

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 31 December 2022 is now available.

## EXECUTIVE SUMMARY

### 1. Fiscal Balance of General Government

December 2022 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	85,551	91,995	6,444
<i>Operating Expenditure (includes Depreciation)</i>	94,650	81,728	12,922
<b>Net Operating Balance</b>	<b>-9,099</b>	<b>10,267</b>	<b>19,367</b>
<i>Add Depreciation</i>	6,884	6,883	1
<i>Less Capital Expenditure</i>	21,245	9,566	11,679
<b>Fiscal Balance</b>	<b>-23,461</b>	<b>7,584</b>	<b>31,045</b>

#### Fiscal Balance

General Government's net fiscal balance for the quarter ended 31 December 2022 was \$7.5 million surplus. This is significantly better at \$31.04 million compared to the budgeted estimate of \$23.46 million deficit. This is made up of favourable results to budget for Revenue \$6.4 million, Operating Expenditure \$12.9 million and Capital Expenditure \$11.6 million.

### 2. Operating Statement

#### Operating Revenue

December 2022 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Taxation Revenue	68,634	67,416	1,218
Trading Revenue	1,851	1,763	89
Core Sector Support	7,825	7,825	0
Other Crown Revenue	7,241	14,991	-7,751
<b>Total Revenue</b>	<b>85,551</b>	<b>91,995</b>	<b>-6,444</b>

The Operating Revenue is 7.5% above Budget at \$6.4 million this can be largely attributed to the ERR Covid 19 Receipt of \$4.1 million and the FSC Vested Assets Receipt of \$2.3 million. The Taxation revenue is 2% below budget the result of timing differences.

## Operating Expenditure

<b>December 2022 Quarter</b>	<b>Budget ('000)</b>	<b>Actual ('000)</b>	<b>Variance ('000)</b>
Ministry/ Pa Enea Expenditure	43,718	40,248	3,470
Administered Payments	20,686	13,714	6,973
Payment on Behalf of Crown	18,141	16,963	1,177
Other Expenditure	5,221	3,919	1,302
<b>Total Operating Cash Expenditure</b>	<b>87,766</b>	<b>74,845</b>	<b>12,922</b>

<b>Non-Cash Operating Expenditure</b>	<b>Budget ('000)</b>	<b>Actual ('000)</b>	<b>Variance ('000)</b>
Ministry/ Pa Enea Depreciation	3,495	3,495	0
Crown Infrastructure & Contingency Depreciation	2,302	2,302	1
Depreciation Contingency Fund	1,087	1,087	0
<b>Total Non-Cash Operating Expenditure</b>	<b>6,884</b>	<b>6,883</b>	<b>1</b>

<b>Total Expenditure</b>	<b>94,650</b>	<b>81,728</b>	<b>12,922</b>
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The operating expenditure for the quarter ended 31 December 2022 was lower than Budget by \$12.9 million. This is mainly due to underspends in Administered Payments COVID related \$6.9 million and Personnel \$3.4 million. Agencies remain committed to strengthening their workforce by investing in skills and expertise. However, we are operating in a tight global labour market, testing our agility in the recruitment process.

### 3. Spending on ERP and ERR

Support Measure	Revised Budget 2022/23	Actual Total YTD	Actual Vs Original Budget 2022/23	Actual Vs Original Budget 2022/23 %	EPD Commentary (includes explanation over any overruns, underspends, forecast commentary)
<b>For Economic Recovery Roadmap (ERR) Budget.</b>					
Reduced borrowing cost	22,000	-	22,000	0%	Costs expected to be related to consultation, not commenced yet.
Barriers to Business	20,000	-	20,000	0%	Costs expected to be related to consultation, not commenced yet.
Productivity growth	200,000	100,000	100,000	50%	Marketing of the Cook Islands Financial Services Industry (FSI).
Public sector efficiency	640,000	248,000	392,000	39%	Most of costs for FMIS roll out, with the remainder expected to be related to consultation on functional review. Expenditure method being finalised with TMD.
Labour force and population	143,000	13,355	129,645	9%	Expected costs of \$35k to be submitted by INTAFF (via monthly payments for new labour officer). No other expenditures as yet.
Foreign investment	20,000	-	20,000	0%	Costs expected to be related to consultation, not commenced yet.
Fees Free	400,000	123,228	276,772	31%	
Isolation payments	100,000	30,720	469,280	6%	Payments only made where TMO issues isolation order. At this stage, not expecting significant costs. However, TMO are looking at their options regarding the current wave of infections and we are keeping in touch with them for how it will play out regarding isolation income support.
Programme management and operations	1,105,000	111,955	1,143,046	9%	Personnel costs, BCI BCCF admin payment, CINSF system unwind, Pa Enua consultation and programme comms
Airline underwrite reserve	-	-	2,000,000	0%	Contingency funding not triggered.
Savings identified through HYEPU 2022/23	2,550,000				Airline underwrite reserve, isolation payments and personnel spending identified as savings
	5,200,000	627,257	4,572,743	12%	
<b>Total</b>	<b>5,200,000</b>		<b>4,572,743</b>		

