

Summary Outcomes of Cook Islands Quarterly Financial Report

March 2019.

The March 2019 Quarterly Financial Report was prepared on an accrual basis as far as practical. Variance reported may include additional funding that was either being carried forward from previous year(s) or approved through an Executive Council order.

The Appropriation Amendment Act was passed in April 2019 and therefore not included in this report.

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

March 2019 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	\$137,545	\$139,118	\$1,572
Operating Expenditure	\$122,817	\$112,251	\$10,566
Net Operating Balance	\$14,728	\$26,866	\$12,138
<i>Add</i> Depreciation	\$7,517	\$7,938	\$421
<i>Less</i> Capital Expenditure	-\$19,278	-\$18,882	-\$456
Fiscal Balance	\$2,967	\$15,982	\$13,016

\$26.87 million

Net Operating Surplus

The net operating balance for the period ended 31 March 2019 was a surplus of \$26.87 million, which represents \$12.14 million higher compared to the surplus estimated for the period.

The overall fiscal balance of General Government Sector was \$15.98 million, this is the overall net result after taking into account spending on Capital items and the corresponding depreciation inflow.

Spending on Capital Expenditure for the period was below expectations by \$0.46 million due mainly to timing of spending related to a number of projects.

2. Crown Operating Revenue

March 2019 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Taxation Revenue	\$110,408	\$109,008	-\$1,400
Trading Revenue	\$3,137	\$3,796	\$659
Core Sector Support	\$5,798	\$5,798	\$0
Other Revenue	\$18,203	\$20,516	\$2,313
Total Revenue	\$137,545	\$139,118	\$1,572

\$1.57 million

Higher Revenue
Collection

Total Crown revenue collected to the end of the March quarter was \$139.12 million, higher than Budget estimate by \$1.57 million. The variance reflected a high collection of Other Revenue for the period by \$2.31million. This is mainly due to the following;

- Fishing Licenses was above budget estimates by \$3.23 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 \$0.23 million.

Offsetting these was the lower taxation collection recorded to the end of the period compared to Budget estimate by \$1.4 million. Although VAT collection was above Budget estimate by \$2.42 million, overall it was reduced by lower collection in;

- Income Tax by \$1.08 million; and
- Company Tax by \$2.19 million.

3. Crown Operating Expenditure

\$10.57 million Saving in Operating Expenditure	March 2019 Quarter		Budget	Actual	Variance
			(‘000)	(‘000)	(‘000)
	Ministry/Pa Eヌua Expenditure		\$57,214	\$54,579	\$2,635
	Administered Payments		\$36,993	\$31,012	\$5,982
	Payment on Behalf of Crown		\$19,590	\$18,789	\$801
	Other Expenses		\$9,020	\$7,871	\$1,148
	Total Operating Expenditures		\$122,817	\$112,251	\$10,566

Total spending for the reporting period was \$10.57 million lower than Budget estimate, the main contributing items were;

- Saving on Agency spending of \$2.64 million was mainly attributed to saving in personnel as unfilled positions remains the main cause;
- Administered Payments variance of \$5.98 million due mainly to timing of spending of funds tagged for CIIC to provision for land rentals and land rent review, road maintenance and road asset management by Infrastructure Cook Islands.

4. Crown Capital Expenditure

March 2019 Quarter	Budget	Actual	Variance	\$18.88 million Capital Spent
	(‘000)	(‘000)	(‘000)	
Capital Expenditure	\$19,278	\$18,882	\$456	
Total Capital Expenditures	\$19,278	\$18,882	\$456	

Capital expenditure was below Budget estimates by \$0.46 million (2 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.

The total annual Capital budget is \$44.52 million, spending of \$18.88 million to the end of the quarter represents only 42 per cent. The \$0.46 million variance reflect the actual planning and absorptive capacity to implement projects. With only one quarter to go, some of the projects will be deferred to the 2019/20 financial year, please refer to the full report for details.

5. General Cash Reserves

March 2019 Quarter	
	('000)
Operating Bank Accounts	\$13,450
Term Deposit Accounts	\$142,524
Cash Reserve Balance	\$155,974
Less: 2018/19 Budget Shortfall	-\$2,261
Total Cash Reserve Balance	\$153,713
Less: Total Claims on Cash Reserve	-\$76,538
Estimated General Cash Reserve	\$77,175



Total General Cash Reserve at the end of the period was \$77.18 million, this is unencumbered cash reserve.

Overall cash balance is \$155.97 million includes funds that are committed of \$76.54 million, these relates to funds set aside for specific purposes which includes the Reserve Trust Fund, the Loan Repayment Fund (LRF), Disaster Response Trust and other Trust accounts.

The \$77.18 million although untagged to a specific commitment, government is finalising its policies around the 'stabilisation fund' which will put aside a portion of this reserve to provide government with a buffer of funds to draw upon in the case of an economic contraction.

6. Crown Debt



March 2019 Quarter	
	('000)
Total Gross Debt	\$95,907
Less: Loan Repayment Fund	-\$23,699
Net Debt by the Crown	\$72,208
Less: Avatiu Port Development	-\$21,200
Net Debt by General Government	\$51,008

Total Gross Debt was \$95.91 million at the end of 31 March 2019. This 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 \$51.01 million at the end of the reporting period.

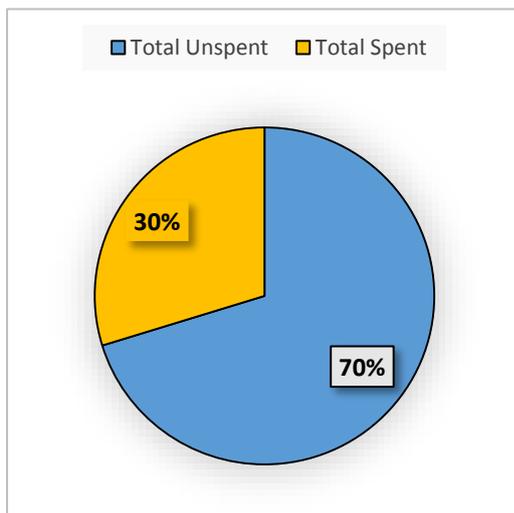
7. State Owned Enterprises (SOE's)



	Budget ('000)	Actual ('000)	Variance ('000)
March 2019 Quarter			
Personnel	\$9,014	\$8,067	\$947
Operating	\$23,161	\$20,396	\$2,765
Depreciation	\$5,857	\$5,685	\$172
Trading Revenue	-\$42,401	-\$40,997	-\$1,405
Net Activity Cost (Surplus)	-\$4,370	-\$6,849	-\$2,479

The consolidated group returned a net operating surplus of \$6.85 million, \$2.48 million above Budget estimates for the March 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.

The third quarter reported a total spend of \$18.21 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.