

Cook Islands Government

Quarterly Financial Report

September 2018

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 have been necessarily received or paid. All figures are rounded to the nearest thousand.

References to '2018/19 Addition Funding Approval' used in this report relates to either an approved carry forward from previous financial year(s) or funding approved through an Executive Council order.

Government operated without an Appropriation Bill for the most part of the quarter under the authority provided by Article 70 of the Constitution. The calling of the 2018 general election in June delayed the passing of the 2018/19 Appropriation Bill, a process that is usually passed before the new financial year, was passed on 21 September 2018.

The financial statements have been consolidated to General Government level including Cook Islands Investment Corporation parent administrative operations.

State Owned Enterprises (SOE's) group consolidation are reported separately in later sections of this report.

Key Points

The net operating balance of the General Government sector for the period ended 30 September 2018 was a surplus of \$4.53 million, which represent \$4.88 million higher than the operating balance estimated for the quarter.

- Total operating revenue was below Budget estimates by \$1.75 million primarily as a result of lower than expected taxation collection.
- Total operating expenses was lower than Budget estimates by \$6.63 million driven mainly by lower spending in Administered Payments (\$3.22 million), POBOCs (\$0.32 million) and Ministry/ Pa Enea expenditure (\$3.32 million). Offsetting these variances was overspending in Other general expenditure of \$0.24 million.
- Spending on Capital Expenditure were below Budget estimates by \$4.19 million, further details are reported later in the Capital Expenditure section of this report.

Table 1
Net Operating Balance General Government – 30 September 2018

	2018/19 Budget Estimate - Full Year (‘000)	2018/19 Additional Funding Approval (‘000)	2018/2019 Total Budget & Approval (‘000)	2018/19 Budget Estimate - Qtr 1 (‘000)	2018/19 Actual - Qtr 1 (‘000)	Variance	
2017/18 Actual (‘000)						(‘000)	%
39,135 Operating Revenue	184,958	0	184,958	43,652	41,903	(1,750)	(4)
34,507 Operating Expenditure	163,939	0	163,939	44,004	37,376	6,628	15
4,628 Net Operating Balance	21,019	0	21,019	(352)	4,527	4,879	(1,386)

- The overall fiscal balance of \$4.44 million (*Table 2*) adjusts the Net Operating Balance for the effects of depreciation and spending on capital expenditure.

Table 2
Fiscal Balance of General Government – 30 September 2018

2017/18 Actual ('000)		2018/19	2018/19	2018/2019	2018/19	2018/19	Variance	
		Budget Estimate - Full Year ('000)	Additional Funding Approval ('000)	Total Budget & Approval ('000)	Budget Estimate - Qtr 1 ('000)	Actual - Qtr 1 ('000)	('000)	%
4,628	Net Operating Balance	21,019	0	21,019	(352)	4,527	4,879	(1,386)
1,151	Add Crown Depreciation	4,603	0	4,603	1,151	1,151	0	0
996	Add Ministry Depreciation	3,161	0	3,161	1,028	1,396	368	36
277	Add Pa Enuu Depreciation	1,124	0	1,124	274	483	209	76
2,004	Less Capital Expenditure - CI Govt Funded	44,519	770	45,288	7,310	3,114	(4,196)	(57)
5,048	Fiscal Balance	(14,613)	770	(15,382)	(5,210)	4,442	9,651	(185)

Summary of the Financial Performance of the General Government

The net operating surplus of the General Government sector for the period ended September 2018 was \$4.53 million, representing an increase of \$4.88 million on the Budget estimates for the period.

Overall, revenue was \$1.75 million lower than the Budget estimates however, this was offset by lower spending on operating expenditure by \$6.63 million compared to the Budget estimates for the reporting period.

Table 3
Net Operating Balance period ending 30 September 2018

2017/18 Actual ('000)		2018/19	2018/19	2018/2019	2018/19	2018/19	Variance	
		Budget Estimate - Full Year ('000)	Additional Funding Approval ('000)	Total Budget & Approval ('000)	Budget Estimate - Qtr 1 ('000)	Actual - Qtr 1 ('000)	('000)	('000)
	<u>Operating Revenue</u>							
32,353	Taxation Revenue	148,153	0	148,153	37,484	35,341	(2,143)	
3,625	Other Revenue	22,226	0	22,226	2,531	3,344	813	
1,215	Trading Revenue	6,848	0	6,848	1,705	1,285	(420)	
1,942	Core Sector Support	7,730	0	7,730	1,933	1,933	0	
39,135	Total Operating Revenue	184,958	0	184,958	43,652	41,903	(1,750)	
	<u>Operating Expenditure</u>							
17,355	Ministry/ Pa Enuu Expenditure	82,304	0	82,304	20,576	17,259	3,317	
9,727	Administered Payments	44,482	0	44,482	13,891	10,666	3,224	
5,713	Payments on Behalf of the Crown	25,127	0	25,127	6,531	6,208	322	
1,711	Other expenses and Financing Transactions	12,026	0	12,026	3,007	3,242	(235)	
34,507	Total Operating Expenditure	163,939	0	163,939	44,004	37,376	6,628	
4,628	Net Operating Balance	21,019	0	21,019	(352)	4,527	4,879	

Summary of the Financial Position of the General Government

General Government's Financial Position at 30 September 2018 is consolidated by adding like items of assets, liabilities and equity on a line by line basis. The effect of all material inter-government transactions and balances are eliminated on consolidation.

Table 4
Consolidated Financial Position as at 30 September 2018

	2018/19 Actual \$ ('000)	2017/18 Actual \$ ('000)
Current Assets		
Cash and Term Deposits	149,814	142,235
Tax Receivables	10,451	35,628
Advances to SOEs	27,643	28,010
Debtors and Other Receivables	7,893	9,311
Inventory	2,710	1,620
Non Current Assets		
Fixed Assets	109,182	112,948
Total Assets	307,693	329,753
Current Liabilities		
Creditors and Other Payables	20,042	19,662
Trust Liabilities	22,696	23,625
Non Current Liabilities		
Foreign Borrowings	98,907	101,292
Total Liabilities	141,645	144,579
Net Assets	166,047	185,174
General Government Balance	166,047	185,174

The statement of financial position includes unaudited financial information from ministries, other Crown agencies and the outer islands.

General Government Cash Reserves

General Government cash reserve are unencumbered cash held by the general government that are not tagged to any particular appropriation.

General Government cash reserve as at September 2018 were \$80.67 million, an increase of \$8.60 million from June 2018. Table 6 below illustrates Crown cash reserves consisting of term deposits and operational accounts.

