

The Cook Islands Government (CIG) preliminary financial outcome for the year ended 30 June 2021 is now available.

Net Operating Balance and Fiscal Balance of General Government

1. Fiscal Balance General Government

June 2021 Quarter	Budget (\$'000)	Actual (\$'000)	Variance (\$'000)
Operating Revenue	125,357	160,755	35,398
Operating Expenditure	243,363	231,317	12,047
Net Operating Balance	-118,006	-70,562	47,445
<i>Add Depreciation</i>	13,137	7,127	6,010
<i>Less Capital Expenditure</i>	42,932	30,036	12,896
Fiscal Balance	-147,802	-93,471	54,330

Fiscal Balance

General Government's net fiscal balance for the year ended 30 June 2021 improved by \$54.3 million compared to the budget estimate of \$147.8 million shortfall. Higher revenue collections predominantly in Other Crown Revenue of \$42.0 million contributed to the significant improvement in the Government's net fiscal balance in addition to savings in Operating Expenses (of \$12 million) and Capital Expenditure (of \$12.9 million).

Operating Statement

Total operating revenue for the year end 30 June 2021 increased by \$35.4 million higher collection against the budget estimates. This was primarily due to grants received from NZ Government totalling \$35.0 million; of which \$15.0 million was received in the second quarter, and the remaining \$20.0 million within the last quarter, to go towards the COVID-19 ERP followed by Vested Assets funds received from FSC of \$8.3 million, both were not included in the original revenue forecasts for the financial year. This was offset by taxation revenue reporting a \$7.3 million lower than estimated at the time of budget.

Taxation revenue was reduced to almost 50 per cent of the 2019/20 taxation revenue estimates, taking into account the impact of COVID-19 on taxation collection and despite stringent audits and collection activities during the period.

Total operating expenditure for the year end 30 June 2021 was lower than estimated by \$12 million. This was mainly due to underspends in Government Agencies and Island Government operating budgets by \$3.7 million, due to taking advantage of COVID-19 electricity discounts issued by Te Aponga Uira (TAU); Cook Islands energy service provider, to support Government's Economic Response Plan since March 2020 and cost sharing between Government Agency work programmes.

In addition, expenditure through the Administered Payments was \$3.7 million lower than budgeted, primarily attributable to the COVID-19 Economic Response Plan (ERP) utilising the remainder of the fund following Government's announcement to extend the Wage Subsidy up to June 2021.

Expenditure on POBOC was \$1.3 million lower than budgeted as at year end 30 June 2021, predominantly due to underspends in various POBOC lines such as the MP Travel and Allowances POBOC and QR Travel and Allowances POBOC, International Subscriptions and the BCI Subsidy POBOC. These underspends were slightly offset through overspends under the Civil List – Personnel POBOC due to Government meeting obligations stipulated under the updated Remuneration Tribunal Order 2019.

Spending on ERP

ERP Measure	Full Year Revised Budget 2020/21	Forecast Actual YTD June 2021	Actual Vs Full Year Budget 2020/21
	\$'000	\$'000	%
Operating	1,353	919	68%
Fees Free Programme	1,065	913	86%
Air Rarotonga Pa Enea Subsidy	650	600	92%
SMART AgriTech Initiative	1,000	863	86%
SMART Economy Initiative	2,000	1,899	95%
Business Continuity Credit Facility (BCCF)	7,020	6,904	98%
Interest Relief	14,200	12,285	87%
Unemployment Benefit & Extension	374	391	104%
Emergency Hardship	45	30	67%
Employment Services Staff	13	10	75%
Wage Subsidy & Training Subsidy	46,200	41,991	91%
Wage Subsidy /Business Grant Reimbursed	(66)	(73)	111%
Business Grants	5,000	4,549	91%
Sole Trader Grants	3,000	2,470	82%
Training Grant	300	220	73%
Business Growth Loans	-	-	0%
Community Partnership Program	-	-	0%
	82,155	73,970	90%

Above is an interim snapshot of expenditure through the ERP. A final expenditure report is expected to be available before the end of September 2021. Approximately \$0.4 million has been approved to be carried forward to the 2021/22 financial year in order to complete outstanding processing of ERP and administrative related expenditure.

