

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 30 June 2022 is now available.

EXECUTIVE SUMMARY

1. Fiscal Balance of General Government

June 2022 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance (\$'000)
Operating Revenue	162,329	177,795	-15,466
Operating Expenditure	207,998	196,826	11,172
Net Operating Balance	-45,669	-19,031	-26,638
<i>Add Depreciation</i>	13,931	7,872	6,059
<i>Less Capital Expenditure</i>	27,437	23,820	3,617
Fiscal Balance	-59,175	-34,979	-24,196

Fiscal Balance

General Government's net fiscal balance for the year ended 30 June 2022 improved by \$24.20 million compared to the budget estimate of \$59.18 million shortfall. Higher revenue collections of \$15.47 million contributed to the improvement in Government's net fiscal balance, in addition cost savings in Operating Expenses (of \$11.17 million), Depreciation (of \$6.06 million) and Capital Expenditure (of \$3.62 million).

Operating Statement

Total operating revenue collected was \$15.47 million higher than anticipated for the year ended 30 June 2022. This was primarily due to additional General Budget Support of \$10 million, Vested Asset funds received from the Financial Supervisory Commission (FSC) of \$4.98 million which was not included in the original revenue forecasts for the financial year, followed by Immigration Fees with an increase of \$0.50 million and MFEM's circulation of currency - coins of \$0.43 million.

Direct taxation revenue, which consists of income tax, company tax and withholding tax was on target at year end as predicted with a slight shortfall of \$0.90 million. However, within the different tax categories, there was significant shortfall of \$7.6 million for Company Tax due to low business confidence resulting in low provisional tax estimates and payments by companies. This was offset by \$7.7 million increase for Individual Income Tax due to compliance activities and steady PAYE contributions from larger employers. Indirect taxation revenue saw departure tax below budget by \$2.87 million in line with low tourism numbers than expected, import duties was also below budget by \$0.91 million reflecting lower import volumes.

Total operating expenditure adjusted for depreciation for the year was lower than estimated by \$11.17 million, mainly due to underspends in operating and personnel budget. As part of government's cash management strategy, MFEM introduced measures to strictly monitor any requests to transfer personnel savings to operating appropriation. This contributed to securing of \$6.1 million savings in personnel alone due to unfilled vacancies.

Administered Payments and POBOC related spending were also below budget by \$2.93 million and \$0.2 million respectively, primarily attributed to underspending in various items due to strict cost management practices.

Spending on ERP and ERR

Support Measure	Full Year Budget 2021/22	Actual Total YTD	Actual Vs Full Year Budget 2021/22	Actual Vs Full Year Budget 2021/22
	\$'000		\$'000	%
For Economic Recovery Roadmap (ERR) Budget.				
Wage Subsidy	31,076	29,425	1,651	95%
Business Grants	9,944	9,944	-	100%
Sole Trader Grants	941	807	134	86%
Self Isolation Payments	150	160	(10)	106%
Labour Force Population	118	24	94	21%
Fees Free	500	223	277	45%
SMART Agriculture Initiative	125	125	-	100%
SMART Economy Initiative	50	50	-	100%
Air Rarotonga Subsidy	550	550	-	100%
Administrative Expenses	1,504	1,099	405	73%
Reserves	1,823	-	1,823	0%
Unspent Funds Transferred to CINSF ERR Account for Business Support	-	-	-	0%
	46,781	42,407	4,374	91%
Total	46,781	42,407	4,374	91%

Total ERP & ERR Fully Year Budget:	\$	46,781
Total ERP & ERR Actual Spend YTD:	\$	42,407
Total Remaining Budget:	\$	4,374

ERP and ERR spending were 91% against budget and includes additional budget approved of \$7.9 million from carry forward and transfers of \$5.5 million from the Airline Underwrite budget.

Majority of the ERP and ERR budget was spent on Wage Subsidy (63%), followed by Business Grant (21%) and Administrative expenses (2%). Funds set aside of \$1.82 million as reserves was not utilised.

