



Cook Islands Government

Quarterly Financial Report

September 2013

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

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Introduction

The statements contained in this report have been prepared on an accruals basis as far as practical and outlines income and expenses incurred which may not been necessarily received or paid. All figures are rounded to the nearest thousandth. A number of changes existing through the report these include:

- fiscal updates for SOEs who are now required to report to MFEM on a quarterly basis;
- fiscal updates separated by type of go agency, Pa Enea and SOEs are separately reported on; and
- disclosure of Official Development Assistance (ODA) in the Classification of Functions of Government(COFOG) format which is consistent with Government Financial Statistics (GFS) system of classifying public finances.

Key Points

The net operating balance of the General Government Sector as at 30 September 2013 was a surplus of \$1.5 million.

- Operating revenue was \$29.2 million; and
- Operating expenditure was \$27.6 million.

The overall fiscal balance which excludes depreciation, but includes capital expenditure was a surplus of \$0.3 million which incorporated activities financed through the ADB-Economic Recovery Support Program (ERSP) loan.

Table 1
Net Operating Balance General Government – September Quarter 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
29,745	Operating Revenue	30,178	29,150	(1,028)	(3)
28,656	Operating Expenditure	29,625	27,612	(2,013)	(7)
1,089	Net Operating Balance	552	1,537	985	(178)

Table 2
Fiscal Balance of General Government – September Quarter 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
1,089	Net Operating Balance	552	1,537	985	(178)
605	Add Depreciation	1,267	547	720	57
1,521	Less Capital Expenditure	3,648	2,375	1,273	35
173	Fiscal Balance	(1,829)	(291)	1,538	(84)

Total revenue collections for the September Quarter were lower than the budget estimate. This was mainly attributable to lower than estimated import levies and departure Tax due to phasing of the appropriation for the quarter against the actual performance.

Total operating expenses for the September Quarter were lower than the budget estimate and are largely attributed to lower expenditure incurred by agencies and lower crown infrastructure depreciation as a result of lower than estimated asset transfers from agencies.

Table 3
Net Operating Balance as at 30 September 2013

Actual 2012/13		Budget 2013/14	Actual 2013/14	Variance
('000)		('000)	('000)	('000)
<u>Operating Revenue</u>				
26,068	Taxation Revenue	26,585	25,547	(1,038)
1,483	Other Crown Receipts	1,708	1,520	(188)
1,451	Trading Revenue	1,060	1,288	228
456	Interest on Loans to Subsidiaries	84	84	-
287	Dividends	288	288	-
-	Interest on Funds	453	423	(30)
29,745	Total Operating Revenue	30,178	29,150	(1,028)
<u>Operating Expenditure</u>				
15,057	Ministry Expenditure Outputs	14,445	13,300	1,145
11,213	Payments on Behalf of the Crown	11,636	11,468	168
723	Airport Authority	512	512	-
45	Bank of Cook Islands	45	45	-
88	Te Aponga Uira	88	88	-
50	Ports Authority	278	278	-
450	Asset Management	972	972	-
72	Contingency Funds - Operating	25	42	(17)
870	Crown Depreciation	1,268	547	721
87	Debt Service Interest	357	357	-
1	Bank Fees	-	3	(3)
28,656	Total Operating Expenditure	29,625	27,612	(2,013)
1,089	Net Operating Balance	552	1,537	985

Key Balance Sheet Items in General Government:

Cash and Equivalents	51,136
Committed Cash	<u>(32,621)</u>
Net Cash Reserve	<u>18,515</u>
Gross General Government Borrowings	78,980
Net General Government Borrowings	32,955

The gross borrowings by the Crown were \$78.9 million, \$0.8 million less than the June 2013 quarter, net borrowings by the General Government Sector (including borrowings by SOEs) was \$32.9 million.

It should be noted that the New Zealand GSF Loan has now been fully paid.

The net cash reserve which is essentially unencumbered cash rose from \$16.9 million in the June 2013 quarter to \$18.5 million at the end of September 2013.

General Government Revenue Analysis

General Government sector revenue as at 30 September 2013 was lower than the quarter budget estimate by \$1 million or 3 per cent. This was mainly attributed to tax revenues and other crown revenues not performing to budget for respective reasons detailed below.

Table 4

General Government Revenue Summary – September 2013 YTD

2012-13 Actual ('000)		2013-14 Budget ('000)	2013-14 Actual ('000)	Variance ('000)	%
11,439	Value-added Tax	11,118	11,490	372	3
6,693	Income Tax	6,590	6,431	(159)	(2)
2,381	Company Tax	3,167	2,930	(237)	(7)
3,298	Import Levies	3,175	2,471	(704)	(22)
292	Withholding Tax	257	265	8	3
1,965	Departure Tax	2,278	1,960	(318)	(14)
1,451	Trading Revenue	1,060	1,288	228	22
2,226	Other Revenue	2,533	2,315	(218)	(9)
29,745	Total Revenue	30,178	29,150	(1,028)	(3)

Value Added Tax

Actual VAT revenue collected in September 2013 was \$0.372 million above the September quarter budget estimate (3 per cent) due to increased commercial activity.