Table 5
Cash Reserves – September 2018 YTD

	June 18 Qtr ('000)	Sept 18 Qtr ('000)	Change June 18 Qtr ('000)
Operational Bank Accounts	20,302	16,835	(3,467)
Term Deposits Accounts	121,933	132,979	11,046
Cash Reserve Balance	142,235	149,814	7,579
<i>Less</i> 2018/19 Budget Shortfall ¹	0	2,261	(2,261)
Total Cash Reserve Balance	142,235	147,553	5,318
Committed:			
Reserve Trust Fund ²	2,911	3,652	741
Disaster Response Trust ³	1,716	1,772	56
Loan Repayment Fund ⁴	21,461	20,922	(539)
Trust Account Deposit ⁵	17,582	22,379	4,797
Carry Forward Contingency – OPEX ⁶	500	0	(500)
Carry Forward Contingency – Capital ⁷	15,079	770	(14,309)
Aid Trust Fund ⁸	10,920	17,389	6,469
Total Commitment for this year	70,169	66,884	(3,285)
Estimated General Cash Reserve	72,066	80,669	8,603

The total net increase in cash reserve of \$8.60 million was driven from the reduction in funds tagged previously for capital carry forward, now being appropriated in the 2018/19.

¹ Funds set aside to accommodate shortfall in servicing non-operating fiscal balance for the 2018/19 year

² Reserve Trust Funds– buffer funds set aside as reserve from 0.05% of all taxation revenue appropriated per financial year

³ Disaster Response Trust – funds set aside for emergency response in the event of disasters

⁴ Loan Repayment Fund – legislated funds quarantined for debt servicing requirements

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

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

⁷ Carry Forward Contingency – funds tagged for approved carry forwards of capital expenditure

⁸ Aid Trust Fund – funds tagged for aid funded projects and programmes

Loan Repayment Fund (LRF)

In February 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act (LRF Act) 2014, formally creating a Loan Repayment Fund (LRF). The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilized for anything outside of debt servicing requirements.

Table 6 outlines the movement of funds into the LRF account, being transfer in by Government as appropriated and out from the LRF account, being payments of Loan principal, interests and other service fees.

Table 6
Loan Repayment Fund (LRF) Statement (NZD '000)

	2018/19	2019/20	2020/21	2021/22
Opening LRF Balance	21,278	20,922	21,263	21,018
Contribution to LRF principle	6,995	7,594	7,882	7,907
Contribution to LRF interest	2,367	2,263	2,088	1,891
Total transfer into LRF by Government	9,362	9,857	9,970	9,798
Interest earned by LRF	426	418	425	420
Total Inflows	9,788	10,275	10,395	10,218
Principal Paid out of LRF	7,559	7,206	8,007	8,896
Interest Paid out of LRF	2,525	2,668	2,573	2,375
Service Fees	60	60	60	60
Total repayment from LRF	10,144	9,934	10,640	11,331
Closing Balance of LRF	20,922	21,263	21,018	19,905

Changes to Expenditure Authority

Section 70(3)(b) of the Cook Islands Constitution allows for expenditure to exceed the appropriation provided that the total amount of all sums issued and paid shall not exceed one and a half percent (1 ½ per cent) of the total amount of all sums appropriated by the Appropriation Act or Acts for that year.

Table 7

Section 70(3) (b) (i) - Calculation	('000)
Total Government Appropriation 2018/19	268,906
Excess (1.5%) of Total Appropriation	4,034
less: Approved expenditure for the September 18 Quarter	0
Total Balance	4,034

There were no commitments out of the \$4.03 million allocation for the quarter 30 September 2018.

General Government Revenue Analysis

General Government sector revenue for the period was lower than Budget estimates by \$1.75 million.

Table 8
General Government Revenue Summary – September 2018 YTD

2017/18 Actual - 1 Qtr		2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/2019 Total Budget & Approval	2018/19 Budget Estimate - Qtr 1	2018/19 Actual - Qtr 1	Variance	
(‘000)		(‘000)	(‘000)	(‘000)	(‘000)	(‘000)	(‘000)	%
16,370	Value-added Tax	68,124	0	68,124	18,511	18,693	182	1
6,400	Income Tax	28,866	0	28,866	7,657	6,635	(1,022)	(13)
3,244	Company Tax	23,190	0	23,190	4,202	3,090	(1,112)	(26)
3,176	Import Levies	14,159	0	14,159	3,471	3,687	216	6
309	Withholding Tax	2,508	0	2,508	627	265	(362)	(58)
2,855	Departure Tax	11,307	0	11,307	3,016	2,971	(45)	(1)
32,354	Total Taxation Revenue	148,153	0	148,153	37,484	35,341	(2,143)	(6)
1,215	Trading Revenue	6,848	0	6,848	1,705	1,285	(420)	(25)
1,942	Core Sector Support	7,730	0	7,730	1,933	1,933	0	0
3,625	Other Revenue	22,622	0	22,622	2,531	3,344	813	32
39,136	Total Revenue	185,354	0	185,354	43,652	41,903	(1,750)	(4)

Value Added Tax

Value Added Tax (VAT) revenue collected for the period was in line with Budget estimate \$0.18 million (1 per cent).

Income Tax

Income Tax revenue collected for the period was \$1.02 million below Budget estimate (13 per cent). This was attributed to overdue payment plans by taxpayers.

Company Tax

Company Tax collected was \$1.11 million below Budget estimate (26 per cent). The variance was also attributed to overdue payment plans from companies.

Import Levies

Import levies collected was \$0.22 million above Budget (6 per cent).

Withholding Tax

Withholding tax were \$0.36 million (58 per cent) below Budget estimate. These are collected from interests earned on bank deposits, dividends, natural resources amount and royalties. The variance to Budget estimate reflects the nature and timing of these taxes resulting in fluctuating levels of taxes collected.

Departure Tax

Departure tax collection were in line with Budget estimate (1 per cent).

Core Sector Support

The Core Sector Support replaces the Performance Based Budget Support and aims to enhance the Cook Islands self-sufficiency by enabling predictable, efficient and effective delivery of priority development objectives coupled with practical policy reform.

The last Grant Funding Agreement (GFA) expired in the 2017/18 fiscal year. The next two fiscal year's GFA which includes 2018/19, is currently in the process of being finalised.

The Core Sector funding is dispersed through the Cook Islands Government for key sectors such as education, health and tourism as well as targeting the strengthening of public financial management and institutions.

