

Summary Outcomes of Cook Islands Quarterly Financial Report

December 2018.

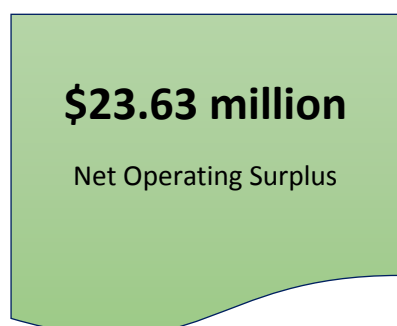
The December 2018 Quarterly Financial Report were prepared on an accrual basis. Variance reported may include additional funding that was either being carried forward from previous year(s) or through an Executive Council order.

Government operated without an Appropriation Bill for the most part of the first quarter under the authority provided by Article 70 of the Constitution. The calling of the 2018 general election in June delayed the passing of the 2018/19 Appropriation Bill and impacted the first three months of the financial year which was evidenced by greater control of Government spending.

The financial statements are for the General Government Sector. SOE's group financials are reported separately.

Key Outcomes:

1. Net Operating Balance and Fiscal Balance of General Government



December 2018 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	\$94,296	\$98,237	\$3,941
Operating Expenditure	\$83,488	\$74,612	\$8,876
Net Operating Balance	\$10,808	\$23,625	\$12,817
<i>Add Depreciation</i>	\$4,679	\$3,935	\$744
<i>Less Capital Expenditure</i>	-\$16,298	-\$11,391	-\$4,906
Fiscal Balance	-\$810	\$16,169	\$16,979

The net operating balance for the period ended 31 December 2018 was a surplus of \$23.63 million, which represents a \$12.82 million higher compared to the surplus estimated for the quarter.

The overall fiscal balance of General Government Sector was \$16.17 million, this is the overall net result after taking into account spending on Capital items and the corresponding depreciation cash inflow.

Capital Expenditure for the period was below expectations by \$4.91 million due mainly to timing of spending related to a number of projects.

2. Crown Operating Revenue

December 2018 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Taxation Revenue	\$78,519	\$78,933	\$414
Trading Revenue	\$1,980	\$2,443	\$463
Core Sector Support	\$3,865	\$3,865	\$0
Other Revenue	\$9,932	\$12,995	\$3,064
Total Revenue	\$94,296	\$98,237	\$3,941



Total Crown revenue collected for the December quarter was \$98.24 million, above Budget estimate by \$3.94 million. The variance reflected a high collection of Other Revenue for the period by \$3.01 million. This is mainly due to the following;

- Fishing Licenses was above budget estimates by \$2.47 million due to end of the calendar year rush to purchase bilateral purse seine days due to the high presence of Skip Jack Tuna in our EEZ in November and December.
- Gain on foreign exchange rates activities of \$0.65 million.

The graph below compares Budget and Actual for Crown Revenue for the quarter ended 31 December 2018.

3. Crown Operating Expenditure

December 2018 Quarter	Budget	Actual	Variance
	('000)	('000)	('000)
Ministry/Pa Enea Expenditure	\$38,113	\$36,437	\$1,676
Administered Payments	\$26,351	\$21,211	\$5,140
Payment on Behalf of Crown	\$13,011	\$12,834	\$177
Other Expenses	\$6,013	\$4,129	\$1,884
Total Operating Expenditures	\$83,488	\$74,612	\$8,876

\$8.88 million

Saving in Operating Expenditure

Total Crown operating expenditure for the period was \$74.61 million, a savings of \$8.88 million. The first three months of the financial year evidenced greater control of operating expenditure due to the delayed tabling of the Appropriation Bill as a result of the 2018 general election. Administered Payments and Other Expenses was the main contributor followed by Ministry and Pa Enea Expenditures.

4. Crown Capital Expenditure

December 2018 Quarter	Budget	Actual	Variance
	('000)	('000)	('000)
Capital Expenditure	\$16,298	\$11,391	\$4,906
Total Capital Expenditures	\$16,298	\$11,391	\$4,906

\$11.39 million

Capital Expenditures

Capital expenditure was below Budget estimates by \$4.91 million (30 per cent). The variance was mainly due to timing of spending related to a number of projects especially projects administered by Cook Islands Investment Corporation.

5. General Cash Reserves

December 2018 Quarter	('000)
Operating Bank Accounts	\$17,276
Term Deposits Accounts	\$146,865
Cash Reserve Balance	\$164,141
Less: 2018/19 Budget Shortfall	-\$2,261
Total Cash Reserve Balance	\$161,880
Less: Total Commitment for the year	-\$79,411
Estimated General Cash Reserve	\$82,469



Total Cash Reserve at the end of the period was \$82.47 million. Total committed funds of \$79.41 million relates to funds set aside for specific purposes, this includes Reserve Trust Fund, the Loan Repayment Fund (LRF), Disaster Response Trust and other Trust accounts.

6. Crown Debt



December 2018 Quarter	('000)
Total Gross Debt	\$98,942
Less: Loan Repayment Fund	-\$26,572
Net Debt by the Crown	\$72,370
Less: Avatiu Port Development	-\$21,250
Net Debt by General Government	\$51,120

Total Gross Debt was \$98.94 million at the end of 31 December 2018. This amount represented actual disbursed loans adjusted for debt service repayments. Other committed loans that have not being disbursed, like the Te Manatua Cable loan, are not included.

Net Debt adjusts the Gross Debt for the effect of the LRF held against those loans and the loans held on behalf of SOE's. Net debt was reported at \$51.12 million at the end of the reporting period.

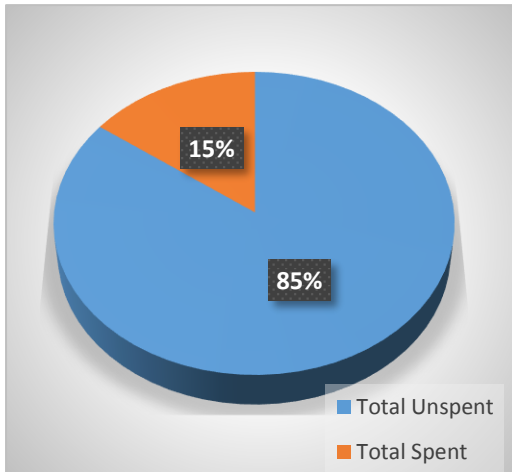
7. State Owned Enterprises (SOE's)



December 2018 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Personnel	\$6,153	\$5,642	\$511
Operating	\$14,551	\$12,957	\$1,594
Depreciation	\$3,852	\$3,691	\$161
Trading Revenue	-\$27,421	-\$27,217	\$204
Net Activity Cost (Surplus)	-\$2,866	-\$4,927	-\$2,062

The consolidated group returned a net operating surplus of \$4.93 million, \$2.01 million above Budget estimates for the December quarter mainly as a result of saving in both operation and personnel expenditures.

8. Official Development Assistance (ODA)



Official Development Assistance was appropriated at the total value of \$61.18 million in the 2018/19 Appropriation. This value includes the Core Sector Support Grant Funding Arrangement with New Zealand for Education, Health and Tourism.

This second quarter reported a total spend of \$10.73 million. The low spend for ODA in the first quarter of the financial year is due to the delay in the appropriation bill being passed in parliament as well as the NZ triennium funding envelope not being confirmed due to ongoing negotiations on priorities and the design of the individual grant funding agreements.

For further information, refer to the Cook Islands Government Quarterly Financial Report for December 2018 on the MFEM website (www.mfem.gov.ck) or contact the Treasury Division-MFEM for more details on 29511.