



Cook Islands Government

Quarterly Financial Report

September 2015

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 outline income and expenses incurred which may not been necessarily received or paid. All figures are rounded to the nearest thousand. In a change from past quarterly reporting, personnel expenses have been accrued for one pay period ending September 2015 to give a more accurate picture of expenditure.

Key Points

The net operating balance of the General Government Sector as at 30 September 2015 was a surplus of \$4.3 million.

- Operating revenue was \$36.3 million; and
- Operating expenditure was \$32.0 million.

The estimated overall fiscal balance for September 2015 was a surplus of \$2.2 million. The fiscal balance excludes the effects of depreciation and incorporates capital expenditure.

Table 1
Net Operating Balance General Government – September 2015

2014/15 Actual ('000)		2015/16 Budget ('000)	2015/16 Actual ('000)	Variance	
				('000)	%
31,948	Operating Revenue	33,555	36,362	2,807	8
27,760	Operating Expenditure	34,390	32,021	2,369	7
4,188	Net Operating Balance	(834)	4,341	5,176	(620)

Table 2
Fiscal Balance of General Government – September 2015

2014/15 Actual ('000)		2015/16 Budget ('000)	2015/16 Actual ('000)	Variance	
				('000)	%
4,188	Net Operating Balance	(834)	4,341	5,176	(620)
730	Add Crown Depreciation	730	730	-	-
471	Add Ministry Depreciation	570	520	(50)	(9)
206	Add Pa Enuu Depreciation	193	210	17	9
2,745	Less Capital Expenditure - CI Govt Funded	5,904	3,612	2,293	39
2,850	Fiscal Balance	(5,245)	2,190	7,435	(142)

Total revenue collections for the quarter ending September 2015/16 were higher than the Budget estimate and were mainly attributable to higher than estimated tax revenues for reasons detailed in the General Government Revenue Analysis section.

Total operating expenses for the quarter ending September 2015/16 were lower than the Budget estimate and are largely attributed to lower expenditure by agencies.

Summary of the Financial Position of the General Government

The net operating surplus of the General Government sector for the quarter ending September 2015 was \$4.3 million, representing an increase of \$5.2 million on the 2015/16 Budget estimates for the quarter.

Overall, revenue was \$2.8 million higher than the 2014/15 Budget estimates and operating expenditure was lower by \$2.4 million than the 2015/16 Budget estimates for the quarter. The underspend is thought to be largely a timing issue although approximately \$0.5 million related to personnel vacancies may flow through the year. Further detail is provided in the appropriation analysis sections.

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 September 2015

2013/14 Actual ('000)		2015/16 Budget ('000)	2015/16 Actual ('000)	Variance ('000)
<u>Operating Revenue</u>				
25,651	Taxation Revenue	27,122	29,916	2,794
4,116	Other Crown Receipts	4,481	4,205	(276)
1,367	Trading Revenue	805	1,080	275
-	Interest on Loans to Subsidiaries	171	171	-
288	Dividends	505	506	1
526	Interest on Funds	471	484	13
31,948	Total Operating Revenue	33,555	36,362	2,807
<u>Operating Expenditure</u>				
14,740	Ministry/ Pa Enuu Expenditure	17,559	16,397	1,162
9,539	Payments on Behalf of the Crown	13,648	12,111	1,537
513	Airport Authority	512	512	-
45	Bank of Cook Islands	30	30	-
88	Te Aponga Uira	95	95	-
-	Ports Authority	28	28	-
709	Debt Service Interest	562	793	(231)
467	Asset Management Crown Infrastructure	450	536	(87)
730	Depreciation	730	730	-
129	Transfer to Reserve Trust Fund	129	129	-
775	Depreciation Contingency Fund	623	606	17
25	Contingency Funds - Operating	25	53	(28)
27,760	Total Operating Expenditure	34,390	32,021	2,369
4,188	Net Operating Balance	(834)	4,341	5,176

<u>Key Balance Sheet Items in General Government:</u>	
Cash and Equivalents	53,384
Committed Cash	(28,042)
Net Cash Reserve	25,342
Gross General Government Borrowings	104,620
Net General Government Borrowings	87,754

The gross borrowings by the Crown were \$104.6 million; net borrowings by the General Government Sector (excluding loan reserves and borrowings by SOEs) were \$87.8 million. The net cash reserve which is essentially unencumbered remains stable at \$25.4 million since last quarter.

General Government Revenue Analysis

General Government sector revenue as at 30 September 2015 was higher than the Budget estimate by \$2.8 million or 8 per cent. This was mainly attributed to tax revenues performing above budget for respective reasons detailed below.

Table 4

General Government Revenue Summary – September 2015 YTD

2014-15 Actual ('000)		2015-16 Budget ('000)	2015-16 Actual ('000)	Variance ('000)	%
12,990	Value-added Tax	13,369	14,645	1,276	10
5,448	Income Tax	6,131	6,200	70	1
2,470	Company Tax	2,494	1,857	(637)	(26)
2,511	Import Levies	2,912	3,021	109	4
105	Withholding Tax	-	1,821	1,821	100
2,127	Departure Tax	2,216	2,371	155	7
1,367	Trading Revenue	805	1,080	275	34
4,930	Other Revenue	5,628	5,366	(262)	(5)
31,948	Total Revenue	33,555	36,362	2,807	8

Value Added Tax

Actual VAT revenue collected in the quarter ending September 2015 was \$1.3 million above the 2015/16 Budget estimate (10 per cent) due to timing differences in the collection of tax compared to budget.

Company Tax

Actual Company tax collected in the quarter ending September 2015 was \$0.64 million below the 2015/16 Budget estimate (26 per cent). Evidence in October 2015 and November 2015 suggests that this trend may be continuing which will affect our full year projections.

Import Levies

Actual Import levies collected in the quarter ending September 2015 were \$0.11 million above the 2015/16 Budget estimate (4 per cent).

Withholding Tax

Actual Withholding tax collections were \$1.8 million above the 2015/16 Budget estimate (100 per cent). Westpac Banking Corporation closure and departure out of the Cook Island was a major contribution to withholding taxes.

Departure Tax

Departure tax collections were \$0.12 million above the 2015/16 Budget estimate (7 per cent). The increase is attributed to stronger tourism numbers in the months of July through to September 2015.

Trading Revenue

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

Other Crown Revenue

Other Crown Revenue was \$0.26 million below the 2015/16 budget estimate (5 per cent). This is predominantly due to revenue from coin circulation below budget as a result of timing.

