

Preliminary Results for the Financial Year ending June 2020

The Cook Islands Government (CIG) preliminary financial outcome for the financial year ending 30 June 2020 is now available. Please refer to the attached financial report for details.

High Level Summary

1. Fiscal Balance General Government

For the year ending 30 June 2020	Budget	Actual	Variance
	('000)	('000)	('000)
Operating Revenue	\$ 179,966	\$ 195,607	\$ 15,641
Operating Expenditure	\$ 205,003	\$ 177,632	\$ 28,372
Net Operating Balance	-\$ 26,037	\$ 17,975	\$ 44,012
<i>Add Depreciation</i>	\$ 13,772	\$ 9,154	\$ 4,618
<i>Less Capital Expenditure</i>	\$ 50,124	\$ 39,073	\$ 11,051
Fiscal Balance	-\$ 62,389	-\$ 11,944	\$ 50,446

\$11.94 million
Fiscal Deficit

The net operating balance for the year ended 30 June 2020 was a surplus of \$17.98 million this represents a \$44.01 million favourable variance compared to the net operating balance estimated. This was driven mainly by underspending in Operating Expenditure of \$28.37 million and higher revenue collection (up \$15.64 million) compared to budget estimates.

The overall fiscal balance was a deficit of \$11.94 million, this is the overall net result after adjusting the net operating balance taking into account spending on Capital items and the corresponding depreciation offset.

2. Crown Operating Revenue

For the year ending 30 June 2020	Budget	Actual	Variance
	('000)	('000)	('000)
Taxation Revenue	\$ 130,554	\$ 148,281	\$ 17,728
Trading Revenue	\$ 4,927	\$ 3,422	-\$ 1,505
Core Sector Support	\$ 14,730	\$ 14,825	\$ 95
Other Crown Revenue	\$ 29,755	\$ 29,078	-\$ 677
Total Revenue	\$ 179,966	\$ 195,607	\$ 15,641

\$15.64 million
Higher Revenue
Collection

Crown Operating revenue reported \$15.64 million higher collection against the budget estimates for the financial year. This was primarily caused by higher collection reported for taxation revenue of \$17.73 million compared to estimates, offsetting this was lower collection in dividends of \$1.11 million and trading revenue (down \$1.51 million) all related to the impact of COVID-19 on SOEs bottom line and Ministries trading.

The estimates for taxation revenue was revised downward in the supplementary budget 2019/20 to take into account the impact of COVID-19 on taxation collection however due to timing of this impact, the collection came in higher by year end.

3. Crown Operating Expenditure

	For the year ending 30 June 2020	Budget	Actual	Variance
		('000)	('000)	('000)
Ministry/ Pa Enea Expenditure		\$ 90,652	\$ 84,438	\$ 6,214
Administered Payments		\$ 76,507	\$ 61,978	\$ 14,529
Payment on Behalf of Crown		\$ 28,190	\$ 27,008	\$ 1,183
Other Expenditure		\$ 10,654	\$ 4,208	\$ 6,446
Total Expenditure		\$ 206,003	\$ 177,632	\$ 28,372

\$28.37 million
Underspending

General Government operating expenditure reported lower actual spending by \$28.37 million against the budget estimates for the year.

This was largely attributed to the underspend in administered payments of \$14.53 million mainly due to timing of spending for COVID-19 Economic Response Plan and savings from the Air New Zealand Underwrites which were all COVID-19 related. Underspending in Ministry Operating and Personnel of \$6.59 million were mainly due to vacant positions yet to be filled, additionally, Crown infrastructure depreciation expenses of \$4.99 million were not realised due to the timing of capitalising Capital Projects which are still at 'work in progress' stage.

4. Crown Capital Expenditure

For the year ending 30 June 2020	Budget	Actual	Variance
	('000)	('000)	('000)
Capital Expenditure	\$ 50,124	\$ 39,073	\$ 11,051
Total Expenditure	\$ 50,124	\$ 39,073	\$ 11,051

\$39.07 million
Capital Spent

Capital expenditure was below Budget estimates by \$11.05 million. The variance was mainly due to scheduling of major projects including;

- Te Mato Vai (\$3.4 million)
- Land Acquisition (\$1.7 million)
- Renewable Energy project (\$1.5 million)

These savings have either been rescheduled to 2020/21 or deferred to a latter period.

5. General Government Cash Reserves

For the year ending 30 June 2020	('000)
Operational Bank Accounts	\$ 26,445
Term Deposits and Trust Accounts	\$ 114,906
Total Cash Reserve Balance	\$ 141,351
<i>Less Total Claims on Cash Reserve</i>	<i>-\$130,195</i>
Total Estimated Cash Reserve	\$ 11,156



Estimated general cash reserve at the end of the period was \$11.16 million, this is unencumbered cash and are not committed to anything specific. The government has established various investment policies to ensure these funds are earning good returns on investment.