Table 9
General Government Other Revenue Summary - June 2018 YTD

2017/18 Actual - 1 Qtr		2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/2019 Total Budget & Approval	2018/19 Budget Estimate - Qtr 1	2018/19 Actual - Qtr 1	Variance	
('000)		('000)	('000)	('000)	('000)	('000)	('000)	%
0	FSC Fees	143	0	143	36	0	(36)	(100)
217	Immigration Fees	860	0	860	215	270	55	26
0	IMO Subscription - Maritime CI	66	0	66	17	0	(17)	(100)
12	Court Services	50	0	50	13	9	(4)	(34)
23	Instant Fines	80	0	80	20	13	(7)	(35)
1,588	Fishing Licences	6,305	0	6,305	610	602	(8)	(1)
255	Fisheries US Treaties	4,505	0	4,505	0	0	0	0
0	Fishing Fines	2,500	0	2,500	0	0	0	0
0	Research Fees	2	0	2	1	1	0	0
7	Permits	24	0	24	0	3	3	100
0	Banana Court -Dividends	10	0	10	0	0	0	0
0	Bank of the Cook Islands	284	0	284	0	0	0	0
0	Te Aponga - Dividends	255	0	255	0	0	0	0
0	Extraordinary SOE-Dividends	60	0	60	0	0	0	0
0	Bluesky - Dividends	1,150	0	1,150	288	288	0	0
0	Numismatic Revenue	400	0	400	100	36	(64)	(64)
44	Drivers Licenses	200	0	200	50	77	27	54
23	Motor Vehicle Registrations	875	0	875	88	83	(5)	(6)
354	Interest on balances	2,050	0	2,050	615	845	230	37
0	Interest on loans to subsidiaries	830	0	830	0	0	0	0
5	Foreign Investment Fees	27	0	27	7	5	(2)	(29)
175	Upper Air Management Agreement	746	0	746	187	0	(187)	(100)
182	Shipping Reg/Licenses	268	0	268	67	179	112	167
0	Intl Shipping Licenses	10	0	10	3	0	(3)	(100)
15	Liquor Licensing	70	0	70	19	47	28	147
42	Tattslotto Grants	120	0	120	30	43	13	43
0	Censorship Fees	4	0	4	1	1	0	0
156	Circulating Currency- Coins	650	0	650	163	175	12	7
0	Employers Liability	75	0	75	0	0	0	0
0	Motor Vehicle Dealers	3	0	3	1	1	0	0
0	Gain on Forex	0	0	0	0	667	667	100
527	Other Misc Revenue	0	0	0	0	0	0	100
3,625		22,622	0	22,622	2531	3,344	813	32

Other Crown Revenue was \$0.81 million above Budget estimate (32 per cent).

This was primarily due to higher than expected Gain on foreign exchange (\$0.67 million), higher interest earned on term deposits (\$0.23 million) and greater shipping licenses fees received (\$0.11 million).

Dividends are collected at the end of the financial year apart for Bluesky dividends (\$0.29 million) that are accrued on a quarterly basis.

Figure 1
Operating Revenue Trends

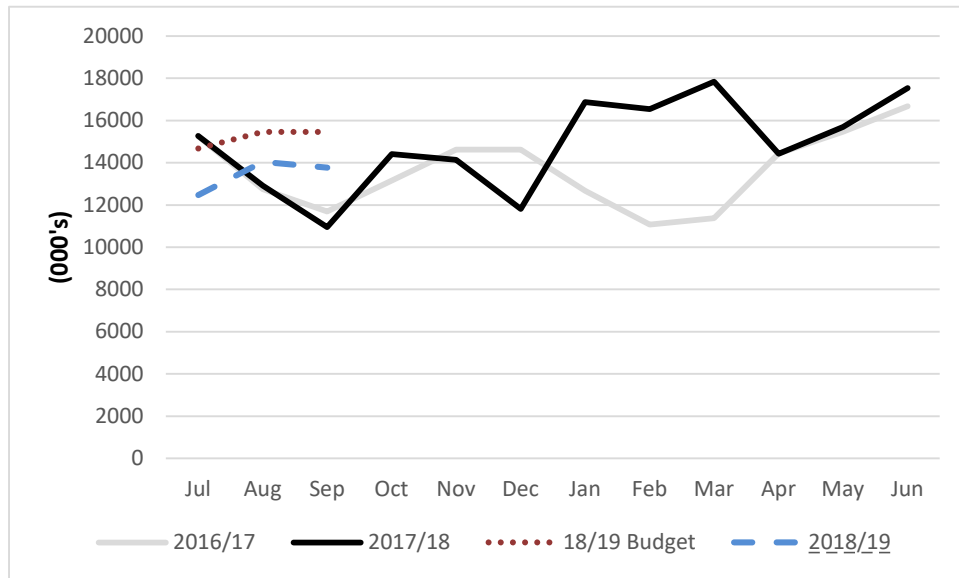


Figure 1 shows the trends over the previous two financial years against the 2018/19 Budget. The current year's collection was below Budget estimates as a result of timing of collections of revenue. The trend is expected to be in line with Budget estimates later in the financial year.

General Government Expenditure Analysis

Ministries, Agencies & Ministerial Office

Table 10

Ministries, Agencies & Ministerial Office Appropriation Analysis –September 2018 YTD

2017/18 Actuals - 1 Qtr	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/201 9 Total Budget & Approval	2018/19 Budget Estimate - Qtr 1	2018/19 Actual - Qtr 1	Variance	
('000)	('000)	('000)	('000)	('000)	('000)	('000)	%
<u>Operating Revenue</u>							
921 Trading Revenue	5,717	0	5,717	1,429	1,011	(418)	(41)
921 Total Trading Revenue	5,717	0	5,717	1,429	1,011	(418)	(41)
<u>Operating Expenditure</u>							
10,388 Personnel	49,441	0	49,441	12,360	10,582	1,778	17
2,832 Operating	18,683	0	18,683	4,671	3,123	1,548	50
996 Depreciation	4,112	0	4,112	1,028	1,396	(368)	(26)
14,216 Gross Appropriation	72,236	0	72,236	18,059	15,101	2,958	40
13,295 Net Appropriation	66,518	0	66,518	16,630	14,090	3,376	24

Trading Revenue

Trading Revenue for September 2018 was \$0.42 million (41per cent) below Budget estimate. Of the 14 Ministries with trading revenue, 5 did not meet their proposed revenue target in the first quarter due to lower trading activities related to collection of service fees. Revenue targets to Budget estimates are expected to align later in the financial year.

Personnel

Personnel Expenditure for September 2018 was \$1.78 million lower than Budget estimate (17 per cent). Unfilled positions in the first quarter contributed to this variance against Budget estimate. Of the 31 ministries, 20 ministries under spent and 11 overspent, we will continue to monitor these performances throughout the year.