Table 5

General Government Other Revenue Summary – September 2015 YTD

2014-15 Actual ('000)		2015-16 Budget ('000)	2015-16 Actual ('000)	Variance ('000)	%
-	FSDA Levies	66	-	(66)	(100)
-	Vested Assets-FSC *	65	288	223	344
167	Immigration Fees	146	183	37	25
73	IMO Subscription - Maritime CI	16	-	(16)	(100)
8	Court Services	13	9	(4)	(30)
9	Instant Fines	5	3	(2)	(36)
485	Fishing Licences	952	2,781	1,829	192
1,777	Fisheries Catch Rev	425	-	(425)	(100)
-	Fisheries US Treaties	1,070	-	(1,070)	(100)
725	Fishing Fines *	-	-	-	-
1	Research Fees	-	-	-	-
3	Permits	4	4	(0)	(2)
-	Banana Court -Dividends	3	-	(3)	(100)
-	Bank of the Cook Islands	120	120	(0)	(0)
-	Te Aponga - Dividends	80	80	0	0
-	Extraordinary SOE-Dividends	15	18	3	20
288	Telecom-Dividends	288	288	1	0
58	Numismatic Revenue	125	57	(68)	(54)
50	Drivers Licenses	45	16	(29)	(65)
303	Motor Vehicle Registrations	219	107	(112)	(51)
526	Interest on balances	471	484	13	3
-	Interest on loans to subsidiaries	171	171	-	-
7	Foreign Investment Fees	6	7	1	13
246	Upper Air Management Agreement	128	221	93	73
-	Shipping Reg/Licenses	58	55	(2)	(4)
-	Intl Shipping Licenses	3	-	(3)	(100)
2	Liquor Licensing	8	3	(5)	(60)
20	Tattslotto Grants	30	17	(13)	(45)
1	Censorship Fees	3	0	(3)	(89)
181	Circulating Currency- Coins	1,085	453	(632)	(58)
-	Employers Liability	11	-	(11)	(100)
-	Motor Vehicle Dealers	1	-	-	-
4,930		5,628	5,366	(262)	(5)

* In the 2015/16 budget a policy was established whereby CIG would seed the new sovereign wealth fund with extraordinary revenues that were not budgeted for. Revenue generated from fishing fines and vested assets in the table above will be set aside into this fund once legislative changes are in place.

Figure 1
General Government Revenue – 2014/15 Actual and 2015/16 Budgets and Actual (\$000)

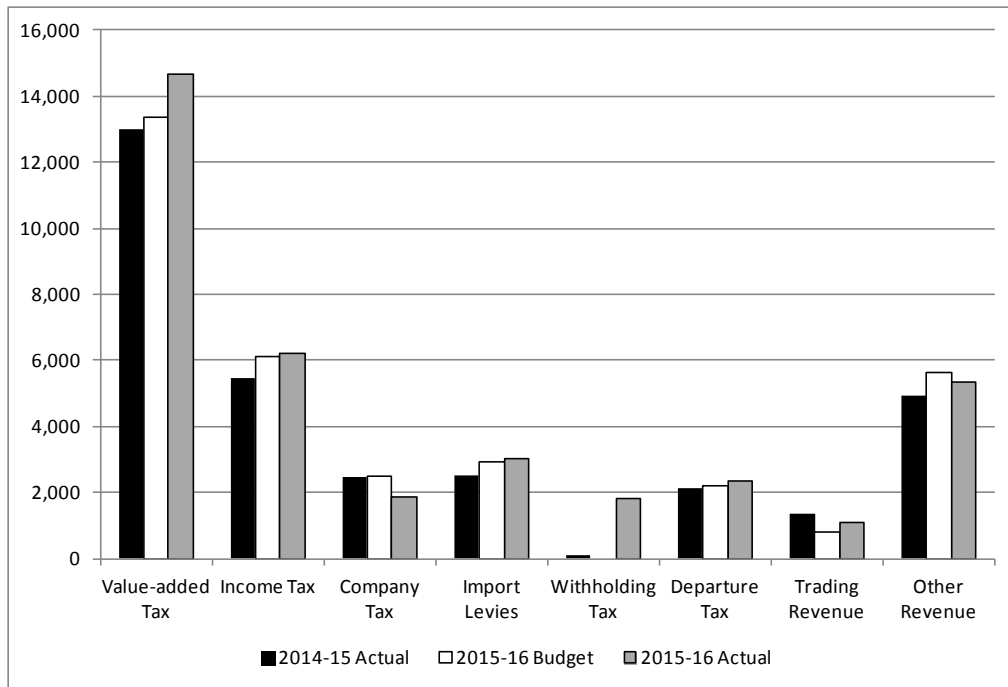


Figure 2
Net Operating Revenue Trends

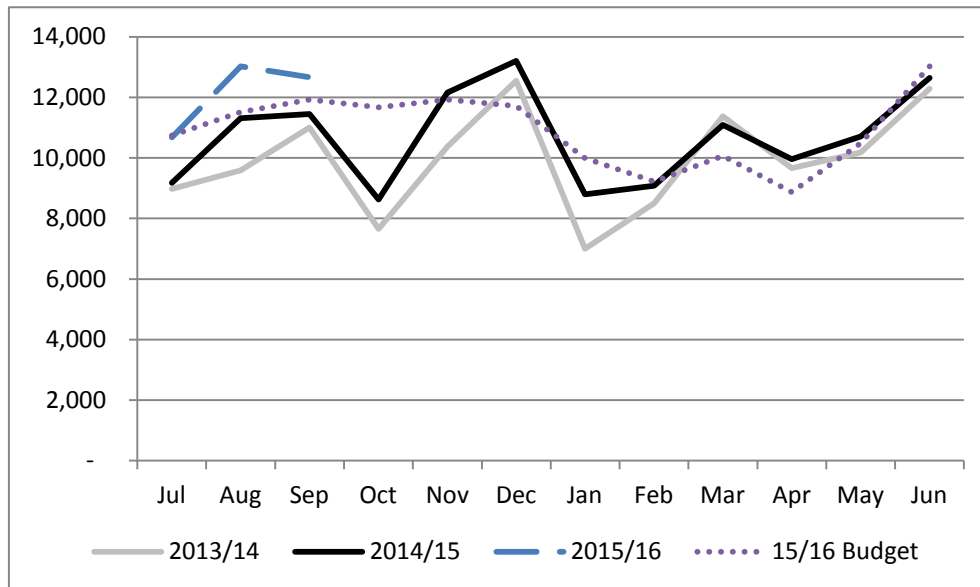


Figure 2 shows the trends over the previous two financial years of operating revenue and against the 2015/16 budget. If the trend line continues to be aligned to last year, we would expect to see a drop off in revenue against budget in Q2.