Total cash balance was \$141.35 million and includes funds that are committed of \$130.20 million. Committed funds relates to funds set aside for specific purposes which includes the Reserve Trust Fund, the Loan Repayment Fund (LRF) and other Trust accounts.

Also included in the committed funds is the Stabilisation Account which was established in the 2019/20 budget appropriation of \$56.7 million. The Stabilisation Account was set up, with the purpose of improving fiscal resilience of the Cook Islands against economic shocks and natural disasters.

6. Crown Debt

For the year ending 30 June 2020	('000)
Total Gross Borrowings	\$ 101,771
<i>Less Loan Repayment Fund</i>	<i>-\$ 20,456</i>
Net Borrowing by the Crown	\$ 81,315
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	<i>-\$ 31,019</i>
Net Borrowing by the General Government	\$ 50,296



Overall Crown gross debt was \$101.77 million at the end of June 2020, this represented actual disbursed loans only, adjusted for debt service repayments.

The Crown is also committed to an additional \$23.73 million of loans related to;

- \$15.68 million Disaster Recovery Management loan that will only be utilised and disbursed in the event of a catastrophe; and
- the Undersea Broadband Cable loan of \$8.05 million which is estimated to be drawn down in the 2020/21 financial year.

Net Debt was reported at \$50.30 million, which adjusts the gross debt for the effect of the LRF held against those loans and the loans held on behalf of SOE's.

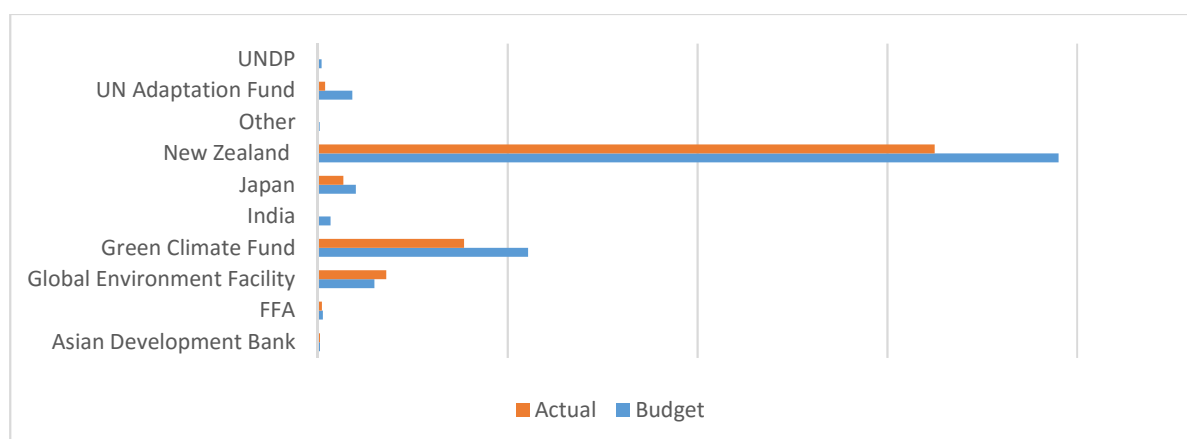
7. State Owned Enterprises (SOE's)

\$1.03 million
Net Deficit

For the year ending 30 June 2020	Budget	Actual	Variance
	('000)	('000)	('000)
Personnel	\$ 13,995	\$ 13,825	\$ 170
Operating	\$ 35,331	\$ 39,668	-\$ 4,337
Depreciation	\$ 7,902	\$ 7,661	\$ 241
Trading Revenue	-\$ 61,168	-\$ 60,127	\$ 1,041
Total Net Expenditure	-\$ 3,940	\$ 1,027	-\$ 4,967

The consolidated group returned a net operating deficit of \$1.03 million, \$4.97 million lower than Budget estimates for the reporting period. This is attributable to the negative operating results of TAU, the Airport Authority, and TMU, amidst the COVID-19 environment. Trading revenues is \$1.04 million lower than budget at a Group level. This was largely due to COVID-19 and the support of SOEs towards the Government subsidy support initiatives.

8. Official Development Assistance (ODA)



Official Development assistance spent for the year ending 30 June 2020 reported a total of \$46.01 million or 64 per cent of the budget estimated for the same period.

Majority of the funds were provided through the New Zealand ODA program, refer to the report for further details.

Attachments;

1. Quarterly Financial Report(QFR) for the year ending 30 June 2020