Income Tax

Actual Income tax collected in September 2013 was \$0.159 million below the September quarter budget estimate (-2 per cent). The slight decrease of actual to budget is mainly attributed to the phasing of quarterly budgets and it is expected that actual revenue will come within budget towards the end of the financial year.

Company Tax

Actual Company tax collected in September 2013 was \$0.237 million below the September quarter budget estimate (-7 per cent). The slight decrease of actual to budget is mainly attributed to the phasing of quarterly budgets and it is expected that actual revenue will come within budget towards the end of the financial year.

Import Levies

Actual Import levies collected in September 2013 was \$0.704 million below the September quarter budget estimate (-22 per cent). The slight decrease of actual to budget is mainly attributed to the phasing of quarterly budgets and it is expected that actual revenue will come within budget towards the end of the financial year.

Withholding Tax

Actual Withholding tax collections in September 2013 was \$0.008 million above the September quarter budget estimate (3 per cent). Total cash collections in the quarter were \$0.687 million, the larger amount relates to taxes paid by the Trust industry.

Departure Tax

Departure tax collections were \$0.318 million below the September quarter budget estimate (-14 per cent). Departure tax is now received directly from airlines and the lower collections compared to budget is a result of delays in the remittance of departure tax monies from airlines to the Revenue Management Division.

Trading Revenue

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

Other Crown Revenue

Other Crown Revenue was \$0.218 million below the September quarter budget estimate (9 per cent). This is predominantly due to the decrease collection of a number of revenue items, namely Immigration Fees (\$0.030 million), Fishing Licences (\$0.143 million) and interest earned on crown bank balances for the quarter (\$0.030 million).

Immigration fees did not perform against budget as a result of the Ministry of Foreign Affairs and Immigration not increasing their service charges as outlined in the budget; less fishing licenses have been issued than what was anticipated at budget time; and the decrease on interest on crown balances was due to the phasing of the quarterly budget against actual.

Table 5

General Government Other Revenue Summary – September 2013 YTD

2012-13 Actual ('000)		2013-14 Budget ('000)	2013-14 Actual ('000)	Variance ('000)	%
-	FSC Fees	73	68	(5)	(7)
137	Immigration Fees	242	212	(30)	(12)
19	Court Services	10	20	10	100
16	Instant Fines	16	8	(8)	(50)
616	Fishing Licences	610	467	(143)	(23)
-	Research Fees	1	1	-	-
-	Permits	17	7	(10)	(59)
287	Telecom-Dividends	288	288	-	-
38	Numismatic Revenue	125	111	(14)	(11)
180	Drivers Licenses	175	171	(4)	(2)
308	Motor Vehicle Registrations	329	329	-	-
-	Interest on balances	453	423	(30)	(7)
456	Interest on loans to subsidiaries	84	84	-	-
5	Foreign Investment Fees	5	9	4	80
18	Shipping Reg/Licenses	27	18	(9)	(33)
7	Liquor Licensing	1	1	-	-
27	Tattslotto Grants	30	51	21	70
1	Censorship Fees	2	1	(1)	(50)
83	Circulating Currency- Coins	25	44	19	76
-	Employers Liability	19	-	(19)	(100)
-	Motor Vehicle Dealers	1	2	1	100
28	Other Misc Revenue	-	-	-	-
2,226		2,533	2,315	(218)	(9)

Figure 1
General Government Revenue - September 2013 YTD (\$000)