General Government Expenditure Analysis

Payments on Behalf of Crown (POBOCs)

Table 6

Payments on Behalf of Crown – September 2015 YTD

2014/15 Actual	Administering Ministry	POBOC	Budget	Actuals	Variance	
(000)			(000)	(000)	(000)	%
Compensation of Employees						
19	Cook Islands Investment Corporation	Infrastructure Committee	19	0	19	100
0	Cook Islands Investment Corporation	Est of an SOE to manage Consortia on Deep Sea Minerals Harvesting	44	0	44	100
40	Finance & Economic Management	Parliamentary Superannuation	45	42	3	8
17	Finance & Economic Management	National Heritage Trust	21	21	(0)	(2)
0	Finance & Economic Management	Public Sector Strengthening -processess and systems MFEM	313	0	313	100
6	Audit	PERC Salaries and Administration Costs	11	10	1	5
2	Internal Affairs	Price Tribunal	8	7	0	7
39	Justice	Judges Allowances	44	63	(19)	(43)
669	Parliamentary Services	Civil List - Personnel	455	520	(65)	(14)
33	Parliamentary Services	House of Ariki	44	38	6	13
0	Cook Islands Investment Corporation	School Security	63	0	0	0
14	Transport	Director of Civil Aviation	14	14	0	0
836			1,078	715	300	28
Use of Goods and Services						
0	Audit	Audit Fees	24	24	0	0
193	Cultural Development	Te Maeva Nui Constitution Celebrations *	50	549	(499)	(995)
0	Cook Islands Investment Corporation	Hosting Te Maeva Nui participants at schools	9	21	(12)	(141)
227	Education	Tertiary Training Institutions	190	261	(71)	(37)
0	Finance & Economic Management	Audit of Crown Accounts	8	0	9	0
74	Finance & Economic Management	National Superannuation Fund	67	90	(22)	(33)
10	Finance & Economic Management	Standard and Poors Subscription	10	0	10	100
0	Foreign Affairs	Cook Islands Student Association	1	5	(4)	(300)
0	Head Of State	Domestic Hosting Entertainment	4	8	(5)	(124)
48	Health	Pharmaceuticals	167	216	(49)	(29)
44	Infrastructure and Planning	OI Unanticipated Breakdowns	25	25	0	0
136	Infrastructure and Planning	Waste Management	136	82	54	40
18	Internal Affairs	Lease extension	18	18	0	0
97	Internal Affairs	Vaka Maintenance	100	99	1	1
148	Parliamentary Services	Civil List - Operating Expenses	132	215	(83)	(63)
4	Parliamentary Services	PPAPD - FDOC Secretariat	9	10	(1)	(9)
10	Prime Minister's Office	Social Responsibility Fund	49	98	(49)	(100)
0	Prime Minister's Office	Self Government Golden Anniversary	63	565	(502)	(804)
4	Police	Search and Rescue	5	0	5	100
10	Police	Serious Crime Investigations	13	29	(17)	(134)
8	Police	Te Kukupa - Fuel Contribution	35	19	16	47
0	Police	Youth Program	11	0	11	100
500	Tourism Corporation	Marketing Resources - Tourism Growth Strategy	1,275	1,420	(145)	(11)
0	Prime Minister's Office	Returned Services Association	1	0	1	0
10	Prime Minister's Office	Cook Islands Marine Park	0	0	0	0
4	Prime Minister's Office	Community Development Fund	25	51	(26)	(104)
16	Foreign Affairs	IMO - Maritime Cook Islands	16	0	0	0
0	Environment	E-Waste Collection	13	0	0	0
1,561			2,454	3,803	(1,376)	-
Subsidies						
72	Education	University of the South Pacific Contribution	71	67	4	6
2,534	Finance & Economic Management	Air New Zealand - Subsidies	3,000	1,737	1,263	42
294	Finance & Economic Management	Apex - Profit Guarantee	375	314	61	16
15	Finance & Economic Management	FSC - subsidy to meet depreciation expenses	0	0	0	0
0	Finance & Economic Management	Provision for Inter Island Shipping	125	0	125	100

2014/15 Actual	Administering Ministry	POBOC	Budget	Actuals	Variance	
('000)			(000)	(000)	(000)	%
11	Finance & Economic Management	Subsidy of audio/visual broadcasting in Pa Enea	11	0	11	100
2,926			3,583	2,118	1,464	41
41	Education	Government Funded Scholarships	258	25	233	90
138	Health	Patient Referrals	138	197	(60)	(44)
36	Health	Nursing School	59	51	7	12
49	Health	NCD Fund	49	49	0	0
3,233	Internal Affairs	Welfare Payments	4,242	3,840	402	9
0	Justice	Legal Aid	10	0	10	100
3,497			4,754	4,162	592	168
	Other Expense					
496	Education	Private School Funding	537	733	(196)	(37)
30	Finance & Economic Management	Pacific Catastrophe Risk Insurance	30	0	30	100
136	Foreign Affairs	International Subscriptions	138	0	138	100
0	Marine Resources	Establishment of Fisheries Development Facility	50	0	50	100
0	Marine Resources	Fisheries Development Facility in the Pa Enea	25	0	25	100
0	CI Seabed Minerals Authority	Establishment of Seabed Minerals Authority	0	0	0	0
55	Internal Affairs	CISNOC Grant	55	50	5	9
2	Internal Affairs	SIF- Cook Islands Government Contribution	233	13	219	94
0	Finance & Economic Management	New coins production	711	355	357	50
0	Prime Minister's Office	Te Maeva Nui Transport Costs		141	(141)	0
0	Prime Minister's Office	Ui Ariki Day		20	(20)	0
719			1,779	1,312	466	26
9,539	Grand Total		13,648	12,111	1,447	11

The overall saving in POBOC expenditure (11 per cent) was mainly attributed to the Air New Zealand underwrite (\$1.3 million).

