

Summary Outcomes of Cook Islands Quarterly Financial Report

June 2019.

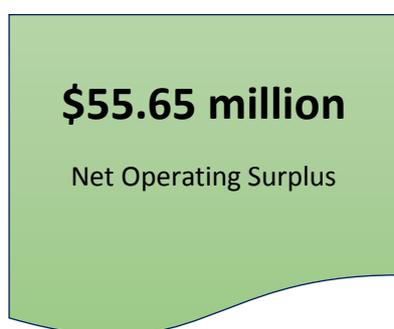
The June 2019 Quarterly Financial Report was prepared on an accrual basis as far as practical. Variance reported may include additional funding that was either being carried forward from previous year(s) or approved through an Executive Council order.

The Appropriation Amendment Act was passed in April 2019 and is 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



June 2019 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	\$185,152	\$209,937	\$24,785
Operating Expenditure	\$166,077	\$154,283	\$11,794
Net Operating Balance	\$19,075	\$55,654	\$36,579
Add Depreciation	\$11,978	\$8,487	\$3,491
Less Capital Expenditure	-\$47,530	-\$36,318	-\$11,212
Fiscal Balance	-\$16,477	\$27,823	\$44,300

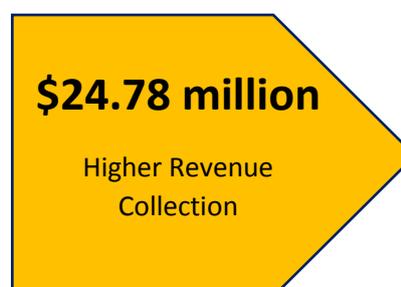
The net operating balance for the period ended 30 June 2019 was a surplus of \$55.65 million, which represents \$36.58 million higher compared to the surplus estimated for the period.

The overall fiscal balance of General Government Sector was \$27.82 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 end of the period was below expectations by \$11.21 million due mainly to timing of spending related to a number of projects. Certain projects have now been deferred to the next financial year for completion.

2. Crown Operating Revenue

June 2019 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Taxation Revenue	\$148,153	\$159,060	\$10,907
Trading Revenue	\$6,646	\$5,283	-\$1,362
Core Sector Support	\$7,730	\$7,730	\$0
Other Revenue	\$22,622	\$37,862	\$15,240
Total Revenue	\$185,152	\$209,936	\$24,785



Total Crown revenue collected to the end of the June quarter was \$209.94 million, higher than Budget estimate by \$24.78 million. The variance reflected a high collection of Taxation Revenue

by \$10.91 million and Other Revenue for the period by \$15.24 million. This is mainly due to the following;

- Higher Income Tax by \$7.49 million, Value-added Tax by \$2.19 million and Company Tax by \$1.41 million.
- Fishing Licenses was above budget estimates by \$8.86 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 \$2.3 million.

3. Crown Operating Expenditure

\$11.79 million Saving in Operating Expenditure	June 2019 Quarter		Budget	Actual	Variance
			(‘000)	(‘000)	(‘000)
	Ministry/Pa Enea Expenditure		\$84,769	\$79,559	\$5,209
	Administered Payments		\$46,170	\$41,213	\$4,957
	Payment on Behalf of Crown		\$25,580	\$26,262	-\$681
	Other Expenses		\$9,559	\$7,251	\$2,308
	Total Operating Expenditures		\$166,077	\$154,284	\$11,793

Total spending for the reporting period was \$11.79 million lower than Budget estimate, the main contributing items were;

- Saving on Agency spending of \$5.21 million was mainly attributed to saving in personnel as unfilled positions remains the main cause;
- Administered Payments variance of \$4.96 million due mainly to timing of spending of funds tagged for CIIC to provision for land rentals and land rent review, post-tax amnesty work by Ministry of Finance and Economic Management.
- Other Expenses variance of \$2.31 million was mainly attributed to under spent Crown infrastructure depreciation and depreciation contingency reserve.

4. Crown Capital Expenditure

June 2019 Quarter	Budget	Actual	Variance	\$36.32 million Capital Spent
	(‘000)	(‘000)	(‘000)	
Capital Expenditure	\$47,530	\$36,318	\$11,212	
Total Capital Expenditures	\$47,530	\$36,318	\$11,212	

Capital expenditure was below Budget estimates by \$11.21 million (24 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 \$47.53 million, spending of \$36.32 million to the end of the quarter. The \$11.21 million variance reflect the actual planning and absorptive capacity to implement projects. Some of the projects have now been deferred to the 2019/20 financial year, please refer to the full report for details.

5. General Cash Reserves

June 2019 Quarter	
	('000)
Operating Bank Accounts	\$32,833
Term Deposit Accounts	\$138,811
Cash Reserve Balance	\$171,644
Less: 2018/19 Budget Shortfall	-\$7,087
Total Cash Reserve Balance	\$164,557
Less: Total Claims on Cash Reserve	-\$64,902
Estimated General Cash Reserve	\$99,655



Total General Cash Reserve at the end of the period was \$99.66 million, this is unencumbered cash reserve.

Overall cash balance is \$171.64 million includes funds that are committed of \$64.90 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 \$99.66 million although untagged to a specific commitment, government has finalised in the new financial year 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



June 2019 Quarter	
	('000)
Total Gross Debt	\$94,882
Less: Loan Repayment Fund	-\$23,605
Net Debt by the Crown	\$71,277
Less: Avatiu Port Development	-\$19,829
Net Debt by General Government	\$51,448

Total Gross Debt was \$94.88 million at the end of 30 June 2019. This represented actual disbursed loans adjusted for debt service repayments.

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 \$51.45 million at the end of the reporting period.

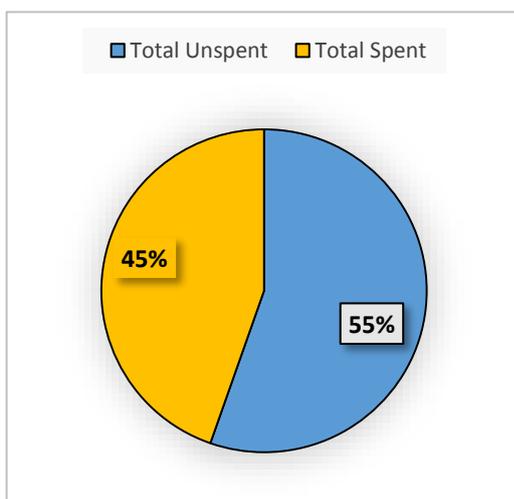
7. State Owned Enterprises (SOE's)



	Budget ('000)	Actual ('000)	Variance ('000)
June 2019 Quarter			
Personnel	\$12,120	\$11,640	\$480
Operating	\$32,396	\$28,888	\$3,508
Depreciation	\$7,812	\$7,638	\$174
Trading Revenue	-\$57,045	-\$56,188	-\$856
Net Activity Cost (Surplus)	-\$4,717	-\$8,022	-\$3,306

The consolidated group returned a net operating surplus of \$8.02 million, \$3.31 million above Budget estimates for the June 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 last quarter for the financial year 2018/19 reported a total spend of \$27.32 million. The low spend for ODA in the first quarter of the financial year result in the delay of 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 June 2019 on the MFEM website (www.mfem.gov.ck) or contact the Treasury Division-MFEM for more details on 29511.