Operating

Operating Expenditure for September 2018 was lower than Budget estimate by \$1.55 million (50 per cent). The first three months of the financial year 2018/19 prescribed greater control of operating expenditure due to the delayed tabling of the Appropriation Bill as a result of the 2018 general election. 20 Ministries under spent, 9 overspent and 2 had no figures to report.

Depreciation

Depreciation Expenditure was above Budget estimate by \$0.37 million (26 per cent). 19 Ministries had under spent, 9 over spent and 3 were within budget.

Pa Enuā (Outer Islands)

Table 11

Pa Enuā (Outer Islands) Appropriation Analysis – September 2018 YTD

2017/18 Actuals - Qtr 1 ('000)	2018/19 Budget Estimate - Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/2019 Total Budget & Approval ('000)	2018/19 Budget Estimate - Qtr 1 ('000)	2018/19 Actual - Qtr 1 ('000)	Variance ('000)	%
<u>Operating Revenue</u>							
294 Trading Revenue	1,101	0	1,101	275	274	(1)	(0)
294 Total Trading Revenue	1,101	0	1,101	275	274	(1)	0
<u>Operating Expenditure</u>							
1,412 Personnel	6,722	0	6,722	1,680	1,245	435	26
539 Operating	2,250	0	2,250	563	430	133	24
277 Depreciation	1,096	0	1,096	274	483	(209)	(76)
2,228 Gross Appropriation	10,068	0	10,068	2,517	2,158	359	4
1,934 Net Appropriation	8,967	0	8,967	2,242	1,884	360	4

Trading Revenue

Trading Revenue was in line with the Budget estimate. Seven Islands exceeded their trading revenue with Mangaia having the highest revenue collections for the quarter. This was due to higher electricity receipts and increase in hireage of machineries and cargo charges from barge. Offsetting these were three Island Administrations that did not meet their estimated trading revenue (Manihiki, Penrhyn and Rakahanga).

Personnel

Personnel Expenditure was lower than Budget estimate by \$0.44 million (26 per cent). Nine out of the 10 islands in total had savings except for Mauke who overspent in personnel against its quarterly Budget estimate.

Operating

Operating Expenditure was lower than Budget estimate by \$0.13 million (24 per cent). Seven Islands had favourable actuals against the Budget estimate and three Islands overspent for the quarter as a result of higher freight costs.

Depreciation

Depreciation expenditure was above Budget estimate by \$0.21 million (76 per cent). Island Administrations are in the process of accounting for the Chinese Machineries into their Fixed Asset Register without an increase in their depreciation budget.

Administered Payments and POBOCs

Administered payments were setup as a category of expenditure where government has provided funding to an agency for a particular purpose that directly relates to an output of a Ministry.

The category of POBOCs will be reserved for key commitments that are legally required of the Crown.

Table 12
Administered Payments and POBOCs

	2018/19 Budget Estimate - Full Year (‘000)	2018/19 Additional Funding Approval (‘000)	2018/2019 Total Budget & Approval (‘000)	2018/19 Budget Estimate -Qtr 1	2018/19 Actual - Qtr 1 (‘000)	(‘000)	Variance %
Administered Payments	44,482	0	44,482	13,891	10,666	3,224	23
Payment of Behalf of Crown (POBOCs)	25,127	0	25,127	6,531	6,208	322	5
Total	69,609	0	69,609	20,422	16,875	3,547	17

Administered Payments

Administered payments were below Budget estimates by \$3.22 million (23 per cent) and mainly attributed to;

- Compensation of employees was \$0.42 million (46 per cent) below Budget estimates with savings in Public Sector Strengthening and Post Tax Amnesty Work
- Use of Goods and Services had a saving of \$2.08 million (27 per cent) against Budget estimates with Provision for Land Rental, Land Rent Review, and Road and Water Maintenance attributed to this saving.
- Subsidies was \$0.01 million and in line with Budget estimates.
- Other expenses were also below Budget estimates by \$0.93 million (62 per cent) due to the delay in the establishment of a water utility for Rarotonga, CISNOC grant payment followed by saving in the production of new currency, transportation and sale of old coins’ expenditure.
- Social Assistance was \$0.22 million (32 per cent) above Budget estimates due to higher payments associated to patient referrals and welfare payment allowances for the period.

Table 13
Administered Payments – September 2018 YTD

Administering Ministry	Administered Payment	2018/19	2018/19	2018/2019	2018/19	2018/19	Variance
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 1	Actual - Qtr 1	
		('000)	('000)	('000)	('000)	('000)	(%)
Compensation of Employees							
Cook Islands Investment Corporation	Infrastructure Committee	75	0	75	19	0	19
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	130	0	130	33	0	33
Cook Islands Investment Corporation	Special Projects Units	420	0	420	105	0	105
National Environment Service	National Heritage Trust	82	0	82	21	21	(0)
Finance and Economic Management	Public Sector Strengthening-processes and systems MFEM	345	0	345	86	0	86
Finance and Economic Management	Post Tax Amensty Work	500	0	500	125	0	125
Finance and Economic Management	Director of Civil Aviation	56	0	56	14	0	14
Internal Affairs	Price Tribunal	45	0	45	11	12	(1)
Justice	Project to bring land records up to date	120	0	120	30	34	(4)
Justice	Judges Allowances	177	0	177	44	30	15
Public Service Comission	HOM's Salaries	1,373	0	1,373	343	336	7
Cook Islands Investment Corporation	School Security	250	0	250	63	0	63
Education	Centre of Research and Policy Studies	80	0	80	20	65	(45)
Total Compensation of Employees		3,653	0	3,653	913	498	416
Use of Goods and Services							
Cultural Development	Te Maeva Nui Constitution Celebrations	3,694	0	3,694	3,694	3,133	561
Cook Islands Investment Corporation	Provision for Land Rentals	1,962	0	1,962	491	0	491
Cook Islands Investment Corporation	Land Rent Reviews #	642	0	642	161	0	161
Education	Tertiary Training Institutions	760	0	760	190	117	73
Education	Centre of Excellence in Information Technology (CEIT)	150	0	150	38	0	38
Finance and Economic Management	Audit of Crown Accounts	30	0	30	8	0	8
Finance and Economic Management	Border Management System Maintenance	155	0	155	39	0	39
Finance and Economic Management	Standard and Poors Subscription	55	0	55	14	0	14
Finance and Economic Management	Special Investigative and Prosecution Services	200	0	200	50	0	50
Finance and Economic Management	Debt Advisory Services	60	0	60	15	0	15
Crown Law	Arbitration Case	1,159	0	1,159	290	245	45
Foreign Affairs	Cook Islands Student Association Support	5	0	5	1	0	1
Head Of State	Domestic Hosting Entertainment	15	0	15	4	5	(1)
Head Of State	QR Social Responsibility Fund	8	0	8	2	3	(1)
Health	Pharmaceuticals	868	0	868	217	302	(85)
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	200	0	200	50	31	19
Infrastructure Cook Islands	Waste Management	545	0	545	136	41	95
Infrastructure Cook Islands	Water Maintenance	500	0	500	125	58	67
Infrastructure Cook Islands	Road Maintenance	630	0	630	158	35	123
Infrastructure Cook Islands	Road Asset Management	650	0	650	163	0	163
Infrastructure Cook Islands	Bridges and Drainage Maintenance	600	0	600	150	0	150
Internal Affairs	Lease extension	72	0	72	18	18	0
Internal Affairs	Vaka Maintenance	400	0	400	100	62	38
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	52	0	52	13	12	1
Parliamentary Services	Special Select Committee #	10	0	10	3	0	3
Cultural Development	Te Kopapa Reo Maori Board	15	0	15	4	0	4
Prime Minister's Office	Social Responsibility Fund	243	0	243	61	61	0
Police	Search and Rescue	20	0	20	5	0	5
Police	Serious Crime Investigations	50	0	50	13	0	13
Police	Te Kukupa - Biannual Slipping	150	0	150	38	0	38
Police	Te Kukupa - Fuel Contribution	140	0	140	35	0	35
Police	Youth Program	45	0	45	11	0	11
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,072	0	5,072	1,268	1,350	(82)
Foreign Affairs	Returned Services Association	5	0	5	1	0	1
Prime Minister's Office	Community Support Fund	100	0	100	25	19	6
Crown Law	Pacific Islands Law Officers Network (PILON)	30	0	30	8	0	8
Marine Resources	15th Forum Fisheries Ministerial Meeting	37	0	37	9	28	(19)
Total Use of Goods and Services		19,329	0	19,329	7,603	5,519	2,083