Welfare payments were below budget by 9 per cent due to PAYE not being paid until October/November 2015

Table 7

Welfare Payments - September 2015 YTD

2014/15 Actual		2015/16 Budget	2015/16 Actual	Variance	
('000)		('000)	('000)	('000)	%
	Legislated Payments				
696	Child Benefit	695	682	13	2
65	New Born Allowance	82	51	31	38
2,217	Old Age Pension	3,102	2,847	256	8
109	Destitute & Infirm Persons Payment	105	105	1	1
23	Maternity Leave	30	36	(6)	(20)
	Non-legislated Welfare Payments				
67	Caregiver's Allowance	94	60	34	36
44	Funeral Allowance	42	26	16	0
-	Power Subsidy	30	-	30	100
6	Special Assistance	24	1	23	96
6	BCI Transaction Fee	36	33	3	9
3,233	Total Welfare Payments	4,242	3,840	402	9

Appropriation Analysis

Table 8

Ministries, Agencies & Ministerial Office Appropriation Analysis – September 2015 YTD

Actual 2014/15 ('000)		Budget 2015/16 ('000)	Actual 2015/16 ('000)	Variance ('000)	%
9,185	Personnel	11,172	10,759	413	4
2,880	Operating	3,966	3,289	677	17
471	Depreciation	570	520	50	9
1,044	Trading Revenue	606	841	235	39
11,492	Net Appropriation	15,102	13,727	1,375	9

Personnel

Personnel expenditure for the September 2015 quarter was \$0.4 million lower than September 2015 budget estimates (4 per cent). The contributing factor for the variance to budget estimates was a result of unfilled vacancies. Most agencies are in line with their personnel expenses.

Operating

Operating expenditure for the September 2015 quarter was lower than the budget estimate \$0.7 million (17). This is mainly due to an extended school holiday period for the 50th Constitution celebrations and less travel for the Ministries. Most Ministries are closely monitoring their phone and broadband usages as well as bulk purchasing. 28 Ministries were under spent while 3 overspent.

Depreciation

Depreciation expenditure was under budget for the September 2015 quarter by \$0.5 million (9 per cent) with Ministry of Health the main contributor with its assets at salvage value but still in working order. Environment Services contributed as well as they are still awaiting purchases of new vehicles.

Trading Revenue

Trading Revenue was \$0.2 million (39 per cent) higher for the September 2015 quarter. Excess trading revenue was mainly from the Ministry of Cultural Development and the recent 50th Constitution celebrations and MFEM which receives trading revenue for overtime recoveries at the airport.

Table 9

Pa Enuu (Outer Islands) Appropriation Analysis – September 2015 YTD

2014/15 Actual ('000)		Budget 2015/16 ('000)	Actual 2015/16 ('000)	Variance ('000)	%
1,468	Personnel	1,214	1,173	41	3
530	Operating	444	446	(2)	(0)
206	Depreciation	193	210	(17)	(9)
323	Trading Revenue	199	239	40	20
1,881	Net Appropriation	1,652	1,590	62	4

Personnel

Personnel expenditure for the September 2015 quarter was \$0.04 million lower than the September 2015 quarter budget (3 per cent). These savings are a result of staff being on leave without pay, unfilled vacancies and reversals of prior year employee entitlements.

Operating

Operating expenditure for the September 2015 quarter was close to the September quarter budget (0 per cent).

Depreciation

Depreciation expenditure for the September 2015 quarter was \$0.02 million over budget. This is the result of recognising the new Chinese Machinery transferred to the Pa Enuu in the respective Outer Island asset registers, and accounting for their depreciation.

Trading Revenue

Trading Revenue for the first quarter exceeded budget by \$0.04 million (20 per cent).

Other General Government Operating Expenditure

Table 10
Other General Government Operating Expenditure

2014/15 Actual (‘000)		2015/16 Budget (‘000)	2015/16 Actual (‘000)	Variance (‘000)	%
512	Airport Authority	512	512	-	-
45	Bank of Cook Islands	30	30	-	-
88	Te Aponga Uira	95	95	-	-
-	Ports Authority	28	28	(0)	(2)
467	Asset Management	450	536	(87)	(19)
709	Debt Servicing Interest	562	793	(231)	(41)
25	Contingency Funds - Operating	25	53	(28)	(114)
-	Contingency Funds - Capital	13	0	13	100
730	Crown Infrastructure Depreciation	730	730	-	-
-	Transfer to Emergency Response Trust Fu	13	13	-	-
129	Transfer to Reserve Trust Fund	129	129	-	-
-	Depreciation Contingency Reserve	623	606	17	3
2,705	Total Other Operating	3,207	3,526	(319)	(10)

Other operating costs for the General Government sector are 10 per cent over the first quarter budget. The most significant variation contributing to this is the increase in debt servicing interest as a result of unfavourable movement in exchange rates against the New Zealand Dollar (NZD) and greater than expected repairs and maintenance of General Government assets.

Figure 3
Net Operating Expenditure Trends

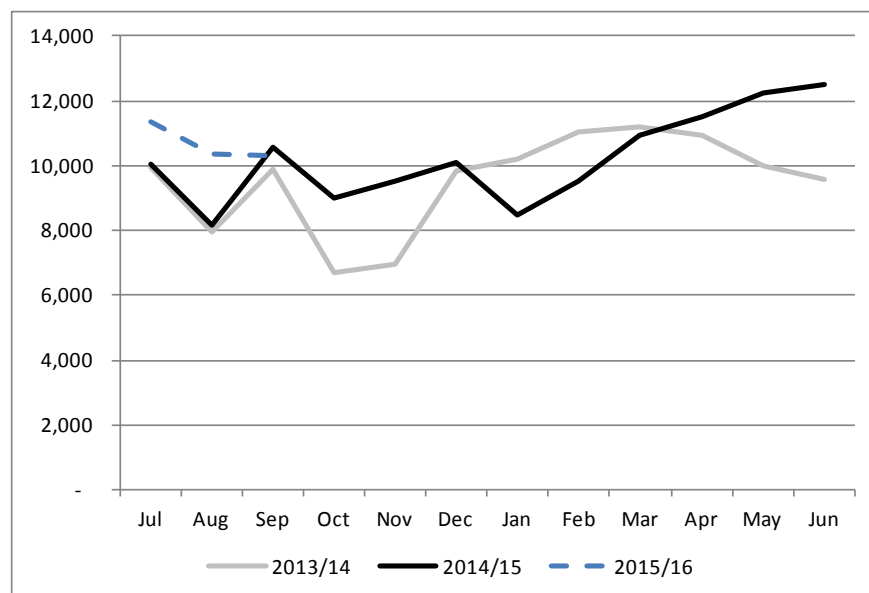


Figure 3 shows the trends over the previous two financial years of operating expenditure.

