

Overall Cook Islands General Government Budget vs Actual Performances for the quarter ended 31 March 2022

YTD Revenue (\$'000's)

Q3 Actual 129,947 **Q3 Budget:** 126,828 **Q3 Variance:** -3,119 or -2 %



Full year	
*Forecast	175,472
Budget:	162,329

* Operating Revenue: Total operating revenue collected was \$3.1 million higher than anticipated for the quarter ended 31 March 2022. This was primarily due to Vested Asset funds received from the Financial Supervisory Commission (FSC) of \$5 million which was not included in the original revenue forecasts for the financial year, followed by MMR fisheries revenue, EU Agreement of \$1.5 million, MFEM's circulation of currency - coins of \$0.5 million, and consolidated excess trading revenue of \$0.7 million from Government Agencies & Island Governments above budget estimates. These were offset against lower than anticipated taxation revenue collected of \$2.1 million compared to the 2021/22 budget estimates. Direct taxation revenue, which consists of income tax, company tax, withholding tax, have been revised downwards due to the ongoing impacts of Covid-19 and tax measures implemented through the Economic Response Plan (ERP). Indirect taxation revenue which are VAT, departure tax, import duties, are expected to provide a steady increase in revenue collection from tourism volumes and overall imports. Despite the official opening of the borders in January 2022 for the quarter ended, company tax and departure tax collected were considerably lower than their budget estimates. This was due to low business confidence from employers which reduced provisional tax collected and lower tourism numbers than expected. Other taxes such as VAT, import duties and withholding tax were on track against their budget estimates, while individual income tax collected was more than expected due to tax compliance activities and steady PAYE contributions from larger employers. With the announcement of additional flights and easing of travel restrictions for other countries in future, operating revenues are expected to trend upwards for Government.

YTD Operating expenditure (\$'000's)

Q3 Actual: 141,011 **Q3 Budget:** 155,963 **Q3 Variance:** 14,952 or 10 %



Full year	
*Forecast	206,404
Budget:	209,318

* Operating Expenditure: General Government operating expenditure adjusted for depreciation, for the quarter ended 31 March 2022 was lower than estimated by \$15 million. This was mainly due to underspends in Government Agencies and Island Governments operating and personnel budgets totalling \$5.2 million; as a result of unfilled vacancies and effective cost management practices. The expenditure through Administered Payments was also below budget by \$7.3 million primarily attributed to cost savings in Marketing Resources – Tourism Growth Strategy (of \$2.2 million), with all other Administered Payments below their respective budgets. In addition, POBOC expenditure saw cost savings of \$0.9 million for the quarter despite expenditure for POBOC Civil List-Personnel reporting an overspend (over by \$0.04 million). The remaining cost savings totalling \$1.6 million were underspends in various operating expense items relating to debt repayments and emergency funding. Depreciation is considered a non-cash expense, since it is simply an ongoing charge to the carry amount of Government assets, designed to reduce the recorded cost of Government assets over their useful life.

YTD Surplus/(Deficit) (\$'000's)

Q3 Actual -11,064 **Q3 Budget:** -29,135 **Q3 Variance:** -18,071 or 62 %



Full year	
*Forecast	-30,932
Budget:	-46,990

* Government's Net Operating Position: The net operating balance for the quarter ended 31 March 2022 was a deficit of \$11.1 million. This deficit was an improvement of \$18.1 million compared to the budget estimate deficit of \$29.1 million. The improvement in the net operating balance was primarily due to unanticipated revenue received and effective monitoring of budget expenditure.

YTD Capital Expenditure (\$000's)

Q3 Actual **15,216** Q3 Budget: **26,851** Q3 Variance: **11,635** or **43** %



Full year	
*Forecast	37,830
Budget:	37,830

* Capital Expenditure: Capital expenditure was lower than budgeted by \$11.6 million for the quarter ended 31 March 2022. In terms of the annual budget of \$37.8 million this was a low utilisation (of 40 per cent) in the third quarter, due to Government's incapacity to implement projects in a timely manner, with the ongoing Covid-19 pandemic affecting resourcing and logistical constraints. These factors have hindered our ability to implement scheduled projects planned on both Rarotonga and the Pa Enuu. Significant underspends for the quarter were mostly attributed to Road Asset Management (of \$3.2 million), Government Building Projects - CIIC (of \$1.5 million) followed by various underspends in other capital projects.

YTD Net Fiscal Surplus/(Deficit) (\$000's)

Q3 Actual **-20,660** Q3 Budget: **-45,550** Q3 Variance: **-24,889** or **55** %



Full year	
*Forecast	-54,831
Budget:	-70,890

* General Government's net fiscal balance for the quarter ended 31 March 2022 improved by \$24.9 million compared to the budget estimate of \$45.6 million shortfall. Higher revenue collections of \$3.1 million contributed to the improvement in Government's net fiscal balance, in addition cost savings in Operating Expenses (of \$15 million), Depreciation (of \$4.8 million) and Capital Expenditure (of \$11.6 million).

* Source - Cook Islands Government 2021/22 Half - Year Economic and Fiscal Update 8 December 2021