

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

Net Operating Balance and Fiscal Balance of General Government

1. Fiscal Balance of General Government

September 2021 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance (\$'000)
Operating Revenue	58,424	64,797	6,373
Operating Expenditure	53,523	41,025	12,499
Net Operating Balance	4,901	23,772	18,871
<i>Add Depreciation</i>	3,475	1,726	1,749
<i>Less Capital Expenditure</i>	10,110	4,657	5,453
Fiscal Balance	-1,734	20,841	22,575

Fiscal Balance

General Government's net fiscal balance for the quarter ended 30 September 2021 improved by \$22.6 million compared to the budget estimate of \$1.7 million shortfall. Higher revenue collections of \$6.4 million, contributed to the significant improvement in Government's net fiscal balance in addition to savings in Operating Expenses (of \$12.5 million) and Capital Expenditure (of \$5.5 million).

Operating Statement

Total operating revenue collected was \$6.4 million higher than anticipated for the quarter ended 30 September 2021. This was primarily due to Vested Asset funds received from the Financial Supervisory Commission (FSC) of \$3.8 million, which was not included in the original revenue forecasts for the financial year as well as, taxation revenue collections of \$3.5 million.

An increase in VAT revenue was the main contributor to the increase in VAT importation of goods and services, as well as robust contributions from non-tourism based industries (retailer and wholesalers), followed by domestic air travel. Furthermore, an increase in compliance activities (taxpayers entering into payment arrangement to pay off existing debt) also contributed to higher collections in tax revenue of other tax types, such as individual income tax and company tax reported for the quarter.

Taxation estimates for 2021/22 for direct taxes (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 taxes (VAT, departure tax, import levies), were expected to provide a steady increase in revenue collection due to tourism volumes and overall imports. However with the extended border closures and the delayed restart of tourism, this may be longer than expected.

Total operating expenditure for the quarter ended 30 September 2021 was lower than estimated by \$12.5 million. This was mainly due to underspends in Government Agencies and Island Governments operating budgets by \$3.6 million; as a result of unfilled vacancies, effective cost management practices, and savings from depreciation due to majority of assets in larger Ministries such as Culture and Health being fully depreciated.

Expenditure through the Administered Payments was \$7.0 million lower than estimated, primarily attributed to the zero expenditure under the airline underwrite (of \$2.2 million), underspend in the Marketing Resources – Tourism Growth Strategy (of \$1 million), COVID-19 Economic Recovery Roadmap (of \$0.8 million) and the Economic Response Plan (of \$0.4 million), followed by various underspends of about \$0.2 million and below in all other Administered Payments.

POBOC expenditure was \$0.3 million lower than estimated for the quarter ended. This was due to underspends in various POBOC lines such as the International Subscriptions POBOC (of \$0.1 million), Audit Fees POBOC (of \$0.09 million) and other POBOC budgets of about \$0.05 million and below. 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 and ERR

Support Measure	Full Year Budget 2021/22 \$'000	Sept 2021 YTD Actual Expenditure \$'000	Actual Vs Full Year Budget 2021/22 \$'000
For Economic Response Plan (ERP) approved carry forward.			
Administration Expenses		7	
	369	7	2%
For Economic Recovery Roadmap (ERR) Budget.			
Administration Expenses		59	
<i>Continued ERP measures:</i>			
Wage Subsidy		6,000	
Sole Trader Grants		900	
	33,500	6,900	21%
Total	33,869	6,907	20%

Total ERP & ERR Fully Year Budget:	\$	33,869
Total ERP & ERR Actual Spend YTD:	\$	6,907
Total Remaining Budget:	\$	26,962

