

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 30 September 2023 is now available.

## EXECUTIVE SUMMARY

### 1. Fiscal Balance of General Government

September 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	55,222	58,418	3,195
Operating Expenditure (includes Depreciation)	59,314	43,716	15,597
<b>Net Operating Balance</b>	<b>(4,091)</b>	<b>14,701</b>	<b>18,793</b>
Add Depreciation	3,840	3,840	0
Less Capital Expenditure	7,624	2,688	4,936
<b>Fiscal Balance</b>	<b>(7,875)</b>	<b>(15,853)</b>	<b>23,728</b>

#### **Fiscal Balance**

Government's Net Fiscal balance for the quarter ended 30 September 2023 was a \$15.85 million surplus. This was an improvement by \$23.72 million compared to the budget estimate of \$7.87 million deficit. Overall revenue collection was slightly higher than anticipated by \$3.19 million and cost savings in Personnel (of \$2.82 million) Operating (of \$4.98 million) and Administered Payments (of \$4.78 million) have contributed to the improvement in Government's net fiscal balance.

### **Operating Statement**

The total Operating Revenue collected was \$3.19 million higher than anticipated for the quarter ended 30 September 2023. Taxation revenue collection was slightly higher than estimated compared to YTD budget estimates, due to increased business activity and consumer spending. There were also increases in Other Revenue of \$0.55 million (inclusive of Upper Air Space Fees of \$1.38 million, Immigration Fees of \$0.67 million and Core Sector Support of \$9.1 million), followed by Trading Revenue of \$1.56 million.

The total Operating Expenses for General Government adjusted for depreciation for the year ended 30 September 2023 was \$43.7 million, which is \$15.5 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. 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 \$4.78 million, mainly contributed by YTD underspends in Airline Underwrite (of \$497k) and Economic Recovery Roadmap (of \$517k).

### **Spending on ERR**

Spending on ERR & ERR/ODA				
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Support Measure	Original 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%
Infrastructre investment	-	-	-	0%
Barriers to Business	45,000	36,013	8,987	80%
Productivity growth	-	-	-	0%
Public sector efficiency	630,000	-	630,000	0%
Labour force and population	10,000	3,349	6,651	33%
Foreign investment	-	-	-	0%
Fees Free	100,000	30,040	69,960	30%
Isolation payments	-	-	-	0%
Programme management and operations	565,000	63,293	501,707	11%
Airline underwrite reserve	2,000,000	-	2,000,000	0%
Savings identified through HYEFU 2022/23	-	-	-	-
	<b>3,362,000</b>	<b>132,695</b>	<b>3,229,305</b>	
<b>Total</b>	<b>3,362,000</b>		<b>3,229,305</b>	

ERR spending was 4% 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

Sept 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Capital Expenditure	7,624	2,688	4,936
<b>Total Capital Expenditure</b>	<b>7,624</b>	<b>2,688</b>	<b>4,936</b>

Capital expenditure was significantly lower than budgeted by \$4.93 million for the quarter ended 30 September 2023. Significant underspends in Pa Enea Marine Infrastructure, Bridges, Structures and Road Asset Management have contributed to this. However much of the Roding Budget will be spent in Quarter 2. 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	30 Sept 2023 YTD ('000)	30 June 2023 YTD ('000)	Variance ('000)
Operational Bank Accounts	25,884	25,153	731
Term Deposits and Trust Accounts	141,544	125,726	15,818
Foreign Exchange Reserves	16,428	22,848	(6,420)
<b>Total Cash Reserve Balance</b>	<b>183,856</b>	<b>173,727</b>	<b>10,129</b>
<i>Less Total Claims on Cash Reserve</i>	114,889	96,906	17,983
<i>Less Other General Funds</i>	8,271	6,152	2,119
<b>Total Estimated Cash Reserve</b>	<b>60,696</b>	<b>70,669</b>	<b>(9,973)</b>

The general cash reserves were \$60.69 million at the end of September, an decrease of \$9.97 million from the June 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

	Sept 23 YTD ('000)	Jun 23 YTD ('000)
Total Gross Borrowings	226,981	228,660
Less Loan Repayment Fund	(18,111)	(5,047)
<b>Net Borrowing by the Crown</b>	<b>208,870</b>	<b>223,613</b>
<i>Less Avatiu Port Development &amp; Avaroa Cable Ltd</i>	(41,070)	(41,383)
<b>Net Borrowing by the General Government</b>	<b>167,800</b>	<b>182,230</b>

The total gross debt by the Crown for the September 2023 period was \$226.98 million, a decrease of \$1.67 million from the June 2023 quarter. The decrease in debt level was mainly due to loan principal repayments.

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 final quarter ending 30 September 2023 was \$208.87 million, a decrease of \$14.74 million from the June 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>	<b>Sept 23 YTD (‘000)</b>	<b>Jun 23 YTD (‘000)</b>
Net Borrowing by the Crown	167,800	182,230
Total GDP*	541	484
<b>Net Debt to GDP</b>	<b>31.0%</b>	<b>37.6%</b>
<i>*GDP source</i>	<i>2023/24 Budget</i>	<i>2023/24 Budget</i>

Net Debt as a percentage of GDP reported on 30 Sept 2023 was 31.0%, a decrease of 6.6% from the June quarter due to movement in foreign exchange rates against the NZD.

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