Capital Expenditure

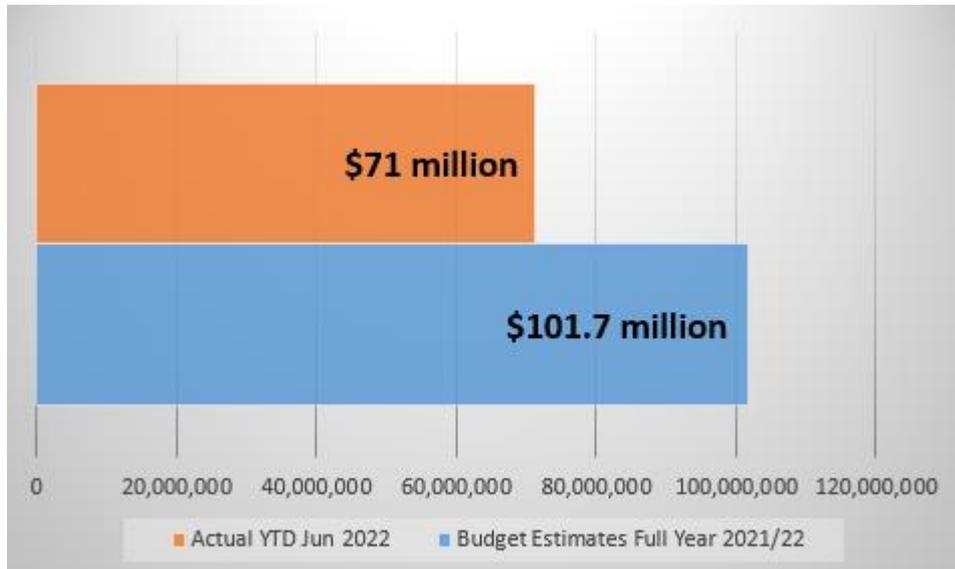
June 2022 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)
Total Capital Expenditure	27,437	23,820	3,617
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The approved capital budget for 2021/22 was \$37.7 million which includes \$5.21 million that was carried forward from the 2020/21 fiscal year. Resourcing and logistical constraints due to the Covid-19 pandemic hampered the implementation of certain projects which resulted in a

reappropriation of projects valued at \$8.91 million to the 2022/23 fiscal year in addition to \$1.49 million approved carry forward to 2022/23 fiscal year.

Capital expenditure was slightly lower than budget by \$3.62 million as a result of the reappropriation and the carry forward approval.

2. Official Development Assistance (ODA)



Total ODA budget was initially forecasted at \$91.7 million and later increased to \$101.7 million during the year with an additional \$20 million grant from New Zealand, \$10 million was allocated to support programmes and initiatives to achieve the purpose under the Cook Islands Economic Recovery.

Total expenditure to 30 June 2022 is reported at \$71 million, representing a 70% spend against the total ODA budget and predominantly allocated to the implementation of the Economic Recovery Plan and Economic Recovery Roadmap as part of the Cook Islands COVID-19 response.

Furthermore, large infrastructure projects such as Te Mato Vai remediation, Mei Te Vai Ki Te Vai and the Rarotonga Airport Refurbishment also contributed towards the reported figures. Implementation of some capital projects such as the Renewable Energy Project for the Southern group islands were impacted by COVID-19, due to international border closures and travel restrictions.

3. Financial Position

General Cash Reserves

Cash Reserves General Government	30 June 2022 YTD ('000)	31 Mar 2022 YTD ('000)	Variance ('000)
Operational Bank Accounts	21,549	20,572	978
Term Deposits and Trust Accounts	125,563	139,825	-14,262
Foreign Exchange Reserves	22,712	18,852	3,860
Total Cash Reserve Balance	169,825	179,249	-9,424
<i>Less Total Claims on Cash Reserve</i>	102,602	117,772	-15,170
<i>Less Other General Funds</i>	6,547	10,382	-3,835
Total Estimated Cash Reserve	60,676	51,095	9,581

The general cash reserves were \$60.68 million at the end of June, an increase of \$9.58 million from March 2022 quarter. The increase was mainly due to reduction in committed funds, Loan Repayment Fund reduces by \$2.38 million, Other Trust Funds reduces by \$2.90 million and Ministry Bank accounts reduces by \$2.0 million.

Crown Debt

	Jun 22 YTD ('000)	Mar 22 YTD ('000)
Total Gross Borrowings	230,712	224,025
Less Loan Repayment Fund	-12,935	-16,905
Net Borrowing by the Crown	217,777	207,120
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-37,211	-35,120
Net Borrowing by the General Government	180,566	172,000

The total gross debt by the Crown for June 2022 quarter was \$217.78 million, an increase of \$10.66 million from the March 2022 quarter. The increase in debt level was mainly due to reduction in the value of the NZ against the SDR, USD and RMB resulting in unrealised loss for the quarter.

Net Debt to GDP

Net Debt to GDP	Jun 22 YTD	Mar 22 YTD
	(‘000)	(‘000)
Net Borrowing by the Crown	217.78	207.12
Total GDP	484.00 <small>(per 2022/23 Budget Book)</small>	487.20 <small>(per 2021/22 Half Year Update)</small>
Net Debt to GDP	45.00%	42.51%

Net Debt as a percentage of GDP reported on 30 June 2022 at 45%, an increase 2% from the March 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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