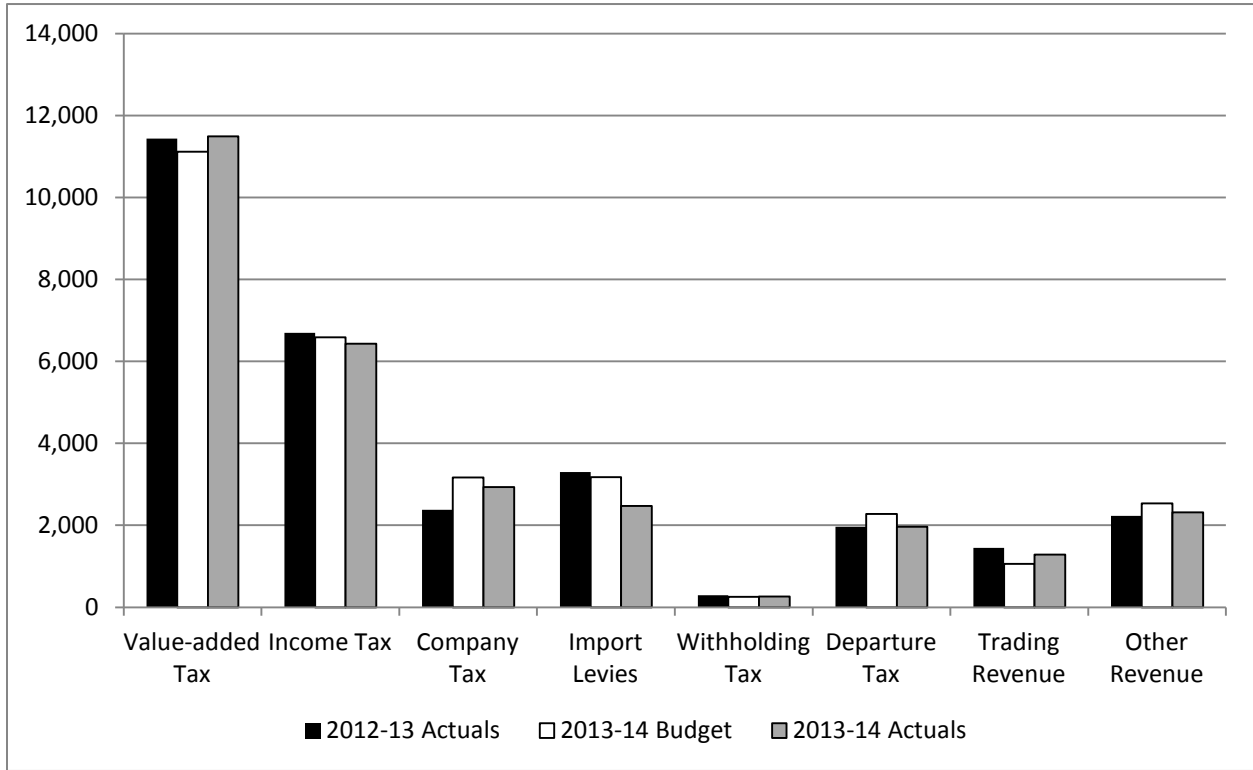
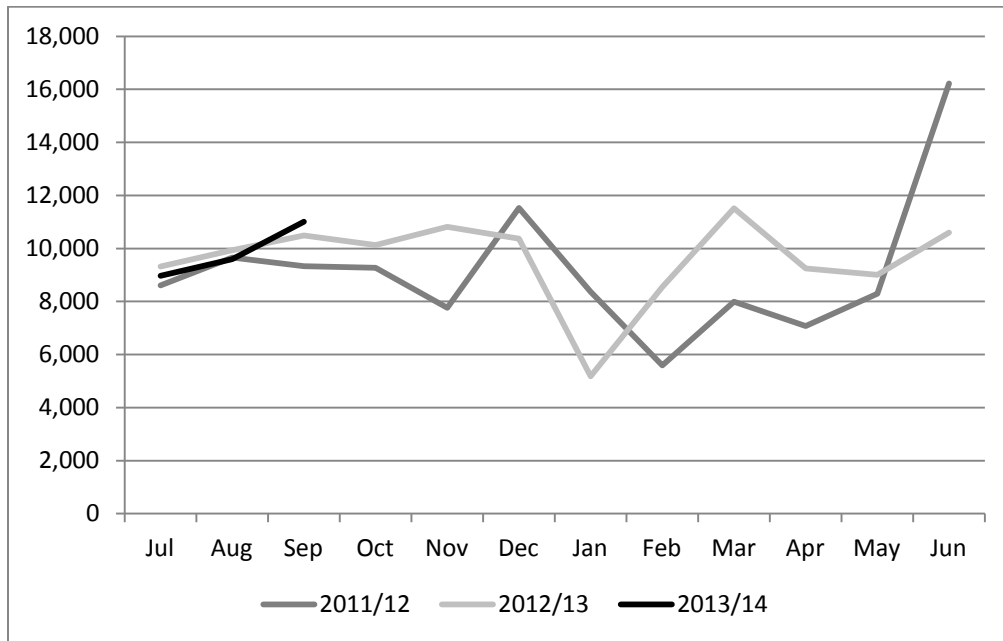


Figure 2
Net Operating Revenue Trends

Figure 2 demonstrate the trends over the previous two financial years of operating revenue.



General Government Expenditure Analysis

Payments on Behalf of Crown (POBOCs)

Table 6

Payments on Behalf of Crown – September 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
2,724	Air New Zealand Underwrite	3,150	3,118	32	1
372	Apex (Toa) Profit Support	375	341	34	9
3,136	Welfare Payment	3,328	3,287	41	1
94	Social Responsibility Fund	85	85	-	-
623	Civil List	681	686	(6)	(1)
4,264	Other POBOCs	4,017	3,950	67	2
11,213	Total POBOCs	11,636	11,468	168	1

Overall POBOC expenditures were lower than the estimated September 2013 budget by \$0.168 million.

Welfare payments were above under by 41 per cent as a result of the number of new births not reaching the average 25 per month budgeted and the delays on the processing of maternity leave applications from the private sector. The old age pension was over spent by \$0.043 million as a result of higher than budgeted payments but it is expected that these will perform within budgets towards the end of the financial year.

Table 7

Welfare Payments - September 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
<i>Legislated Payments</i>					
659	Child Benefit	643	642	1	0
75	New Born Allowance	77	65	12	16
2,150	Old Age Pension	2,248	2,291	(43)	(2)
126	Destitute & Infirm Persons Payment	103	102	2	2
-	Maternity Leave	48	18	30	63
<i>Non-legislated Welfare Payments</i>					
64	Caregiver's Allowance	77	70	7	9
-	Christmas Bonus	-	-	-	-
38	Funeral Allowance	42	50	(8)	(19)
-	Power Subsidy	30	19	11	37
1	Special Assistance	24	9	15	63
23	BCI Transaction Fee	36	22	14	38
3,136	Total Welfare Payments	3,328	3,287	41	1

Other POBOCs expenditure was down against the September 2013 quarter budget estimate by 2 per cent.