Capital Expenditure

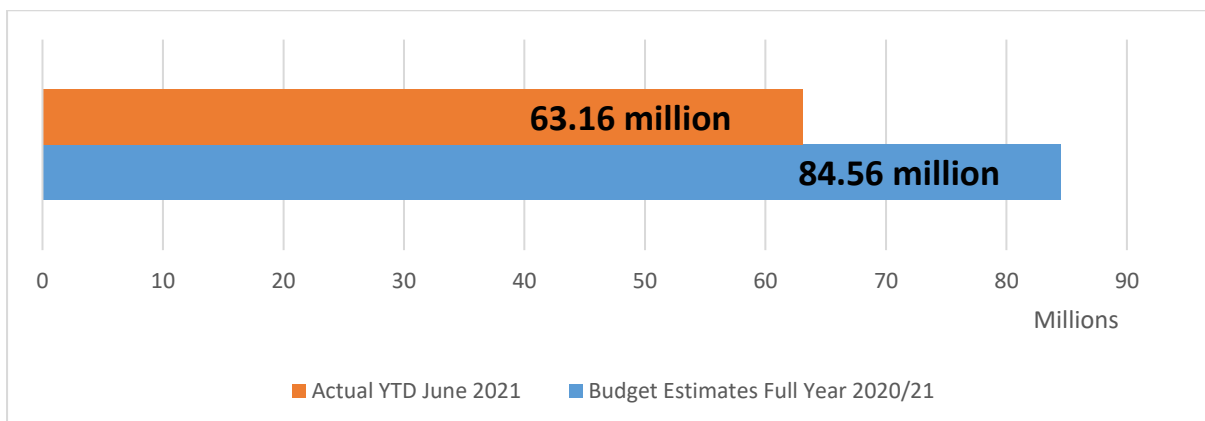
June 2021 Quarter	Annual Budget (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)
Capital Expenditure	42,932	30,036	12,896
Total Expenditure	42,932	30,036	12,896

Total capital expenditure for the year end 30 June 2021 was 70% or \$12.9 million lower than budgeted. This was predominantly due to the impacts of COVID-19 on travel restrictions, delays in sourcing resources and logistical constraints which had hindered Government's ability to implement scheduled projects before the end of the financial year. Capital projects with reported significant underspends includes:

- To Tatou Vai (\$1.6 million)
- Emergency Management and Support Infrastructure (\$1.3 million)
- Bridges and Structures Asset Management and Improvement Programme (\$1.7 million)
- Pa Enea Air Infrastructure Improvement Programme (\$1.1 million)
- Te Mato Vai (\$4.1 million) – noting that the project was completed at the end of 2020/21.

Savings reported in some ongoing projects have been approved to be carried forward to the 2021/22 financial year in order to complete outstanding works required on Rarotonga and the Pa Enea.

2. Official Development Assistance



Total ODA, including General Budget Support (\$23.0 million) was \$84.6 million. Since then, an additional \$15.0 million of grant funding was received from the New Zealand Government in the second quarter as well as a \$1.5 million grant from the Asian Development Bank (ADB) which government has prioritised towards further financing of the ERP. An additional \$20.0 million of grant funding was received in the final quarter of the financial year.

As at year end 30 June 2021, total expenditure through ODA was \$63.2 million. This was due to ongoing negotiations on priorities and the design of individual grant funding agreements. The impact of COVID-19 has also resulted in a shift in priorities and delays in expenditure of donor funds.

3. Financial Position

General Cash Reserves

June 2021 Quarter	('000)
Operational Bank Accounts	18,000
Term Deposits and Trust Accounts	100,806
Total Cash Reserve Balance	118,805
<i>Less Total Claims on Cash Reserve</i>	-62,490
Total Estimated Cash Reserve	55,315

The general cash reserves at year end 30 June 2021 was estimated to be \$55.3 million, which includes;

- \$15.0 million from NZ grant for the second phase of the COVID-19 Economic Response Plan
- \$20.0 million from NZ grant for the third phase of COVID-19 Economic Response Plan
- \$8.3 million from FSC vested assets
- \$30.4 million additional loan for the COVID-19 Active Response
- \$15.7 million additional loan for the Disaster Resilience Program (Phase 2)

Committed funds relates to funds set aside for specific purposes which includes the Reserve Trust Fund, the Loan Repayment Fund (LRF), infrastructure trust and other trust accounts. The Stabilisation Account was drawn down at the beginning of the year to support Government's Economic Response Plan (ERP).

Crown Debt

June 2021 Quarter	('000)
Total Gross Borrowings	174,145
Less Loan Repayment Fund	-11,654
Net Borrowing by the Crown	162,491
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-35,634
Net Borrowing by the General Government	126,858

The total gross debt by the Crown as at year end 30 June 2021 was \$174.1 million, a decrease of \$1.7 million from the March 2021 quarter. The decrease in debt level was mainly due to the loan repayment during the final quarter ended 30 June 2021.

Net Debt to GDP

Net Debt to GDP	Mar 21 Qtr	Jun 21 Qtr
	\$000	\$000
Net Borrowing by the Crown	161.87	162.49
Total GDP (Half Year Update)	429.20	429.20
Net Debt to GDP	37.71%	37.86%

The latest Net Debt as a per cent of GDP was 37.9 per cent for the year ended 30 June 2021. This was below the net debt to GDP forecasted to be 40.9 per cent, surpassing government's hard cap of 35.0 per cent (soft cap: 30.0 per cent) by the end of June 2021. This was a temporary departure from existing government policy as a result of debt financing requirements of the ERP.

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