
	Actual (\$)	117	70	5	192	-	192
	Variance (\$)	(3)	9	7	13	-	13
	Variance (%)	(3)	-	-	6	-	6
Leader of the Opposition Support Office	Budget (\$)	149	49	7	205	-	205
	Actual (\$)	143	47	1	191	-	191
	Variance (\$)	6	3	6	14	-	14
	Variance (%)	4	-	-	7	-	7

During the year the depreciation budgets of some support offices did not reflect the actual depreciation expense charged against the fixed assets that they had in their possession as during the change of government, assets were either sold or transferred amongst offices. Support offices have resubmit their revised depreciation budgets and have made adjustments between their personnel and operating expense budgets to address this issue.

Capital and Development Expenditure 2012/13

MINISTRY	Budget	Actual	Variance	
	(000)	(000)	(000)	%
EDUCATION				
Fund to be Prioritised by Education	110	107	3	3
TOTAL	110	107	3	3
FOREIGN AFFAIRS				
Furniture for Immigration Office	7	5	2	34
Equipment for Forum Leaders	150	125	25	17
TOTAL	157	129	28	18
HEALTH				
Fund to be Prioritised by Health for Technical Equipment	275	275	-	-
Biochemistry Analyser	130	125	5	4
Xray Unit	90	90	-	-
Ambulance	150	-	150	100
TOTAL	645	490	155	24
INFRASTRUCTURE & PLANNING				
Mangaia Harbour completion	212	75	137	65
ICT upgrades	40	30	10	26
Nassau Outboard Motor Procurement	24	17	7	29
Penrhyn Barge	48	3	45	93
Atiu Power Generators	470	470	10	2
Manihiki Generators	78	4	74	95
Nassau Power Generators (Lister March 2012)	43	32	11	26
Aitutaki Tip Truck	161	1	161	100
Mangaia Quarry Machine upgrade	18	-	18	100
Mitiaro Tractor & Back Blade Tractor	9	9	-	-
Bridges & Drainage	775	556	219	28
Road Network maintenance	680	561	119	17
Contribution from home owners to Sanitation Upgrades	(200)	-	(200)	100
Manihiki Harbour	500	*	500	100
Water Equipment for Rarotonga Upgrade	260	73	187	72
Vaimaru Water Upgrade	150	1	149	99
Capital and Equipment for Mauke Island	109	-	109	100
TOTAL	3,388	1,831	1,557	46
JUSTICE				
Computers and IT Equipment	43	39	4	10
TOTAL	43	39	4	10
POLICE				
Life Rafts	10	8	2	16
TOTAL	10	8	2	16
OFFICE OF THE PRIME MINISTER				
Rakahanga generator control panels and powerhouse	95	-	95	100
Computer Equipment	20	11	9	43
TOTAL	115	11	104	90
OFFICE OF THE PUBLIC SERVICE COMMISSIONER				
Human Resources Information Management System	180	155	25	14
TOTAL	180	155	25	14
COOK ISLANDS INVESTMENT CORPORATION				
National Education Renewal Programme	373	355	18	5
National Health Renewal Program	540	525	16	3
Parliament Building	20	-	20	100
TOTAL	933	880	53	6

MINISTRY	Budget (000)	Actual (000)	Variance	
			(000)	%
<u>MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT</u>				
Cabinet Server	5	5	-	-
TOTAL	5	5	-	-
<u>CAPITAL FUNDS ADMINISTERED BY MOIP</u>				
Outer Islands Capital Fund	153	147	6	4
<u>CAPITAL FUNDS ADMINISTERED BY MFEM</u>				
Capital Distribution Fund	268	259	8	3
Outer Islands Small Capital Fund	110	84	26	24
TOTAL	378	343	34	27
<u>OTHER SOE CI GOVERNMENT FUNDS</u>				
Airport Authority	344	344	-	-
Airport Authority - Outer Island Airport Upgrades	206	154	52	25
Airport Authority - Upgrade Government VIP Lounge	330	293	37	11
Ports Authority - Infrastructure	200	42	158	79
Te Aponga	800	800	-	-
Building Maintenance	1,800	1,800	-	-
Contingency	50	50	-	-
TOTAL	3,730	3,484	246	7
TOTAL COOK ISLAND GOVERNMENT FUNDED CAPITAL	9,847	7,630	2,217	23
<u>ADB ECONOMIC RECOVERY SUPPORT PROGRAM LOAN</u>				
MFEM - Rarotonga Water Tanks	250	200	50	20
MOIP - Punanga Nui Coastal Area; Panama & Tupapa water network)	3,954	4,740	(787)	(20)
PORTS - Avatiu Port Island Shipping Services	936	936	-	-
TOTAL ADB LOAN FUNDED	5,140	5,877	(737)	(14)
TOTAL CAPITAL EXPENSES	14,987	13,506	1,480	10

A total of \$13.506 million was spent on capital during 2012/13, of this, \$7.630 million was funded by the Cook Islands Government and \$5.877 million was funded through the Asian Development Bank Economic Recovery Support Program (ADB-ERSP) Loan.