Appropriation Analysis

Table 8

Ministries, Agencies & Ministerial Office Appropriation Analysis – September 2013 YTD

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance	
				('000)	%
10,970	Personnel	10,424	9,992	432	4
3,482	Operating	3,334	2,879	455	14
605	Depreciation	687	429	258	38
1,451	Trading Revenue	1,060	1,288	228	22
13,606	Net Appropriation	13,385	12,012	(1,373)	(10)

There was an overall savings of 10 per cent in the net appropriations of ministries and ministerial support offices at the September 2013 quarter, amounting to approximately \$1.373 million.

Personnel

Personnel expenditure for the September 2013 quarter was \$0.432 million lower than budget estimates (-4 per cent). Out of 32 ministries, agencies and ministerial offices, 26 had savings while 6 had overspent. Three months into the financial year and there are still some vacancies existing in agencies which remain to be filled.

Operating

Operating expenditure for the September 2013 quarter was \$0.455 million lower than the budget estimates (-14 per cent). The Ministry of Health (\$0.108 million) and Tourism Corporation (\$0.157 million) reported significant savings due to phasing issues while Ministry of Justice showed a high rate of in the areas of professional services and overseas travel.

Depreciation

Depreciation expenditure was \$0.258 million lower than the September 2013 budget (-38 per cent). A number of ministries have fully depreciated assets which they have budgeted for that are still in working condition.

Trading Revenue

Trading revenue in the September 2013 quarter was \$0.228 million higher than the budget estimate (22 per cent). 7 Ministries contributed to this significant increase especially the Ministry of Culture with Te Maeva Nui Celebrations (\$0.049 million) and Ministry of Justice (\$0.049 million) with its increasing number of Annual Licenses and Craft Work Scheme revenues.

Table 9

Pa Enea (Outer Islands) Appropriation Analysis – September 2013 YTD

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
1,222	Personnel	1,554	1,498	56	4
534	Operating	593	444	149	25
268	Depreciation	254	236	18	7
300	Trading Revenue	286	273	(13)	(5)
1,724	Net Appropriation	2,115	1,904	(211)	(10)

Personnel

Personnel expenditure for the September 2013 quarter was \$0.056 million lower than budget estimates (-4 per cent) as a result of a number of vacant positions in the Administration Offices of Aitutaki (3), Mangaia (2) and Mitiaro (2).

Operating

Operating expenditure for the September 2013 quarter was \$0.149 million lower than the budget estimates (-25 per cent). These savings were attributed to decreases in fuel and oil expense of \$0.087 million due to a phasing issue of bulk fuel purchase by Atiu, Manihiki and Penrhyn; decrease in communication of \$0.008 million due to tighter controls put in place to manage excess spending; and a decrease in plant and equipment as well as repairs and maintenance of \$0.013 million due to the late purchase of fixtures for Mangaia.

Depreciation

Depreciation expenditure was \$0.018 million lower than the September 2013 budget (-7 per cent). These savings were mainly caused by the use of inaccurate and incomplete fixed asset registers of Island Administrations to establish budget estimates -Pukapuka \$0.008 million, Mitiaro \$0.004 million and Aitutaki on \$0.003 million.

Trading Revenue

Trading revenue in the September 2013 quarter was \$0.013 million lower than the budget estimate (-5 per cent). This was attributed to Rakahanga's estimated budget allocation for marine trading revenue being affected by the off season for fishing, and a shortfall of Mangaia's plant and equipment hire.

Other General Government Operating Expenditure

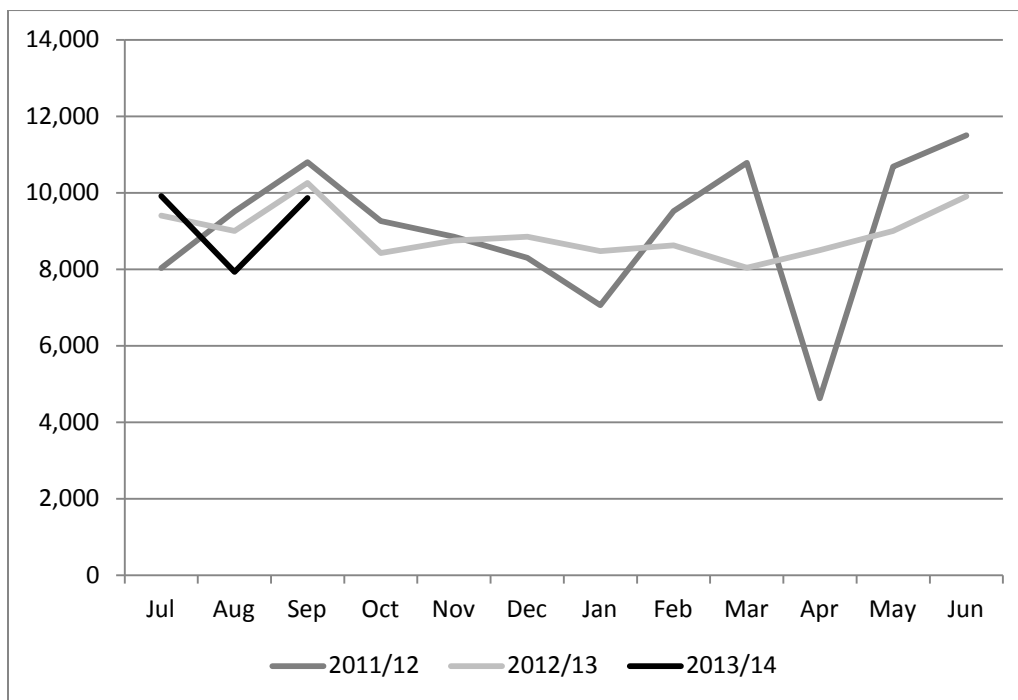
Other operating costs for the General Government sector are 36 per cent under the September 2013 budget estimates. The most significant variation contributing to this decrease is the crown infrastructure depreciation as a result of a higher number of asset transfers anticipated.