State Owned Entities (SOEs) Quarterly Reporting

The table below summarises the September 2015 quarter performances of Cook Islands Investment Corporation (CIIC), Airport Authority, 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 12
Average Exchange Rates Used

2014/15 Actuals ('000)		Budget 2015/16 ('000)	Actuals 2015/16 ('000)	Variance ('000) %	
2,183	Personnel	2,481	1,893	588	24
6,342	Operating	5,712	5,507	205	4
1,924	Depreciation	2,015	2,138	(123)	(6)
9,465	Trading Revenue	9,230	9,392	162	2
984	Net Activity	978	146	832	85

Personnel

Personnel expenditure for the September 2014 quarter was \$0.6 million lower than Budget estimates (24 per cent). This was mainly due to the reversal of annual leave accruals from June 2014 at Te Aponga Uira and is expected to smooth out during the year.

Operating

Operating expenditure for the September 2014 quarter was \$0.2 million lower than the Budget estimates (4 per cent). Savings in other SOe's were offset by higher than expected fuel and maintenance costs in Te Aponga Uira.

Depreciation

Depreciation expenditure was \$0.1 million higher than the budget (6 per cent). This was mainly driven by Airport Authority's previously impaired assets being reinstated to its previous valuation (\$0.4 million).

Trading Revenue

Trading revenue in the September 2014 quarter was \$0.2 million higher than the Budget estimate (0.2 per cent). Te Aponga Uira and BCI both reported better than budget trading.

Crown Borrowings

The Crown's gross borrowing at the September 2015 quarter was \$104.6 million, an increase of \$2.5 million from the June 2015 quarter. This increase was attributable to the unfavourable movement in exchange rates against the New Zealand Dollar (NZD) of \$4.3 million, and offset by principal repayments of \$1.8.

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

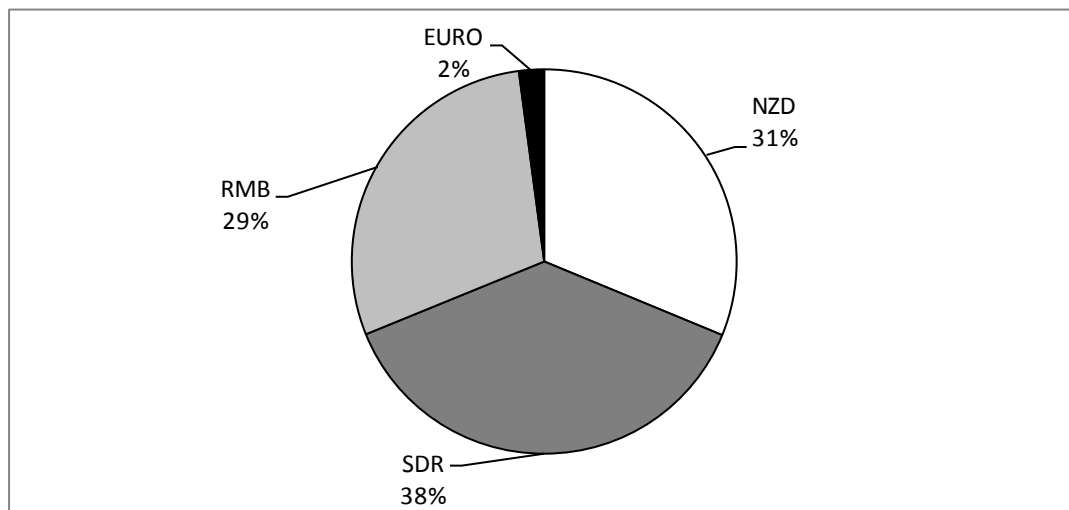
Table 12
Average Exchange Rates Used

Foreign Exchange Currency	30 June 2015 Average	30 September 2015 Average	Changes
EUR	0.6093	0.5666	(0.0427)
USD	0.6822	0.6374	(0.0448)
CNY	4.2346	4.0562	(0.1784)
SDR	0.4850	0.4541	(0.0309)

The unrealised foreign exchange loss of \$4.3 million is largely the effect of the negative movement in the Special Drawing Rights (SDR) as 38 per cent of the total government borrowing is denominated in SDR as illustrated in Figure 4.

Net borrowings by the General Government at this quarter were \$61.4 million, a \$2.0 million increase from the June 2015 quarter. This increase is made up of \$3.6 million net foreign exchange adjustment and \$1.6 million in principal repayments.

Figure 4
Composition of Crown Debt by Currency



The Loan Reserve Fund has been established and legislated to ensure prudent management of all sovereign public debt. Timely allocation of money from the budget for debt servicing and minimisation of exchange rates variations costs is a primary focus of the Loan Reserve Fund. Table 13 below summarised Crown's estimated debt position for September 2015 quarter.