Table 13 (continue)
Administered Payments – September 2018 YTD

Administering Ministry	Administered Payment	2018/19	2018/19	2018/2019	2018/19	2018/19	Variance	
		Budget Estimate - Full Year ('000)	Additional Funding Approval ('000)	Total Budget & Approval ('000)	Budget Estimate - Qtr 1 ('000)	Actual - Qtr 1 ('000)		%
Subsidies								
Education	University of the South Pacific Contribution	205	0	205	51	0	51	100
Finance and Economic Management	Air New Zealand - Subsidies	12,000	0	12,000	3,000	3,150	(150)	(5)
Finance and Economic Management	Provision for Inter Island Shipping	500	0	500	125	37	88	71
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enea	45	0	45	11	0	11	100
Finance and Economic Management	Asian Infrastructure Investment Bank (AIIB) membership	31	0	31	8	0	8	100
Total Subsidies		12,781	0	12,781	3,195	3,187	9	0
Social Assistance								
Education	Government Funded Scholarships	660	0	660	165	81	84	51
Health	Patient Referrals	550	0	550	138	216	(79)	(57)
Health	Nursing School	234	0	234	59	69	(10)	(17)
Health	NCD Fund	195	0	195	49	49	0	0
Internal Affairs	Welfare Payments - Allowances	983	0	983	246	465	(219)	(89)
Justice	Legal Aid	40	0	40	10	0	10	100
Total Social Assistance	Total Social Assistance	2,663	0	2,663	666	880	(215)	(32)
Other Expense								
Cook Islands Investment Corporation	Establishment and implementation of a water utility for Rarotonga	1,400	0	1,400	350	0	350	100
Education	Private School Funding	2,230	0	2,230	557	527	30	5
Marine Resources	Fisheries Development Facility	200	0	200	50	0	50	100
Marine Resources	Fisheries Development Facility in the Pa Enea	100	0	100	25	24	1	2
Internal Affairs	CISNOC Grant	520	0	520	130	0	130	100
Internal Affairs	SIF - Cook Islands Government Contribution	881	0	881	220	0	220	100
Finance and Economic Management	Conduct of a Labour Force Survey	100	0	100	25	0	25	100
Finance and Economic Management	Production of new currency, transportation and sale of old coins	350	0	350	88	31	56	65
Finance and Economic Management	Marumaruatua	275	0	275	69	0	69	100
Other Expenses	Total Other Expenses	6,056	0	6,056	1,514	582	932	62
Grand Total	Grand Total	44,482	0	44,482	13,891	10,666	3,224	23

Payments On Behalf of Crown (POBOC)

The overall saving in POBOC expenditure of \$0.32 million (5 per cent) was mainly attributed to the saving in:

- Compensation of Employees (below \$0.02 million) from Parliamentary Superannuation.
- Use of Good and Services (below \$0.08 million) from Audit fees and Civil List Constituency visits.
- Subsidies (below \$0.15 million) as a result of TAU social assistance subsidy, Ports and BCI subsidies.
- Other expenses (below \$0.22 million) due to lower spending on international subscriptions and Pacific Catastrophe Risk insurance.

Offsetting these savings was higher expenditure on Social Assistance (\$0.15 million) due to greater welfare payments of old age pensions and child benefits.

Table 14
Payments on Behalf of Crown – September 2018 YTD

Administering Ministry	POBOC	2018/19	2018/19	2018/2019	2018/19	2018/19	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 1	Actual - Qtr 1	('000)	%
		('000)	('000)	('000)	('000)	('000)	('000)	%
Compensation of Employees								
Finance and Economic Management	Parliamentary Superannuation	180	0	180	45	32	13	30
Audit (PERCA)	PERC Salaries and Administration Costs	43	0	43	11	8	2	23
Parliamentary Services	Civil List - Personnel	2,268	0	2,268	643	643	0	0
Parliamentary Services	House of Ariki	228	0	228	230	230	0	0
Total Compensation of Employees		2,719	0	2,719	929	913	16	2
Use of Goods and Services								
Audit (PERCA)	Audit Fees	96	0	96	24	0	24	100
Parliamentary Services	Civil List - Constituency Visits	170	0	170	43	1	41	97
Parliamentary Services	Parliamentary Sitting Expenses	120	0	120	30	31	-1	(3)
Parliamentary Services	MP Travel and Allowances (local and overseas)	141	0	141	35	58	(23)	(66)
Parliamentary Services	QR Travel and Allowances (local and overseas)	109	0	109	27	0	27	100
Foreign Affairs	IMO - Maritime Cook Islands	63	0	63	16	0	16	100
Total Use of Goods and Services		699	0	699	175	90	84	48
Subsidies								
Cook Islands Investment Corporation	BCI - social assistance subsidy	120	0	120	30	0	30	100
Cook Islands Investment Corporation	Airport Authority subsidy	2,048	0	2,048	512	512	0	0
Cook Islands Investment Corporation	Ports Authority - subsidy	110	0	110	28	0	28	100
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380	0	380	95	0	95	100
Total Subsidies		2,658	0	2,658	665	512	153	23
Social Assistance								
Internal Affairs	Welfare Payments	18,157	0	18,157	4,539	4,690	(150)	(3)
Total Social Assistance		18,157	0	18,157	4,539	4,690	(150)	(3)
Other Expense								
Finance and Economic Management	Pacific Catastrophe Risk Insurance	121	0	121	30	0	30	100
Finance and Economic Management	CIG Insurance	100	0	100	25	0	25	100
Foreign Affairs	International Subscriptions	674	0	674	168	4	164	98
Total Other Expenses		894	0	894	224	4	220	98
Grand Total		25,127	0	25,127	6,531	6,208	322	5