Table 10
Other General Government Operating Expenditure

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
723	Airport Authority	512	512	-	-
45	Bank of Cook Islands	45	45	-	-
88	Te Aponga Uira	88	88	-	-
72	Contingency Funds - Operating	25	42	(17)	(69)
870	Crown Infrastructure Depreciation	1,267	547	720	57
1,798	Total Other Operating	1,937	1,234	703	36

Figure 3 demonstrate the trends over the previous two financial years of operating expenditure.

Figure 3
Net Operating Expenditure Trends



State Owned Entities (SOEs) Quarterly Reporting

All SOEs are now required to report financial performance to MFEM on a quarterly basis.

The table below summarises the September 2013 quarter performances of Cook Islands Investment Corporation (CIIC), Airport Authority, the Bank of the Cook Islands, Ports Authority and Te Aponga Uira. It should be noted that the budget figures below represent the respective internal budgets of the SOEs. The appropriations approved to SOEs by Parliament are the social responsibility contributions of government.

Table 11
SOE Quarterly Reporting - September 2013

	Budget	Actual	Variance	
	2013/14	2013/14	('000)	%
	('000)	('000)	('000)	
Personnel	2,464	2,122	342	14
Operating	6,456	5,378	1,078	17
Depreciation	1,412	1,709	(297)	(21)
Trading Revenue	8,835	9,164	329	4
Net Appropriation	1,496	44	(1,452)	(97)

Personnel

Personnel expenditure for the September 2013 quarter was \$0.342 million lower than budget estimates (-14 per cent). This was mainly due to the delayed filling of new/ vacant positions and restructuring due to staff movements at Te Aponga Uira (\$0.172 million); and a new structure for the Airport Authority that has not as yet been incorporated although they were budgeted for 12 months (\$0.141 million).

Operating

Operating expenditure for the September 2013 quarter was \$1.078 million lower than the budget estimates (-17 per cent). Significant savings were reported by Te Aponga Uira (\$0.243 million); Cook Islands Investment Corporation (\$0.388 million) and Airport Authority (\$0.381 million). These savings were a result of delayed payment of rentals, deferred maintenance work and cost recovery through aid for the conversion to IFRS.

Depreciation

Depreciation expenditure was \$0.297 million higher than the September 2013 budget 21 per cent). This was mainly driven by Te Aponga Uira's assets revaluations and the adjustment of depreciation rates (\$0.556 million). A decrease of \$0.201 million due to impairment of assets at the Airport Authority was a direct offset.

Trading Revenue

Trading revenue in the September 2013 quarter was \$0.329 million higher than the budget estimate (4 per cent). Te Aponga Uira reported \$0.215 million more than budget as a result of increases in energy consumption for the quarter and interest revenue. The other SOEs reported less significant increases against budget due to increase in commercial activity.

Crown Borrowings

The Crown's gross borrowing for the Sept 2013 quarter was \$78.9 million, a decrease of \$0.754 million from the June 2013 quarter. This decrease was attributable to:

- a favourable movement in exchange rates against the New Zealand dollars of \$0.458 million; and
- repayment of principal \$1.310 million during the quarter.