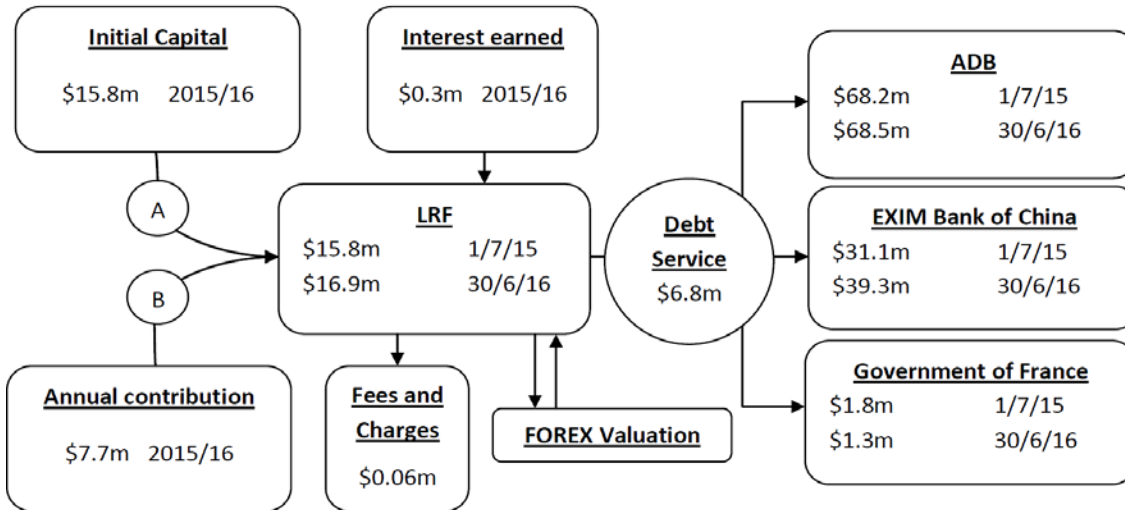
Table 13
Crown Borrowings – September 2015 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	June 15 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	Sept 15 Balance ('000)	Change June 15 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	1,977	(33)	255	-	2,199	222
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	13,833	(521)	596	-	13,907	74
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	15,830	-	697	-	16,527	697
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	597	(56)	40	-	581	(16)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	557	-	40	-	597	40
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	2,058	(85)	142	-	2,115	57
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	4,877	(162)	343	-	5,058	181
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,193	-	122	-	1,315	122
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	422	-	31	-	453	31
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	473	(13)	34	-	494	21
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,889	(76)	200	-	3,013	124
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,424	(31)	170	-	2,562	138
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	5,355	(70)	372	-	5,657	302
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	898	(11)	63	-	950	52
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,375	-	238	-	2,613	238
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,651	-	257	-	3,908	257
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,796	-	-	-	9,796	-
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	9,295	-	654	-	9,949	654
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,322	-	-	-	5,322	-
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	7,250	-	-	-	7,250	-
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	9,546	(502)	-	-	9,044	(502)
ANZ - Airport Authority	NZD	8,100	Apr-11	Apr-16	1,495	(185)	-	-	1,310	(185)
Total Gross Borrowings					102,113	(1,747)	4,253	-	104,620	2,507
<i>Total Loans with ADB</i>					68,978	(1,007)	2,705	-	70,676	1,698
<i>Total Loans with Other Sources</i>					33,135	(740)	1,548	-	33,943	808
Total Gross Borrowings					102,113	(1,747)	4,253	-	104,620	2,507
Less Loan Reserve					16,866	-	-	-	16,866	-
Net Borrowing by the Crown					85,247	(1,747)	4,253	-	87,754	2,507
Less Avatiu Port Development					24,413	-	654	-	25,067	654
Less ANZ - Airport Authority					1,495	(185)	-	-	1,310	(185)
Net Borrowing by the General Government					59,339	(1,562)	3,599	-	61,376	2,037

The Crown Loan Reserve Fund (LRF)

In February 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act 2014 formally creating an LRF. The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The LRF Act also ensures a framework for the prudential management of all sovereign public debt and ensures the timely allocation of money from the Budget for debt servicing.

Figure 5
Loan Reserve Fund movements 2015/16



The LRF currently has sufficient funds to fully cover all debts owed by on behalf of SOEs to lenders. These SOEs include the Bank of the Cook Islands, Te Aponga Uira, and Telecom Cook Islands Limited.

Table 14
Loan Reserve Fund Statement

	2014/15	2015/16	2016/17	2017/18	2018/19
Opening LRF balance	16,211	15,770	16,903	17,066	14,702
Contribution to LRF principle	4,743	5,424	5,424	5,424	5,424
Contribution to LRF interest	2,227	2,246	2,246	2,246	2,246
Interest earned (avg 2 percent)	324	315	338	341	294
Total transfer into the LRF	6,111	7,986	8,008	8,011	7,964
Repayment of SOE loans					
Principal	1,207	1,236	1,265	1,265	1,007
Interest	133	122	111	100	88
Total repayment from LRF	1,340	1,358	1,376	1,365	1,095
Repayment of other debt					
Principal	3,289	3,272	3,894	6,601	6,657
Interest	1,923	2,162	2,515	2,351	2,185
Total repayment other debt	5,212	5,435	6,409	8,952	8,842
Other service fees	-	60	60	60	60
LRF stock balance	15,770	16,903	17,066	14,702	12,669

Table 14 illustrates the movement in the LRF in the next five years. The transfers into the LRF have increased from \$6.2 million during the time of the 2014/15 Budget to \$7.7 million due to the new loan from the ADB for the Southern Group renewable energy project and to compensate for unfavourable movements in exchange rates. For accounting purposes, this transfer is divided into two components: a debt interest obligation (\$2.3 million) and a debt principle repayment (\$5.4 million); these are the estimated required payments into the LRF. The transfers out of the LRF for principle and interest are the estimated debt servicing requirements at the time of the Budget and are subject to exchange and drawdown variations.

General Government Cash Reserves

General government cash reserves at the September 2015 quarter were \$11.72 million, a decrease of \$3.09 million from the June 2015 quarter resulting from increased outward cash flow payments for general government expenses. Refer Crown Borrowings section for further details. The June 2015 figure did however contain a balance for accrued payroll for ten working days which was spent in July 2015.

Table 14
Cash Reserves – September 2015 YTD

	March 15 Qtr ('000)	June 15 Qtr ('000)	September 15 Qtr ('000)	Change June 15 Qtr ('000)
Total Term Deposit at the Bank				
Westpac	3,236	3,293	3,297	4
ANZ	35,983	30,696	27,752	(2,944)
BCI	15,499	15,562	15,625	63
Total Term Deposit at the Bank	54,718	49,551	46,674	(2,877)
Committed:				
Trust Fund General Reserve	2,911	2,911	2,911	-
Disaster Response Trust ¹	536	879	882	3
Loan Reserve Fund ²	16,866	16,866	17,010	144
Project City - Multi year funding ³	8,564	4,025	755	(3,269)
Trust Account Deposit ⁴	2,886	2,969	2,984	15
Carry Forward Contingency – OPEX ⁵	500	500	500	-
Working Capital ⁶	3,000	3,000	3,000	-
Total Commitment for this year	35,263	31,150	28,042	(3,107)
Net Cash Reserves before Current Accounts	19,455	18,401	18,632	231
Add Back				
Operating Capital Cook Islands Government ⁷	5,780	7,096	,6709	(387)
Estimated General Cash Reserve	25,235	25,497	25,341	(156)

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

⁵ Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

⁶ Working Capital – funds tagged to cover overall Government cash flow requirements

⁷ Operating Bank Accounts – Current Account bank account balance held by Crown for funding Cashflow

The table above has been adjusted from Q4 2015 to account for confirmed commitments on the Project City (roading) project that were unclear at the time of completing the 2014/15 quarterly financial reports. In addition the balance of operating accounts held by Crown was considered to be significant and has consequently been included in the estimation of total cash reserves. Cash reserves remain stable throughout the period reported in this table.