Other General Government Operating Expenditures

Table 15
Other General Government Operating Expenditure

Actual YTD 2017/18 - 1 Qtr Category of Expense ('000)	2018/19	2018/19	2018/2019	2018/19	2018/19	Variance	
	Budget Estimate - Full Year ('000)	Additional Funding Approval ('000)	Total Budget & Approval ('000)	Budget Estimate - Qtr 1 ('000)	Actual - Qtr 1 ('000)	('000)	%
21 Contingency Funds - Operating	200	0	200	50	156	(106)	(212)
1,151 Crown Infrastructure Depreciation	4,603	0	4,603	1,151	1,151	(0)	(0)
13 Transfer to Emergency Response Trust Fund	50	0	50	13	13	(1)	(4)
148 Transfer to Reserve Trust Fund	741	0	741	185	185	0	0
98 Depreciation Contingency Reserve	4,066	0	4,066	1,016	0	1,016	100
278 Debt Servicing Interest	2,367	0	2,367	592	639	(47)	(8)
0 Foreign Exchange (Gain)/Loss	0	0	0	0	1,098	(1,098)	(100)
1,709 Total Other Expenses	12,026	0	12,026	3,007	3,242	(235)	(8)

Other operating spending for the General Government sector were 8 per cent below Budget estimates. Foreign exchanges movements, contingency funds and debt interest expenditure attributed to this variance for the quarter.

Capital Expenditure

Table 16
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2018/19	2018/19	2018/2019	2018/19	2018/19	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 1	Actual - Qtr 1	('000)	%
		('000)	('000)	('000)	('000)	('000)	('000)	%
AITUTAKI ISLAND GOVERNMENT								
Aitutaki	Establishing new water galleries	418	0	418	4	4	0	0
		418	0	418	4	4	(0)	0
AGRICULTURE								
Rarotonga	Vanilla Shade House	30	0	30	19	19	0	0
		30	0	30	19	19	0	0
COOK ISLANDS INVESTMENT CORPORATION								
Rarotonga	Nukutere Rebuild	530	0	530	0	0	0	0
Rarotonga	Vaikapuangi Government Building - design	130	0	130	0	0	0	0
Rarotonga	Tereora College Stage 1 Works	204	0	204	0	0	0	0
Rarotonga	Te Mato Vai - Stage 1: road & pipeline easement & Stage 2 land acquisition for water intakes	650	0	650	0	0	0	0
Pukapuka	Pukapuka Hospital	500	0	500	0	0	0	0
Rarotonga	TMV Titikaveka Backroad Rehabilitation	127	0	127	0	0	0	0
Rarotonga	China Building Repair	340	0	340	0	0	0	0
		2,481	0	2,481	0	0	0	0
EDUCATION								
National	Fund to be Prioritised by Education	110	0	110	28	5	22	81
		110	0	110	28	5	22	81
HEALTH								
National	Fund to be Prioritised for Technical Equipment	275	0	275	69	38	31	45
Rarotonga	Medical Service Bed End Panels	78	0	78	20	3	17	86
Rarotonga	Hospital Incinerator	217	0	217	54	17	38	69
Rarotonga	Ambulance	148	0	148	37	0	37	100
		718	0	718	180	57	123	68
INTERNAL AFFAIRS								
Rarotonga	Vaka Maintenance Capital Projects	50	0	50	0	0	0	0
		50	0	50	0	0	0	0
MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT								
Rarotonga	FMIS purchase and implementation	644	0	644	47	47	0	0
Rarotonga	AEOI IT System	122	0	122	30	18	12	39
Rarotonga	Water & Sanitation Programe (WASP)	250	0	250	63	52	10	16
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	23,750	0	23,750	5,938	2,458	3,479	59
		24,766	0	24,766	6,077	2,576	3,502	58

Table 16 (continue)
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2018/19	2018/19	2018/2019	2018/19	2018/19	Variance
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 1	Actual - Qtr 1	
		('000)	('000)	('000)	('000)	('000)	(%)
INFRASTRUCTURE COOK ISLANDS							
Atiu	Atiu Road Improvement	250	0	250	0	0	0
Aitutaki	Aitutaki road Improvement Programme	226	0	226	57	44	22
National	Bitumen Truck	0	14	14	4	4	0
Rarotonga	Bridges & Drainage	1299	0	1,299	81	81	0
Rarotonga	Muri Road Widening	288	0	288	72	3	69
Various	Cyclone Centre Program	1050	0	1,050	2	2	0
Rarotonga	Avatiu Valley Stream embankment	394	0	394	0	0	0
Rarotonga	Road Asset Management	2000	0	2,000	27	27	0
Mangaia	Mangaia Road Sealing	0	219	219	55	5	90
Mangaia, Atiu, Mauke	HV Transport Trailer	0	14	14	0	0	0
Mangaia	Tamarua Water Project	134	0	134	33	23	30
Manihiki	Airport Terminal - construction	0	16	16	6	6	2
Manihiki	Tukao Passage Widening, Improving safe access	141	0	141	35	2	95
Mitiaro	Water Upgrade	382	0	382	96	12	88
Penrhyn	Omoka Harbour Upgrade	250	0	250	63	1	98
Pukapuka	Upgrade of Airport terminal buildings	14	46	60	15	5	69
Rarotonga	Tereora Drainage Improvement	117	0	117	0	0	0
Rarotonga	Culvert	600	0	600	0	0	0
Rarotonga	Apii Nikao School access road	0	100	100	25	6	77
		7,144	410	7,454	569	221	61
OFFICE OF THE PRIME MINISTER							
Atiu	Atiu Power Distribution	0	360	360	143	143	0
Aitutaki	Aitutaki Renewable Energy	2,474	0	2,474	0	0	0
Pa Enea	Renewable Energy - Capital works	3,164	0	3,164	0	0	0
National	Government IT Network	40	0	40	10	10	0
National	Renewable Management Project Management and Support	250	0	250	63	13	80
National	Manatua Polynesian Cable (Loan Component)	2,000	0	2,000	0	0	0
		7,928	360	8,288	216	166	23
ADMINISTERED BY MFEM							
National	Capital Distribution Fund	763	0	763	191	60	68
Pa Enea	Outer Islands Small Capital Fund	110	0	110	28	7	75
	Aitutaki	16	0	16	0	0	0
	Atiu	12	0	12	0	0	0
	Mangaia	12	0	12	3	4	(42)
	Manihiki	10	0	10	0	0	0
	Mauke	10	0	10	0	0	0
	Mitiaro	8	0	8	0	0	0
	Palmerston	10	0	10	0	0	0
	Penrhyn	12	0	12	0	0	0
	Pukapuka-Nassau	12	0	12	3	2	43
	Rakahanga	8	0	8	0	0	0
		873	0	873	218	67	60
GRAND TOTAL		44,519	770	45,188	7,310	3,114	57

