

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 31 December 2023 is now available.

## EXECUTIVE SUMMARY

### 1. Fiscal Balance of General Government

December 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	102,645	113,525	10,880
Operating Expenditure (includes Depreciation)	115,649	97,015	18,635
<b>Net Operating Balance</b>	<b>(13,004)</b>	<b>16,510</b>	<b>29,514</b>
Add Depreciation	7,680	7,680	0
Less Capital Expenditure	16,667	7,484	9,183
<b>Fiscal Balance</b>	<b>(21,991)</b>	<b>16,706</b>	<b>38,697</b>

#### **Fiscal Balance**

Government's Net Fiscal balance for the quarter ended 31 December 2023 was a \$16.70 million surplus. This was an improvement by \$38.69 million compared to the budget estimate of \$21.99 million deficit. Overall revenue collection was slightly higher than anticipated by \$10.88 million and cost savings in Personnel (of \$4.17 million) Operating (of \$8.43 million) and Administered Payments (of \$7.57 million) have contributed to the improvement in Government's net fiscal balance.

## Operating Statement

The total Operating Revenue collected was \$10.88 million higher than anticipated for the quarter ended 31 December 2023. Taxation revenue collection was significantly higher than estimated compared to YTD budget estimates, due to increased business activity and consumer spending. This was slightly counteracted by an overall decrease in Other Revenue of \$0.59 million (inclusive of Upper Air Space Fees of \$1.38 million, Longline Licenses of \$2.30 million and Core Sector Support of \$9.1 million), followed by Trading Revenue of \$2.87 million.

The total Operating Expenses for General Government adjusted for depreciation for the year ended 31 December 2023 was \$97.01 million, which is \$18.63 million lower than budget estimates. This was mainly due to an overall underspend in day-to-day operational expenditure across the whole of Government ie. utilities, fuel and oil, freight etc. Government agencies are also aware of price increases and intend to take a more conservative approach regarding operation expenditure. Another contributing factor is that additional budget has been approved via Executive Order, of which the expenditure has yet to be spent. There were also underspends in Personnel caused by vacant positions within Government that are expected to be filled within the next 3-6 months as well as savings in Administered Payments equal to \$7.57 million, mainly contributed by YTD underspends in Airline Underwrite (of \$1.46 million) and Economic Recovery Roadmap (of \$1.35 million).

## Spending on ERR

<b>Spending on ERR &amp; ERR/ODA</b>					
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Support Measure	Original Budget 2023/24	Revised Budget 2023/24	Actual Total YTD	Actual Vs Original Budget 2023/24	Actual Vs Original Budget 2023/24 %
<b>For Economic Recovery Roadmap (ERR) Budget.</b>					
Reduced borrowing cost	12,000	-	-	12,000	0%
Managing public debt	-	-	-	-	0%
Infrastructure investment	-	-	-	-	0%
Barriers to Business	45,000	-	39,638	5,362	88%
Productivity growth	-	-	-	-	0%
Public sector efficiency	630,000	-	-	630,000	0%
Labour force and population	10,000	-	7,434	2,566	74%
Foreign investment	-	-	-	-	0%
Fees Free	100,000	-	30,040	69,960	30%
Isolation payments	-	-	-	-	0%
Programme management and operations	565,000	-	82,126	482,874	15%
Airline underwrite reserve	2,000,000	-	-	2,000,000	0%
Savings identified through HYEFU 2022/23	-	-	-	-	-
	<b>3,362,000</b>	<b>3,362,000</b>	<b>159,237</b>	<b>3,202,763</b>	
<b>Total</b>	<b>3,362,000</b>	<b>3,362,000</b>		<b>3,202,763</b>	

ERR YTD spending was 5% against the annual budget for the quarter.

Majority of the ERR budget was spent on Barriers to Business followed by Labour Force and population.

### Capital Expenditure

Dec 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Capital Expenditure	16,667	7,484	9,183
<b>Total Capital Expenditure</b>	<b>16,667</b>	<b>7,484</b>	<b>9,183</b>

Capital Expenditure: Capital expenditure was significantly lower than budgeted by \$9.18 million for the quarter ended 31 December 2023. Significant underspends in To Tatou Vai, Government Building Projects and Purchase of Protocol Vehicles have contributed to this. Agencies are encouraged to appropriately plan and manage their Capital Budgets to ensure budgets are spent in the allotted periods, however given the unpredictable nature of the operating environment, delays have occurred.

### Financial Position

#### General Cash Reserves

Cash Reserves General Government	31 Dec 2023 YTD ('000)	30 Sept 2023 YTD ('000)	Variance ('000)
Operational Bank Accounts	15,445	25,884	(10,439)
Term Deposits and Trust Accounts	142,491	141,544	947
Foreign Exchange Reserves	24,715	16,428	8,287
<b>Total Cash Reserve Balance</b>	<b>182,651</b>	<b>183,856</b>	<b>(1,205)</b>
<i>Less Total Claims on Cash Reserve</i>	114,187	114,889	(702)
<i>Less Other General Funds</i>	8,396	8,271	125
<b>Total Estimated Cash Reserve</b>	<b>60,068</b>	<b>60,696</b>	<b>(628)</b>

The general cash reserves were \$60.06 million at the end of December, a decrease of \$0.62 million from the September 2023 quarter. This was mainly due to an increase in total claims on the cash reserve, stemming from the contributions to Loan Repayment Fund and Aid Trust Fund.

### Crown Debt

	Dec 23 YTD (‘000)	Sept 23 YTD (‘000)
Total Gross Borrowings	219,208	227,294
Less Loan Repayment Fund	(15,704)	(18,111)
<b>Net Borrowing by the Crown</b>	<b>203,504</b>	<b>209,193</b>
<i>Less Avatiu Port Development &amp; Avaroa Cable Ltd</i>	(37,932)	(40,635)
<b>Net Borrowing by the General Government</b>	<b>165,572</b>	<b>168,548</b>

The total gross debt by the Crown for the December 2023 period was \$219.2 million, a decrease of \$8.08 million from the September 2023 quarter. The decrease in debt level was mainly due to loan principal repayments and loan interest payments.

The general government's 'Net Debt' is equivalent to total gross debt, net of the Loan Repayment Funds (LRF) and SOE debts. General Government Net Debt for the second quarter ending 31 December 2023 was \$203.50 million, a decrease of \$5.68 million from the September 2023 quarter mainly due to drawdown of \$17.04 million from the LRF account and Loan repayment of \$1.26 million.

### Net Debt to GDP

<b>Net Debt to GDP</b>	Dec 23 YTD (‘000)	Sept 23 YTD (‘000)
Net Borrowing by the Crown	165,572	168,548
Total GDP*	541	541
<b>Net Debt to GDP</b>	<b>30.6%</b>	<b>31.0%</b>
<i>*GDP source</i>	<i>2023/24 Budget</i>	<i>2023/24 Budget</i>

Net Debt as a percentage of GDP reported on 31 December 2023 was 30.6%, a decrease of 0.4% from the September quarter due to movement in foreign exchange rates against the NZD.

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