ANZ term deposits were used to pay for costs associated with the Project City project due primarily to term deposit maturity dates coinciding with payment requirements of the project.

Official Development Assistance

The Development Coordination Division (DCD) of MFEM administers all international development assistance to the Cook Islands. Budget 2015/16 published in June 2015 included an annual ODA estimate of \$49.1 million, to date actual expenditure is \$2.2 million for the first quarter from July to September 2015.

New Zealand

A new grant funding arrangement (GFA) with New Zealand for performance based budget support in tourism, education, health and public sector strengthening was recently finalized. There is no spend to date in these areas

The Social Impact Fund (SIF) will run a third funding round with \$0.2 million available to fund the next round of community projects, and \$0.3 million to be disbursed for programme funding. Payouts are expected in the second quarter. An evaluation of SIF is scheduled to be completed at the end March 2016. The purpose of the evaluation is to inform decision making for future development interventions. The SIF GFA will come to a close at June 2015 when it is was then incorporated into the performance based budget support GFA.

Sanitation Upgrade Programme delivery continues to track slowly. New Zealand has suspended funding for the programme until progress is seen in addressing structural and process issues. Currently, the next payment is scheduled for February 2016. Spending on Te Mato Vai (TMV) relates to PMU payments, and is currently on track. Stage one involving laying of the ring mains is nearly complete, and Stage Two involving upgrading of water intakes is on schedule to commence in the third quarter.

Aid effectiveness is showing quarterly spend of \$0.8 million compared to an annual budget of \$0.1 million. Spending is due to a reimbursement payout for MFEM accounts catch-up (salary) dispersed in July 2015 but related to 2014/15. In addition, \$0.03 million was spent on Dynamics project management software training, and supporting government travel to the international conference on financing for development in Ethiopia.

Australia

The disability programme is on track. The Cook Islands Disability Inclusive Development Policy and Action Plan has been launched, and Pa Enea training completed in Atiu, Mauke and Mangaia. No spending was recorded for the gender program but a costed workplan has been approved with spending anticipated from the second quarter.

UN Agencies

Environment spending under the Global Environment Fund (GEF) is generally on track. NES/UNDP Ridge to Reef project has been established with the recruitment of a project coordinator, support officer and a finance officer. Spending has contributed towards the set up cost for the office and is anticipated that the next quarter will include more reporting on the outcomes of the inception workshop. The UNOPS/Red Cross GEF Small Grants Programme recorded no expenditure in the first quarter. Applications have been received, approved, and sent to UNDP for payment, spend is anticipated in the next quarter.

Strengthening Resilience of Island Communities (SRIC) spending is on track and work on climate mainstreaming is continuing to progress. Training for northern school students –from Rakahanga, Manihiki, Penrhyn, Pukapuka and Nassau were hosted to a week of climate change awareness and adaptation activities. This ended with all schools putting forward a draft proposal for adaptation activities that can be implemented in their local communities. Youth and Labour Monographs have been completed through the UNFPA programme and are ready to launch in country scheduled towards the beginning December 2015. No spending was recorded in the first quarter as payments are scheduled for disbursement through the second quarter. The biennial programme will conclude in December 2015 and a new program will be developed.

FAO has not provided reports and progress updates are being sought regarding the new agriculture policy and strategy. The Chamber of Commerce agribusiness small grant fund is also now operational. The small grants committee has developed clear principles that have achieved the following results;

- orchards must already have been developed with assistance of the technical advisor;
- preparation of business plans;
- technical advisory must support the applications for a small grant and
- ongoing support by the technical advisor has been key component of the programme.

Following the UN programmes review after the development partners meeting in February 2015, a UN reporting system is being established with UNDP “delivery as one” (DAO) as of the mechanisms. Discussions are underway with UNDP to operationalise the DAO mechanism.

China

Agriculture equipment had arrived in October 2015, for the first quarter \$0.2 million has been spent towards the final payment for transportation of the Chinese heavy machinery to Pukapuka-Nassau, and Penrhyn; details of the Chinese building repairs scheduled for 2015/2016 have not yet been confirmed; and letters of exchange for the Apii Nikao school project have been signed and due to commence in 2015/16.

India

India projects are behind schedule due to delays in receipt of funds. The 2013/14 funds arrived and it is scheduled in early February 2015. There are now two rounds of funding to implement, in addition to unspent funds from previous cycles. MFEM has submitted a proposal to India for the Grant Fund to be administered through the SIF process in order to improve efficiency, avoid duplication with other community grants, and reduce administrative burden.

EU

The budget support payment of €1.0 million tagged to macroeconomic stability, public financial management, transparency and accountability, and sanitation sector progress is due in the second quarter. The variable tranche payment was not attained due to slow progress in onsite sanitation systems installation, and poor lagoon stream quality. These funds will be reprogrammed for technical assistance to the sector with a focus on developing the sanitation master plan.

EU SPC GCCA provided funding for two projects supporting the MFEM NIE application totaling \$0.1 million. Total disbursements of \$0.1 million contributed to the NIE application and \$0.02 million assisted with the implementation of the Te Tarai Vaka Activity Management System. All funding was committed for disbursement at the end of the first quarter.

Other EU regional programs are third party spend (via SPC, PIFS, SPREP, etc.) for which no data has been available.

ADB

The Renewable Energy loan (which includes EU, PEC and GEF 6 grants) is progressing to plan. The funding via JFPR to Internal Affairs has now closed and post completion reporting is being finalised. A private sector assessment has been completed and the report will be launched at the FEMM alongside the CI NIIP and Asset Maintenance Reports. Work continues on finalizing the public sector strategy which will inform the ADB TA support required for the remainder of the financial year.

Japan

PEC funds were programmed for the southern group renewable energy programme with spend shifting from the 2014/15 financial year to 2015/16. A tender was completed in September with a final evaluation submitted during this period. The contract will be awarded in the second quarter and full spend of \$5.2 million recorded by the fourth quarter.

The Non-Project Grant Aid (NPGA) program will deliver to \$1.0 million worth of fuel to Te Aponga Uira. Purchasing contracts are now finalized with Japan and fuel deliveries expected in the second and third quarter.

SPC, FFA, FAO, WHO, WPC, Commonwealth Secretariat- No Partner reporting

Other

The provision of computers funded by Turkey was expected last year, but the CI proposal submitted to the Turkey is still being processed. Public service vehicles from Korea are expected to arrive later this year, with DCD to confirm the time frame with Korea.