Spending on Capital expenditure were below Budget estimates by \$4.19 million (57 per cent). The variance was mainly due to timing of spending and the ability to contract for services by the end of September 2018.

Te Mato Vai – Rarotonga Water Upgrade was below Budget estimates by (\$3.48 million) mainly due to land matters. Landowners meetings are an ongoing process, as the Cook Islands Government works toward obtaining consent from landowners to enable site preparations and construction. The contract for the design and construction of Stage 2 was awarded to McConnell Dowell in August 2017. McConnell Dowell has been mobilized with construction commencing since early March 2018. There has been some delays due to the weather which have destroyed some of the road access to the intakes, thus causing further delays.

Water and Sanitation Programme (WASP) was below Budget estimates (\$0.10 million) as a result of legal matters and technical issues resulting in delays.

The Rarotonga Road Asset Management has also experienced delays hence below budget estimates of (\$0.47 million).

Crown Gross Debt

The total gross debt by the Crown at the end of the quarter 30 September 2018 was \$98.91 million, a decrease of \$2.39 million from the June 2018 quarter (Table 19).

This decrease was attributable to principal repayments of \$2.73 million offset by favourable movement in exchange rates of \$0.09 million.

General Government Net Debt

The general government's 'Net Debt' is the total gross debt net of the Loan Repayment Fund (LRF) and SOE debts. General Government Net Debt at 30 September 2018 was \$56.35 million, a \$2.11 million decrease from the June 2018 quarter.

Table 17
Average Exchange Rates Used

Foreign Exchange Currency	30-Jun-18	30-Sep-18	Change to September 18
EUR	0.5945	0.5736	-0.0209
USD	0.6941	0.6696	-0.0245
CNY	4.4861	4.5838	0.0977
SDR	0.4871	0.4710	-0.0161

The New Zealand dollar weakened against major trading currencies except for the Renminbi.

Figure 2
Composition of Crown Debt by Currency

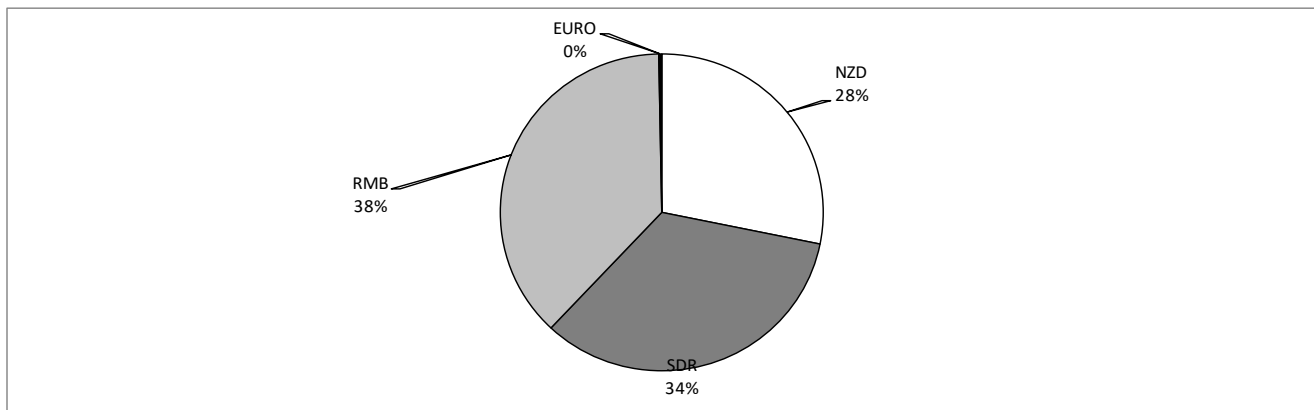


Table 18
Crown Debt – September 2018 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	June 2018 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	Sept 2018 Balance ('000)	Change June 18 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	280	(19)	10	0	271	(9)
China - Multi-Functional Indoor Sports Stadium Loan	CNY	67,260	Aug-08	Aug-28	10,157	(482)	(208)	0	9,467	(690)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	26,238	(843)	(545)	0	24,850	(1,388)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	266	(53)	7	0	220	(46)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	313	0	11	0	324	11
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,540	(80)	53	0	1,513	(27)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	3,874	(154)	135	0	3,855	(19)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	990	0	37	0	1,027	37
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	342	0	13	0	355	13
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	394	(12)	14	0	396	2
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,408	(73)	85	0	2,420	12
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,064	(59)	73	0	2,078	14
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,704	(131)	172	0	4,745	41
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	822	(21)	30	0	831	9
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,004	0	74	0	2,078	74
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,381	0	124	0	3,505	124
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,140	0	0	0	9,140	0
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,157	0	262	0	7,419	262
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,079	0	0	0	5,079	0
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	5,740	(302)	0	0	5,438	(302)
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	6,532	(503)	0	0	6,029	(503)
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	7,867	0	0	0	7,867	-
Total Gross Borrowings					101,292	(2,732)	347	0	98,907	(2,385)
Less Loan Repayment Fund					21,461	0	0	(539)	20,922	(539)
Net Borrowing by the Crown					79,831	(2,732)	347	539	77,985	(1,846)
Less Avatiu Port Development					21,376	0	262	0	21,638	262
Net Borrowing by the General Government					58,455	(2,732)	85	539	56,347	(2,108)

Official Development Assistance (ODA)

Official Development Assistance was appropriated at the total value of \$61.18 million in the 2018/19 Appropriation. This value includes the Core Sector Support Grant Funding Arrangement with New Zealand with outputs 1 - 3 treated as Revenue on behalf of the Crown (ROBOC) through Treasury and distributed to core ministries (Education, Health and Tourism).