Capital expenditure funded by Government was \$2.217 million below the final 2012/13 budget (23 per cent). This was due to a number of planned purchases not eventuating during the year as a result of delays in the tender process which has subsequently led to the carry forward of some of these capital purchases into the next financial year.

The budgets for the Health ambulance and Rakahanga generator (Office of the Prime Minister) were not expended during the financial year, this was re-appropriated for 2013/14.

The capital budget for renovations to the Parliament building (CIIC) was not expended during the year and has not been re-appropriated nor has a request been received for the carry forward of this budget into the next financial year.

It should be noted that due to the rounding of amounts to the nearest million, some budgets appear to have not been expended. These are signified by the asterisk (*).

Official Development Assistance

The Development Coordination Division (DCD) of MFEM administers all international development assistance. This report is before year end adjustments and accruals which are expected to increase total spend towards the budget estimate of 18 million.

Balance of Funds on Hand

This represents the bank accounts that are held by DCD for various partners. These take the following form:

- NZ dollar accounts \$5.937 million
- US dollar accounts USD \$60,557 @0.882 NZD \$ 0.069 million

Table 14

ODA Expenditure for the quarters ending June 2013

	1st Quarter (000)	2nd Quarter (000)	3rd Quarter (000)	4th Quarter (000)	Total (000)
NZ Aid Program	3,087	1,802	1,879	3,800	10,568
UNDP	63	137	79	216	494
India	74	6	94	100	273
CI Govt	-	20	-	-	20
Aus AID	38	39	94	113	284
European Union	7	19	30	30	86
PEC (Japan)	1	-	26	-	27
GEF	-	32	19	18	69
Pacific Is Forum	-	-	15	-	15
TOTAL	3,270	2,053	2,235	4,277	11,834

In the 4th quarter Tourism and the WATSAN activities increased spending under the joint NZ and Australian Aid Programme.

The recently signed Grant Funding Agreement for the Tourism sector of the Cook Islands ensures continued support from New Zealand and Australia. Planned Te Mato Vai water project procurements near award with Master plan contract expected to be signed in July and project management unit in August/September. The grant funding arrangements for water and sanitation are in progress with pearls in final review. There was no significant spending on renewable energy projects as the procurement approach has been restructured and requires re-tendering.

The United Nations Development Program (UNDP) project Strengthening Resilience in the Island Communities funds activities around climate change and disaster risk reduction funding preparations for water tanks procurements, learning and development, results and policy. Eight of 11 focal points have been appointed for each of the outer islands.

Small community projects funded by the India near completion while the Manihiki boat repairs tender is in final tender stages with contract award expected in early August. Proposals for the next round of India funded projects are being assessed.

PEC Renewable energy spend is for a revised procurement process for Rakahanga with work now required to extend the existing funding agreement to include increased funding recently approved for Pukapuka.

Pacific Adaptation Strategy Assistance Program (PASAP) increased activity with the Avarua coastal vulnerability assessment part funded by AusAID. The European Union's Technical Corporation Fund activity mostly funded staff cost.

Appendix – Key Operating Trends

Figures 3 and 4 below demonstrate the trends over the previous two financial years of operating revenue, expenditure.