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

Table 12
Average Exchange Rates Used

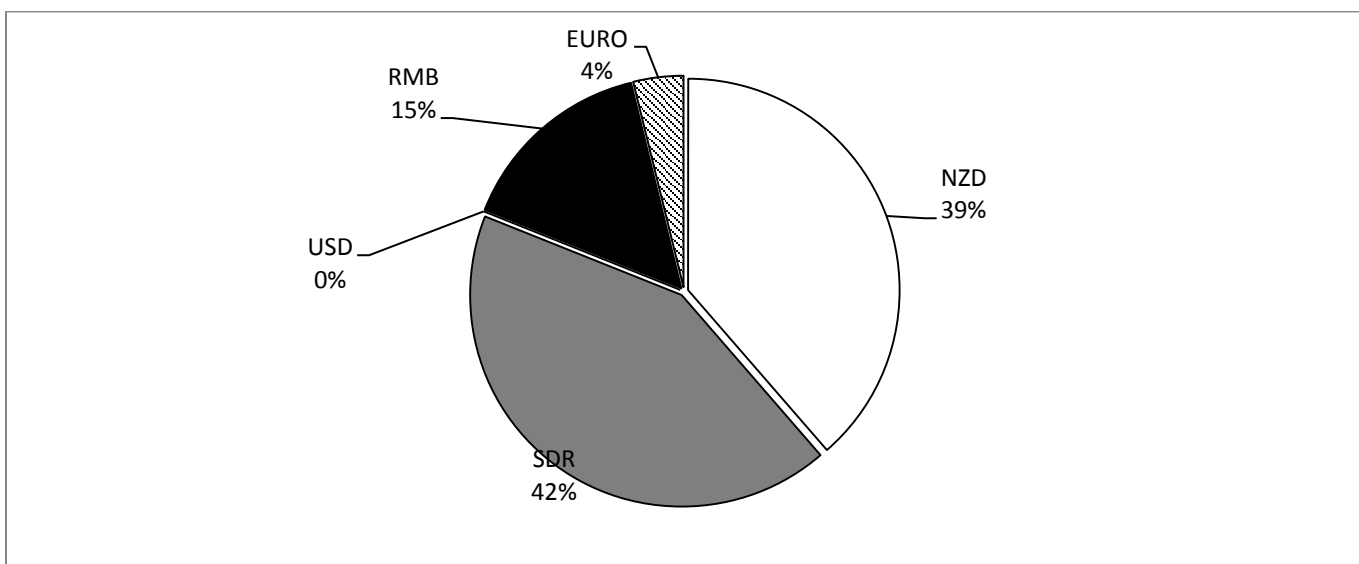
Foreign Exchange Currency	30 June 2013 Average	30 Sept 2013 Average	Changes
EUR	0.5980	0.6130	0.0150
USD	0.7781	0.8270	0.0489
CNY	4.7827	5.0612	0.2785
SDR	0.5176	0.5390	0.0214

The unrealised foreign exchange gain of \$0.728 million is largely the effect of the positive movement in the Special Drawing Rights (SDR) as about 42 per cent of the total government borrowing is denominated in SDR as illustrated in Figure 4.

Net borrowings by the General Government for this quarter were \$32.9 million, a \$0.265 million reduction from the June 2013 quarter. This decrease is made up of \$1.045 million foreign exchange adjustment and \$1.310 in principal payments.

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 4
Composition of Crown Debt by Currency



The Cook Islands have finalised the 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 39 per cent

Managing the exchange risk is an ongoing task for the Crown. Working closely with local banks over the global exchange rates movement to accommodate its annual debt servicing plan is paramount to the Crown.

Table 13 below summarised Crown's estimated debt position for September 2013 quarter.

Table 13
Crown Borrowings – September 2013 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	June 13 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Loan Drawn Down	Sept 13 Balance ('000)	Change Sept 13 Qtr ('000)
New Zealand GSF Loan	NZD	5,849	Nov-80	Jun-13	439	(439)	-	-	-	(439)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	3,051	(31)	198	-	3,218	167
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	12,057	(437)	(639)	-	10,981	(1,076)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	694	(49)	43	-	688	(6)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	629	-	18	-	647	18
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	2,032	(75)	124	-	2,081	49
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	4,688	(143)	283	-	4,828	140
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,188	-	54	-	1,242	54
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	408	-	19	-	427	19
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	429	(5)	26	-	450	21
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,618	(33)	156	-	2,741	123
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,165	(28)	130	-	2,267	102
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,778	(60)	287	-	5,005	227
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	800	(10)	48	-	838	38
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,332	-	114	-	2,446	114
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,109	-	184	-	3,293	184
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	10,309	-	-	-	10,309	-
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,957	-	(317)	-	7,640	(317)
ADB 2739 Amend Avatiu Port Development	NZD	5,614	Dec-11	Nov-35	5,614	-	-	-	5,614	-
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	10,879	-	-	-	10,879	-
ANZ - Airport Authority	NZD	8,100	Dec-10	Apr-16	3,558	(172)	-	-	3,386	(172)
Total Gross Borrowings					79,734	(1,482)	728	-	78,980	(754)
<i>Total Loans with ADB</i>					60,629	(403)	1,169	-	61,395	766
<i>Total Loans with Other Sources</i>					19,105	(1,079)	(441)	-	17,585	(1,520)
Total Gross Borrowings					79,734	(1,482)	728	-	78,980	(754)
Less Loan Reserve					19,076	-	-	-	19,076	-
Net Borrowing by the Crown					60,658	(1,482)	728	-	59,904	(754)
Less Avatiu Port Development					23,880	-	(317)	-	23,563	(317)
Less ANZ - Airport Authority					3,558	(172)	-	-	3,386	(175)
Net Borrowing by the General Government					33,220	(1,310)	1,045	-	32,955	(265)

General Government Cash Reserves

General government cash reserves at the Sept 2013 quarter were at \$18.5 million, an increase of \$1.5 million from the June 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 14
Cash Reserves – September 2013 YTD