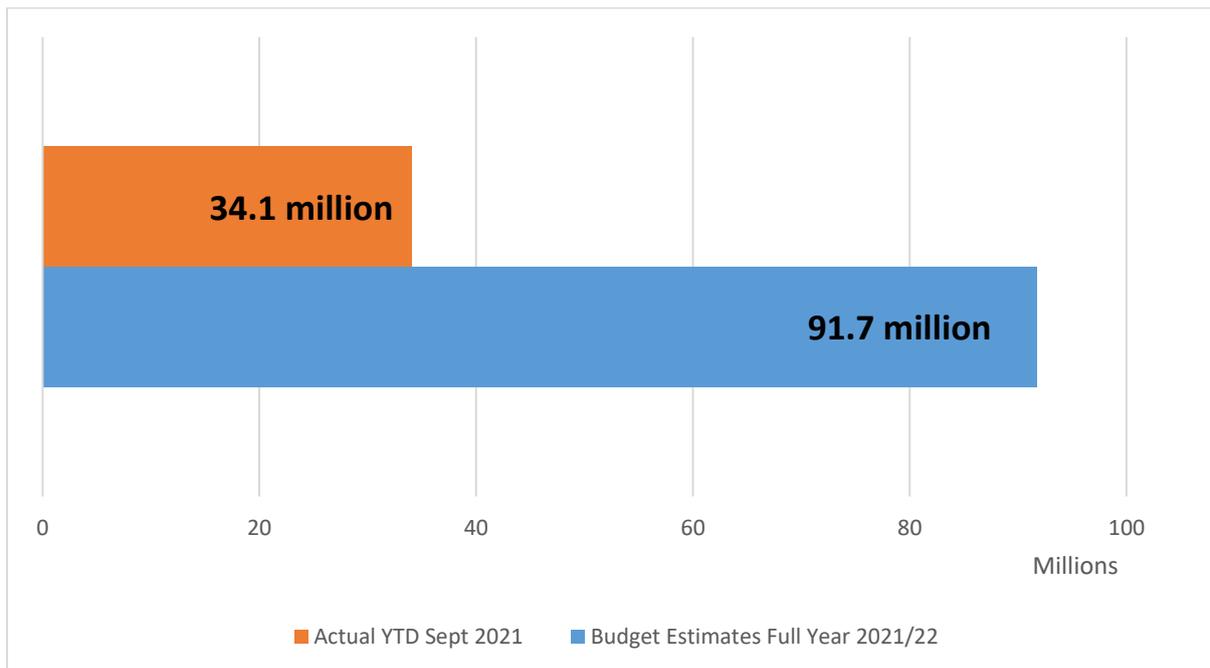
Capital Expenditure

September 2021 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)
Total Capital Expenditure	10,110	4,657	5,453
Total Expenditure	10,110	4,657	5,453

Capital expenditure was lower than budgeted by \$5.5 million for the quarter ended 30 September 2021. In terms of the annual budget of \$37.8 million, this was a low utilisation (of 12 per cent) due to Government's capacity to implement projects in a timely manner, coupled with the ongoing pandemic of COVID-19, this has impacted on travel restrictions, sourcing of resources, and logistical constraints. These factors have hindered Government's ability to implement scheduled projects on Rarotonga and the Pa Enuā. Capital projects with reported significant underspends includes:

- Road Asset Management (of \$1.6 million)
- Bridges and Structures Asset Management and Improvement Programme (of \$0.6 million)
- COVID-19 Response Fund Capital Needs (of \$0.6 million)
- all other capital projects (of \$0.5 million and below)

2. Official Development Assistance (ODA)



Total ODA, including General Budget Support (\$30.0 million) was \$91.7 million as reported in the 2021/22 budget estimates for the financial year.

For the quarter ended 30 September 2021, total expenditure through ODA was \$34.1 million or 37 per cent of the total ODA budget. This was primarily due to General Budget Support funds of \$30.0 million received in the month of August 2021 from the New Zealand Government, in support of the COVID-19 Economic Recovery Roadmap (ERR).

3. Financial Position

General Cash Reserves

September 2021 Quarter	('000)
Operational Bank Accounts	33,243
Term Deposits and Trust Accounts	102,883
Total Cash Reserve Balance	136,126
<i>Less Total Claims on Cash Reserve</i>	-84,244
Total Estimated Cash Reserve	51,882

The general cash reserves for the quarter ended 30 September 2021 was estimated to be \$51.9 million, which includes;

- \$30.0 million Grant received in August 2021 from NZ Government for General Budget Support.
- \$3.8 million from FSC vested assets.
- Residual balance from both the additional \$30.4 million ADB loan and the \$28.38 million AIIB loan for the COVID-19 Active Response and Economic Support.

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.

Crown Debt

	Sept 21 Qtr ('000)	June 21 Qtr ('000)
Total Gross Borrowings	172,463	174,145
Less Loan Repayment Fund	-22,414	-11,654
Net Borrowing by the Crown	150,049	162,491
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-35,995	-35,634
Net Borrowing by the General Government	114,054	126,858

The total gross debt by the Crown for the quarter ended 30 September 2021 was \$172.5 million, a slight decrease of \$1.7 million from the June 2021 quarter. The decrease in debt level was mainly due to the loan repayment during the quarter.

Net Debt to GDP

Net Debt to GDP	Sept 21 Qtr	June 21 Qtr
	(‘000)	(‘000)
Net Borrowing by the Crown	150.05	162.49
Total GDP	431.30 (per 2021/2022 budget)	429.20 (per Half Year Update)
Net Debt to GDP	34.79%	37.86%

The latest Net Debt as a percentage of GDP was 34.79 per cent for the quarter ended 30 September 2021. Even though, this is below the forecasted annual net debt to GDP of 48.9 per cent, it is expected to rise in December quarter to account for new debt. The Net Debt rules are a temporary departure from existing government policy as a result of debt financing requirements of the ERP due to the ongoing impact of COVID-19.

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