Figure 3
Net Operating Revenue Trends

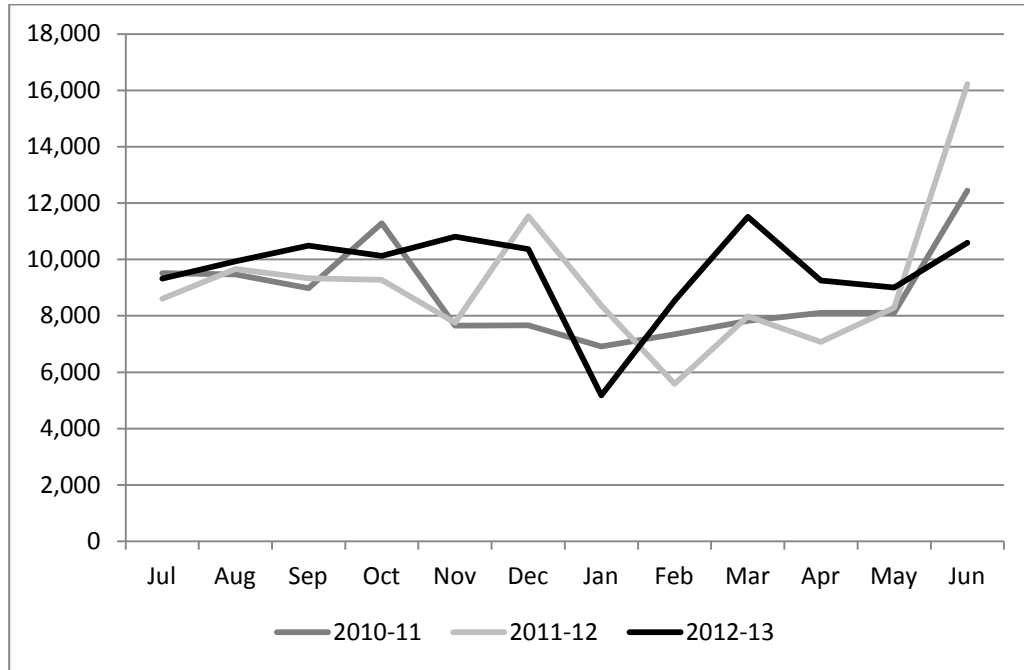
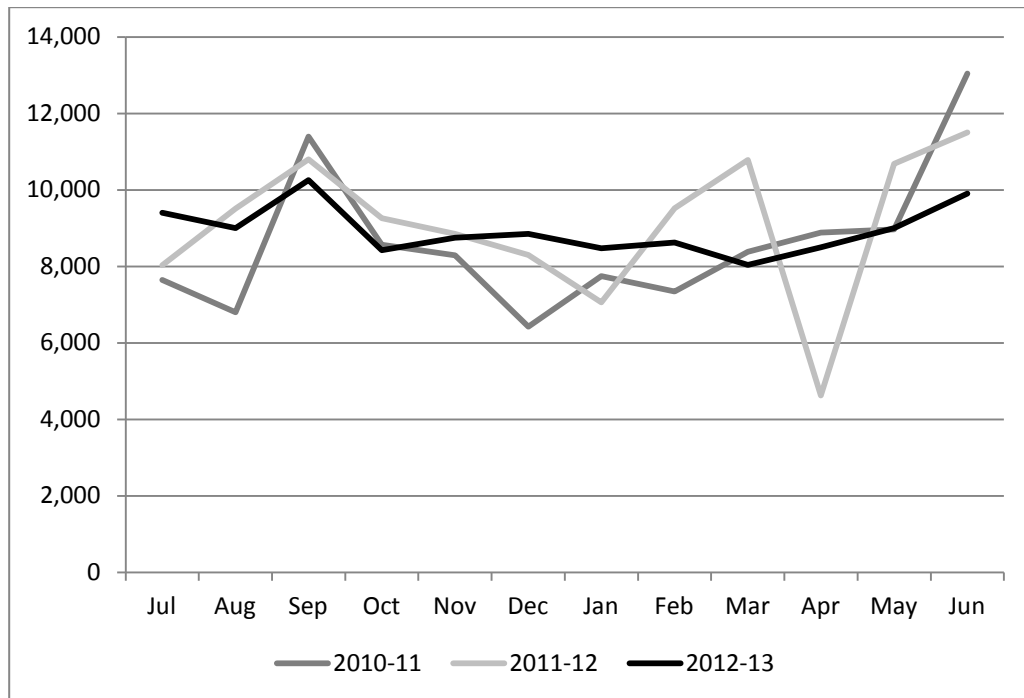


Figure 4
Net Operating Expenditure Trends



Glossary

Below are a list of terms which are mentioned at various points in this report and what they are for the purposes of this report:

Revenue

Revenue is measured at fair value of the consideration received or receivable.

Revenue Levied Through the Crown's Sovereign Power

Payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits; such revenue is received through the exercise of the Crown's sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of an asset are met.

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Individual Income Tax	When an individual earns income that is subject to PAYE or provisional tax. This also includes withholding taxes.
Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When the liability to the Crown is incurred. For example, the liability arising from sales in June being paid in July however recognised as revenue in June.
Customs levies	When goods liable to duty are assessed, except for Oil Companies which are accounted for when the liability to the Crown is incurred.
Departure Tax	When departure tax coupons are purchased.
Other Revenue	When the debt to the Crown arises.

Expenses

Expenses are recognised when incurred and are reported in the financial period to which they relate.