	General Public Service	Defence	Public Order & Safety	Economic Affairs	Environment Protection	Housing & Community Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
India											
YTD Budget	0	0	0	0	0	65,000	0	0	0	0	65,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
Japan											
YTD Budget	0	0	0	1,558,000	0	0	0	0	0	0	1,558,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
New Zealand Aid Programme											
YTD Budget	2,490,000	0	116,750	246,125	900,000	859,500	0	0	0	58,750	4,671,125
YTD Actual	268,252	0	0	194	616,000	713,221	0	0	0	18,641	1,616,309
Pacific Islands Forum											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
Secretariat of the Pacific Community											
YTD Budget	0	0	0	12,500	0	0	0	0	0	0	12,500
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
SIDS-DOCK											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
South Korea											
YTD Budget	67,000	0	0	0	0	0	0	0	0	0	67,000
YTD Actual	0	0	0	0	0	0	0	100,183	0	0	100,183
Sterling Foundation											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
Turkey											
YTD Budget	0	0	0	0	0	0	0	0	15,000	0	15,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
UNESCAP											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
United Nations Adaptation Fund											
YTD Budget	0	0	0	0	342,500	0	0	0	0	0	342,500
YTD Actual	0	0	0	0	361,943	0	0	0	0	0	361,943
United Nations Children's Fund											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
United Nations Development Programme											
YTD Budget	32,125	0	0	0	0	0	0	0	0	0	32,125
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
United Nations Educational, Scientific & Cultural Org.											
YTD Budget	0	0	0	0	0	0	0	0	35,500	0	35,500
YTD Actual	0	0	0	0	0	0	0	0	18,881	0	18,881
United Nations Environment Programme											

	General Public Service	Defence	Public Order & Safety	Economic Affairs	Environment Protection	Housing & Community Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
United Nations Population Fund											
YTD Budget	0	0	0	0	0	0	28,000	0	0	0	28,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
United States											
YTD Budget	0	0	0	7,500	0	0	0	0	0	0	7,500
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
World Health Organisation											
YTD Budget	0	0	0	0	0	0	77,925	0	0	0	77,925
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
Totals for Report											
YTD Budget	3,365,875	147,500	190,500	5,456,000	2,244,300	1,125,750	105,925	0	1,300,500	113,000	14,049,350
YTD Actual	278,252	0	0	194	1,005,285	713,221	0	100,183	18,881	39,606	2,155,623
\$ Variance	3,087,623	147,500	190,500	5,455,806	1,239,015	412,529	105,925	-100,183	1,281,619	73,394	11,893,727
% Variance	92%	100%	100%	100%	55%	37%	100%	0%	99%	65%	85%

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

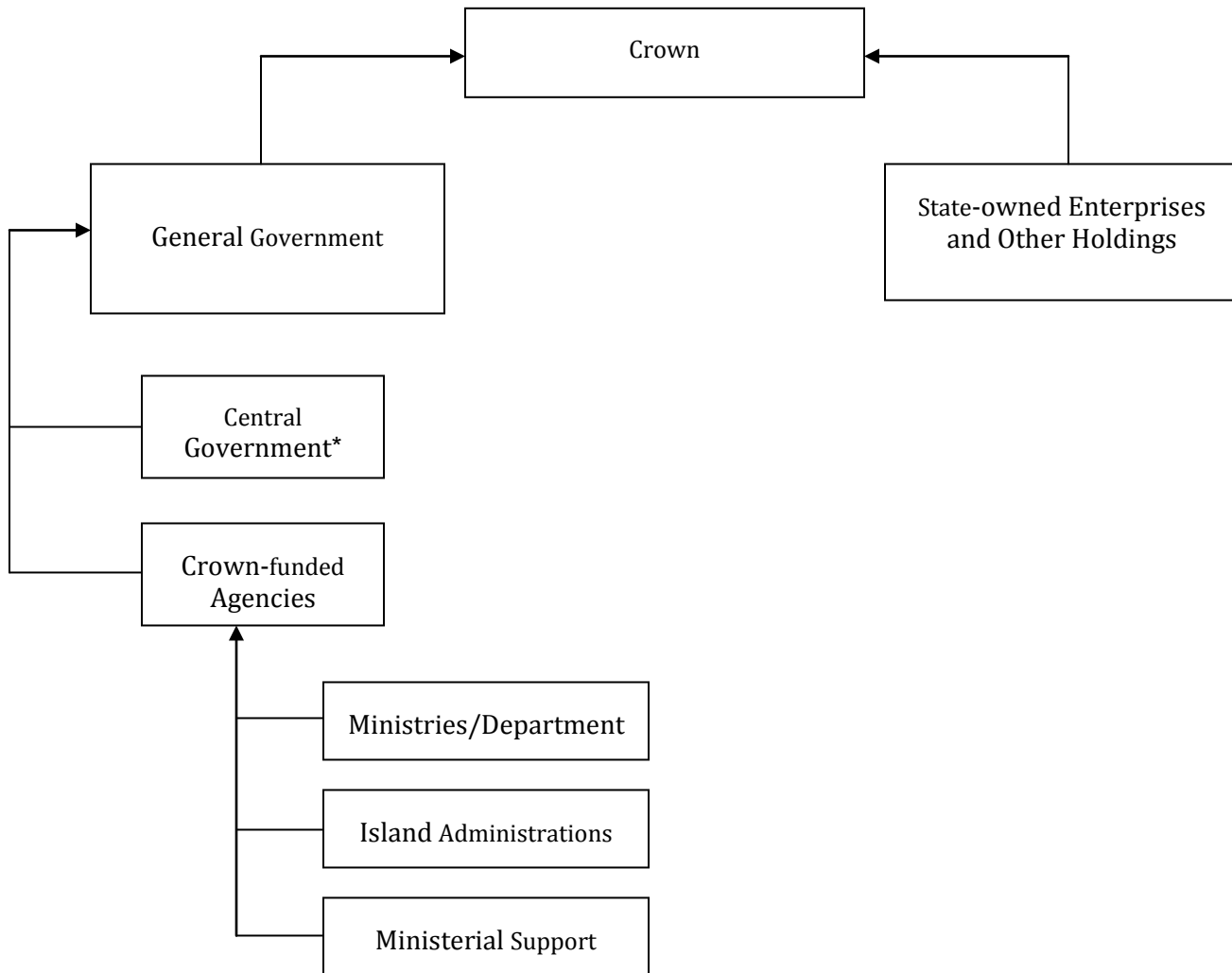
Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

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