The first quarter reported a total spend of \$4.43 million.

Total spend illustrates programme/project expenditures from July to September 2018. The low spend for ODA in the first quarter of the financial year was due to the delay in the appropriation bill being passed in parliament as well as the NZ triennium funding envelope not being confirmed due to ongoing negotiations on priorities and the design of the individual grant funding agreements. It is anticipated that higher spends will be reported in the next quarter once the NZ triennium funding is finalized.

We have highlighted the major projects below but refer to **ANNEX TWO** for a full status report on all ODA activities.

TE TARAI VAKA (TTV) ACTIVITY MANAGEMENT SYSTEM REVIEW

The TTV is the CIG Activity Management System endorsed in 2014 to streamline approach to plan, implement and monitor programmes across government. The system consists of policies, guidelines and tools to support CIG commitment to transparent, efficient and effective use of tax payer funds and development partner assistance.

A consultant was engaged to review and simplify the TTV to better suit the needs of users and stakeholders. The review is now complete with technical assistance from local expertise, Voyager Group Consultancy. Together with a working group consisting of CIIC, OPM, OPSC, ICI and MFEM representatives, this work included a review to ensure that TTV is fit for purpose within the machinery of the CIG. TTV is now for use not only for ODA projects but also for CIG projects. The suites of about eight existing TTV policies have been merged to one TTV overarching policy with a process map for ease of referencing. The condensed version of the existing TTV templates and guidelines suite has been released for trial in November 2017. Training is in progress for key TTV users and already nine agencies including MFEM have had training in Dec 2017 and April 2018. Official endorsement for launch of the new and improved TTV will be on the MFEM website later in 2018. It is important that ongoing training for the new activity management system is embed to ensure active application of TTV processes, concepts and principals. The intention is the strengthen skills in the area of planning, risk management, monitoring and evaluation, results framework.

However, a key finding of the review is lack of streamlined approval processes for ODA and CIG programmes, at the national and political levels. Clarity is required as this impacts programme planning, implementation and reporting where there is no clear guidance as to when programmes are needed for the attention of the National Sustainable Development Commission, Infrastructure Committee, Budget Committee and such before going to Cabinet.

GREEN CLIMATE FUND (GCF)

Second additional financing of a US\$12 million grant was received from the Green Climate Fund (GCF) in December 2016 and the ADB's President provided approval on 30 October 2017. This funding will be used for the procurement of equipment and materials, civil works, related transportation, insurance, and installation costs for the installation of three additional units of BESS. TAU is the implementing agency for this subproject. The Fund Activity Agreement (FAA) between ADB and GCF was signed in May 2018, followed

by ADB and CIG signing the Grant Agreement (GA) and the Project Agreement (PA) between ADB and TAU on the 20 June 2018.

The Rarotonga Battery Energy Storage Systems “Power Station (LOT1)” and “Airport South(LOT2)” under Cook Islands Renewable Energy Sector Project (COO46453-002) – Phase 2 (Rarotonga) (BESS) ITB for closed on 20 February 2018 with Bid Opening commencing at midday on the same day. Six bids were received and publicly opened. ITB BER received a no objection letter from ADB and approval confirmation from CI Government Tender Committee. Airport South (LOT2) contract has been awarded to Vector Ltd on the 26 September 2018. An update for the Rarotonga Battery Energy Storage Systems “Power Station (LOT1) contract will be provided next quarter.

CHINA BUILDING REPAIRS

The preliminary results from the extensive technical and structural inspections of the three building were carried out in 2017/18FY. These were discussed with representatives from CIIC and then signed off between CIIC and the Chinese working groups. Based on the preliminary inspections, the new proposed budget for this project was revised to approximately NZ\$10,146,898 million. The renovations project is to be funded through the Economic and Technical Cooperation Agreement (ETCA) Grant funded by the People’s Republic of China (PRC).

The Implementation Agreement for this project was finalized and signed in October 2017. Furthermore, the Governments of the Cook Islands and Peoples Republic of China have signed Grant Agreements to the value of CNY¥30,000,000, to fund the renovations project.

Since then, this project has been suspended pending outcome of discussions between PRC Government and the Cook Islands Government.

TE MATO VAI (TMV)

The purpose of the Te Mato Vai project is to replace Rarotonga’s aging water network, improve storage and introduce treatment to provide our people with clean and reliable drinking water. The following are project activities progress to date:

The Cook Islands Government has engaged GHD New Zealand Limited to project manage the Te Mato Vai project through the Project Management Unit (PMU). A multi-agency Steering Group oversees the PMU’s work, to provide a consistent direction for Government policy and funding.

Once we have completed the project, a new Crown-owned water and wastewater authority will operate and maintain the new water supply infrastructure

Stage 2 works contract:

Landowners of all sites granted consent to access the sites to undertake survey and ground investigation work. This is an ongoing process, getting land access to all construction sites. Construction at the Turangi, Avana, Tupapa, and Matavera intake sites have commenced, as well as trunk main upgrades at Papua and Avatiu. The aim is to complete all Stage 2 construction and for the upgraded treatment and filtration facilities to be operational in 2020.

State Owned Enterprises (SOEs)

The table below consolidates 30 September 2018 performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira (TAU).

Table 19
SOEs Appropriation Analysis – September 2018 YTD

	2018/19 Budget Estimate -Qtr 1	2018/19 Actual - Qtr 1	Variance	
	('000)	('000)	('000)	%
Personnel	3,017	2,982	36	1
Operating	7,210	6,505	706	10
Depreciation	1,908	1,893	15	1
Trading Revenue	(13,227)	(13,063)	(164)	1
Net Activity Cost (Surplus)	(1,091)	(1,684)	592	(54)

The consolidated group reported a surplus of \$1.68 million, \$0.59 million (54 per cent) ahead of Budget estimates for 30 September 2018. This was from the operating results of TAU, the Airport Authority and Bank of Cook Islands.

The unfavourable variance in trading revenue was primarily CIIC's revenue collection being lower than budget due to timing of budget compared to collection.

Personnel, operating and depreciation were all under budget for the CIIC consolidated group as a result of better control on operating spending and saving on unfilled personnel positions.