Foreign Currencies

Transactions in foreign currencies are translated into New Zealand dollar using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Financial Performance.

Any monetary assets and monetary liabilities held at year end are translated at the exchange rate at the balance sheet date.

Aid Expenses

Expenses are recognised when incurred on approved projects and are reported in the financial period to which they relate.

Appropriation

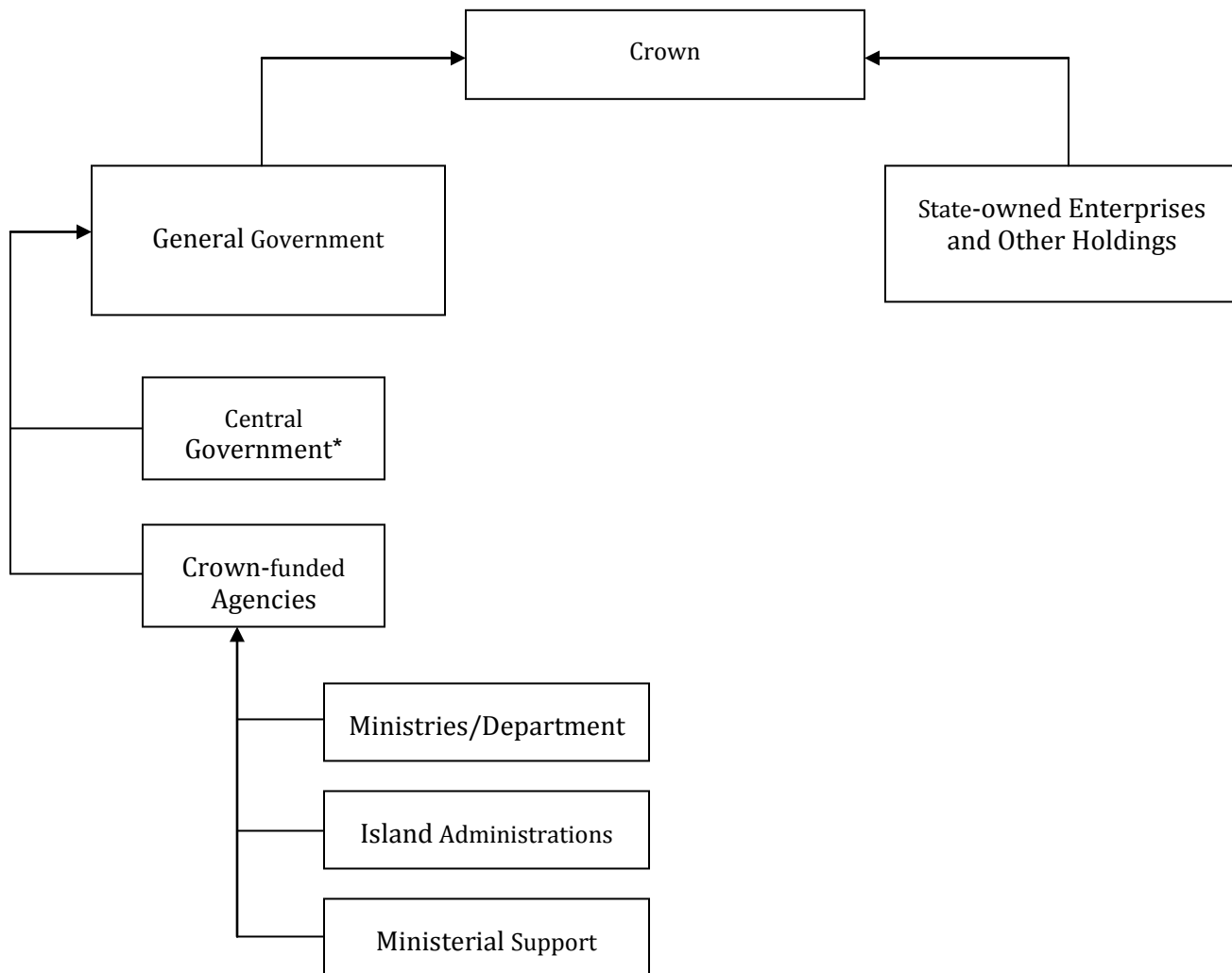
Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

Crown-funded Agencies/Agencies

These are recipients of funding via an appropriation. Crown-funded Agencies refer to ministries/departments, island administrations, and ministerial support offices.

General Government

General Government consists of Central Government and Crown-funded Agencies. It does not include State-Owned Enterprises or holdings in other entities (eg. Telecom). The diagram below shows how all relate.



* Parliament and the Head of State are included in the Central Government section