	Mar 13 Qtr ('000)	Jun 13 Qtr ('000)	Sept 13 Qtr ('000)	Change Sept 13 Qtr ('000)
Total Term Deposit at the Bank				
Westpac	9,006	3,066	3,067	1
ANZ	22,777	32,080	33,667	1,587
ANZ - NZAID Fund 5 million	3,114	-	-	
ANZ - ADB USD 10 million	4,336	3,888	3,900	12
BCI	10,478	10,502	10,502	
Total Term Deposit at the Bank	49,711	49,536	51,136	1,600
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	3,888	3,900	12
DCD - NZAID Project Fund 5 million ⁴	3,114	-	-	-
Trust Account Deposit ⁵	2,725	2,745	2,766	21
Carry Forward Contingency – OPEX ⁶	500	500	500	-
Working Capital ⁷	3,000	3,000	3,000	-
Total Commitment for this year	36,130	32,588	32,621	33
Estimated General Cash Reserve	13,581	16,948	18,515	1,567

* - 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

Official Development Assistance (ODA)

The Development Coordination Division (DCD) of MFEM administers all international development assistance. It is estimated that ODA accounts for 14 per cent of the national economy and 30 per cent of the national budget in 2013/14.

This chapter has been amended to incorporate the COFOG classifications required for GFS reporting purposes. The ODA activities for the first three months to September 2013 are detailed below and should be read along with the information on Table 15.

Functions of Government:

The majority of General Public Services spending is from the New Zealand Official Development Assistance program. Activities such as WATSAN, Renewable Energy and Te Mato Vai are all funded by NZAid.

During the quarter ended September 2013, Southern Cross University arrived in the Cook Islands collecting and testing water samples in the inland area. In December Southern Cross University will return to do the final testing of the water quality in Muri. These were activities relating to the WATSAN project. The goal was to install 240 sewerage systems however only 230 systems have been installed to date as the majority of the landowners have been overseas.

The Renewable Energy project administered by the Office of the Prime Minister is in the project assessment/ survey stage for the northern and southern group islands.

The Government has signed the Te Mato Vai contract with the Project Management Unit KEW.

Tourism activities were the main contributors under the Economic Affairs function, focusing mainly on the marketing of the Cook Islands destination.

Comparison to Budget:

The budget provided by the donors and the implementing agencies are on an annual basis. To provide a comparative for the quarter the annual budget was allocated to the month and then multiplied by three to arrive at a comparative figure. This sets a base for comparison.

For the activities funded by the ADB we have not yet received any actual spent for this quarter.

NZODA Activities shows that they are well within budget. There are also early indications that for this financial period 13/14 NZODA funded activities will be under spent by \$7 million. Meetings are being held to discuss the allocation of the under spend.

Table 15
ODA Expenditure September 2013 YTD

	General Public Service	Defence	Public Order & Safety	Economic Affairs	Environ Protection	Housing & Community Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<u>ADB</u>											
YTD Budget	245	-	-	275	-	-	-	-	-	98	617
YTD Actual	-	-	-	-	-	-	-	-	-	-	-
\$ Variance	245	-	-	275	-	-	-	-	-	98	617
% Variance	100	-	-	100	-	-	-	-	-	100	100
<u>NZAID</u>											
YTD Budget	4,459	214	-	1,575	-	-	125	-	818	191	7,381
YTD Actual	571	-	-	1,183	-	33	-	-	1,690	-	3,477
\$ Variance	3,887	214	-	392	-	(33)	125	-	(873)	191	3,904
% Variance	87	100	-	25	-	(100)	100	-	(107)	100	53
<u>UNDP</u>											
YTD Budget	-	-	-	61	-	-	-	-	-	-	61
YTD Actual	-	-	-	0	-	13	-	-	-	-	13
\$ Variance	-	-	-	61	-	(13)	-	-	-	-	47
% Variance	-	-	-	100	-	(100)	-	-	-	-	78
<u>AusAID</u>											
YTD Budget	315	-	-	34	-	-	-	-	-	-	349
YTD Actual	-	-	-	-	186	-	-	-	-	-	186
\$ Variance	315	-	-	34	(186)	-	-	-	-	-	163
% Variance	100	-	-	100	(100)	-	-	-	-	-	47
<u>China</u>											
YTD Budget	2,755	-	-	-	-	-	-	-	-	-	2,755
YTD Actual	-	-	-	-	-	-	-	-	-	-	-
\$ Variance	2,755	-	-	-	-	-	-	-	-	-	2,755
% Variance	100	-	-	-	-	-	-	-	-	-	100
<u>India</u>											
YTD Budget	-	-	-	-	-	38	-	-	-	-	38
YTD Actual	-	-	-	-	-	87	-	-	-	-	87
\$ Variance	-	-	-	-	-	(49)	-	-	-	-	(49)
% Variance	-	-	-	-	-	(132)	-	-	-	-	(132)