ERP and ERR spending were 12% against budget for the quarter.

Majority of the ERP and ERR budget was spent on Public Sector efficiency (\$0.24 million), followed by productivity growth (\$0.10 million). Unspent budgets are expected to be utilised in the coming months.

### 4. Capital Expenditure

December 2022 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)
Total Capital Expenditure	21,245	9,566	11,679
<b>Total Capital Expenditure</b>	<b>21,245</b>	<b>9,566</b>	<b>11,679</b>

Capital expenditure was lower than Budget by \$11.6 million for the quarter ended 31 December 2022. 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. ICI have opted to pivot and placed some projects on hold transferring budgets to projects currently under-way.

## 5. Financial Position

### General Cash Reserves

<b>Cash Reserves General Government</b>	<b>31 December 2022 YTD ('000)</b>	<b>30 September 2022 YTD ('000)</b>	<b>Variance ('000)</b>
Operational Bank Accounts	26,164	22,975	3,190
Term Deposits and Trust Accounts	126,233	136,665	-10,432
Foreign Exchange Reserves	18,087	0	18,087
<b>Total Cash Reserve Balance</b>	<b>170,484</b>	<b>159,640</b>	<b>10,845</b>
<i>Less Total Claims on Cash Reserve</i>	100,388	100,121	267
<i>Less Other General Funds</i>	9,108	9,354	-246
<b>Total Estimated Cash Reserve</b>	<b>60,988</b>	<b>50,165</b>	<b>10,823</b>

The general cash reserves were \$60.9 million at the end of December, an increase of \$10.8 million from September 2022 quarter. The increase was mainly due to increase in Foreign Exchange Reserves.

### Crown Debt

	<b>Dec 22 YTD ('000)</b>	<b>Sept 22 YTD ('000)</b>
Total Gross Borrowings	229,961	234,753
Less Loan Repayment Fund	-17,813	-19,009
<b>Net Borrowing by the Crown</b>	<b>212,149</b>	<b>215,744</b>
<i>Less Avatiu Port Development &amp; Avaroa Cable Ltd</i>	-40,477	-39,061
<b>Net Borrowing by the General Government</b>	<b>171,671</b>	<b>176,684</b>

The total gross debt by the Crown for the quarter ended 31 December 2022 was \$229.96 million, a decrease of \$4.79 million from the September 2022 quarter. The decrease in debt level was mainly due to loan repayments and increase in exchange rates for USD and RMB currencies.

### **Net Debt to GDP**

<b>Net Debt to GDP</b>	<b>Dec 22 YTD (‘000)</b>	<b>Sept 22 YTD (‘000)</b>
Net Borrowing by the Crown	212.15	215.74
Total GDP*	484	484
<b>Net Debt to GDP</b>	<b>43.8%</b>	<b>44.6%</b>
<i>*GDP source</i>	<i>2022/23 Budget</i>	<i>2022/23 Budget</i>

Net Debt as a percentage of GDP reported on 31 December 2022 at 43.8%, a minor reduction of 0.7% from the September quarter due to movement in foreign exchange rates against the NZD. Net debt to GDP threshold was revised in the latest Medium-Term Fiscal Strategy from 35% to 65% to allow Government debt headroom to access the financing needed to support and stimulate the economy due to the pandemic.

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