	General Public Service	Defence	Public Order & Safety	Economic Affairs	Environ Protection	Housing & Community Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<u>EU</u>											
YTD Budget	400	-	-	20	116	-	-	-	-	-	536
YTD Actual	285	-	-	47	-	-	-	-	-	-	333
\$ Variance	115	-	-	(27)	116	-	-	-	-	-	203
% Variance	29	-	-	(137)	100	-	-	-	-	-	38
<u>PEC (Japan)</u>											
YTD Budget	848	-	-	-	-	-	-	-	-	-	848
YTD Actual	0	-	-	-	-	-	-	-	-	-	0
\$ Variance	847	-	-	-	-	-	-	-	-	-	847
% Variance	100	-	-	-	-	-	-	-	-	-	100
<u>GEF</u>											
YTD Budget	-	-	-	-	353	-	-	-	-	-	353
YTD Actual	-	-	-	-	20	-	-	-	-	-	20
\$ Variance	-	-	-	-	333	-	-	-	-	-	333
% Variance	-	-	-	-	94	-	-	-	-	-	94
<u>UNESCO</u>											
YTD Budget	-	-	-	-	-	-	-	-	25	-	25
YTD Actual	-	-	-	-	-	-	-	-	56	-	56
\$ Variance	-	-	-	-	-	-	-	-	(30)	-	(30)
% Variance	-	-	-	-	-	-	-	-	(119)	-	(119)
<u>TOTAL COFOG</u>											
YTD Budget	9,021	214	-	1,964	469	38	125	-	843	289	12,962
YTD Actual	857	-	-	1,230	206	133	-	-	1,746	-	4,172
\$ Variance	8,164	214	-	734	263	(96)	125	-	(903)	289	8,790
% Variance	90	100	-	37	56	(255)	100	-	(107)	100	68

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 airlines remit the departure tax component of tickets sold.
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

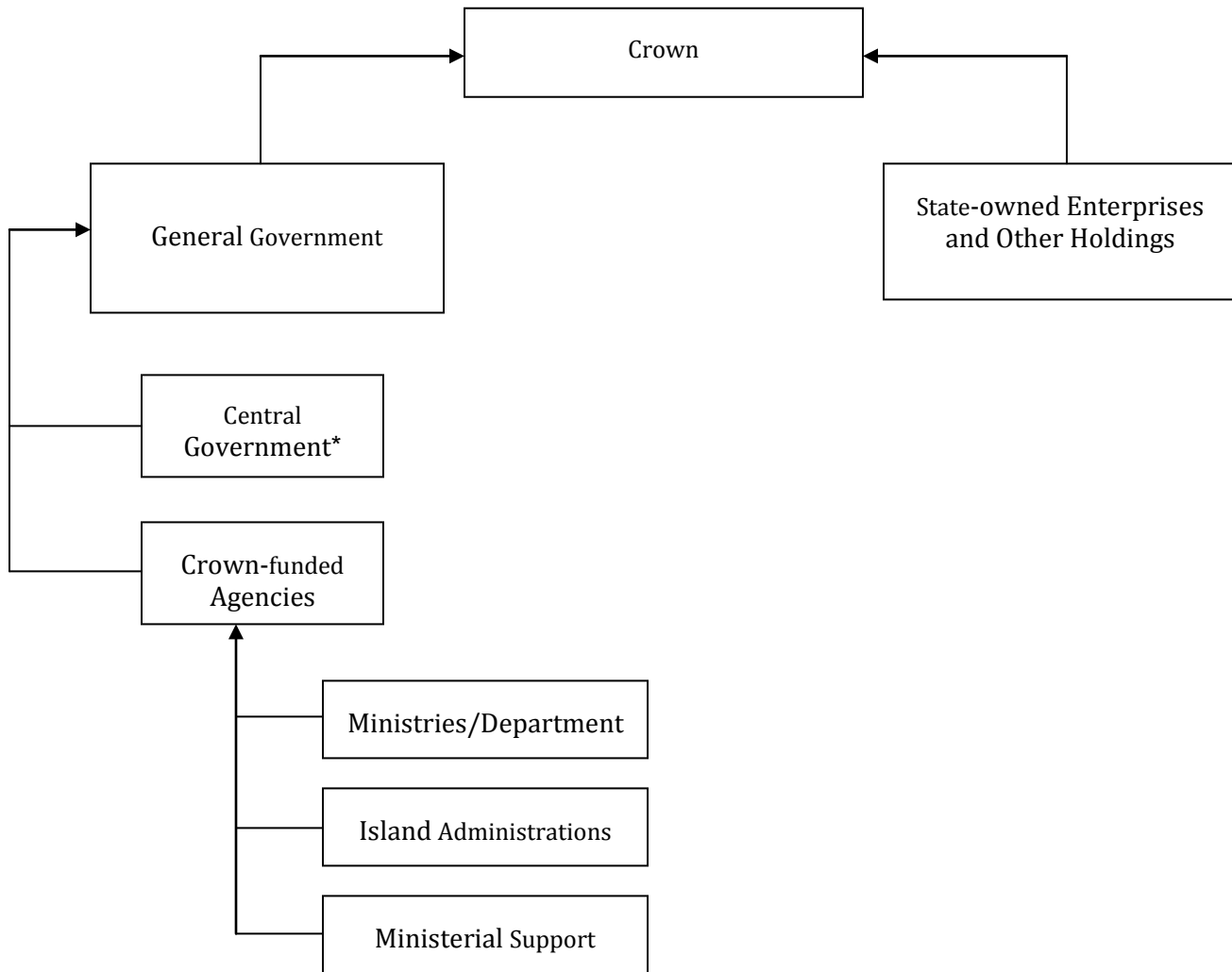
Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

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