

**FIFTY-FOURTH MEETING OF THE
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**
(5–6 November 2024, Papeete, French Polynesia)

Working Paper

WORKING PAPER NO. 7.B UPDATE ON 2024 FINANCIAL PERFORMANCE

(Paper presented by the Secretariat)

Paper summary

1. This paper presents the revised budget for 2024 and the financial performance review, as of August 2024, compared with the revised budget.

Key points

2. In accordance with paragraph 39 of the Pacific Community Governance Arrangement, and in line with usual practice, 'The Director-General revises the budget during the course of the year in line with the financial regulations. Any such revision aims to achieve a balanced budget or a surplus.'
3. The revision of the 2024 budget resulted in a slight surplus of EUR 0.42 million compared to an initially budgeted loss of EUR -1.28 million.
4. The revised total income of EUR 130.36 million shows an increase of +4% versus the original budget due to an increase of EUR 2.85 million in restricted funding and EUR 2.35 million in unrestricted funding (including financial results).
5. As of 31 August, SPC presented a positive result of EUR 3.16 million, despite a lag in project and programme implementation against the revised budget. However, the decline in management fees has been offset by a reduction in core expenditure.

Recommendations

6. CRGA is requested to:
 - i. note the revision of the 2024 budget, in accordance with paragraph 39 of the Pacific Community Governance Arrangement; and
 - ii. note the results of the financial performance as of August 2024, compared with the 2024 revised budget.

Revised budget 2024

7. The revised 2024 budget showed total programme and project implementation of EUR 111.19 million, compared to EUR 108.34 million in the original 2024 budget (+3%).
8. Project and programme execution as of August 2024 was 60.04 million against eight months' budget of 66.89 million, being behind budget -10% (6.85 million), but above last year (LY) by 6% (3.62 million).
9. The Secretariat draws CRGA's attention to the fact that SPC's accounting standards (IPSAS)¹ require recognition of income based on levels of implementation. Therefore, variation of restricted incomes in the current year reflects the deviation in the budget year for all ongoing and new projects as well as projects negotiated for extensions.
10. Table 1 provides a summary of the 2024 revised budget with variances over the budget originally approved by CRGA 53.

Table 1: Summary of the revised budget for 2024

m€	Original 2024		Revised 2024		Var. 24R / Var %	
Core income	16.63	13%	16.17	13%	(0.46)	(3%)
Programme & Projects	108.34	87%	111.19	85%	2.85	3%
Restricted income	108.34	87%	111.19	85%	2.85	3%
Other Income	0.20	0%	3.01	2%	2.81	1403%
Total income	125.17	100%	130.36	101%	5.19	4%
Admin - DG Office	8.66	7%	9.66	7%	1.00	12%
Admin - OMD	8.09	6%	8.10	6%	0.01	0%
Admin Core exp. (OMD & DG)	16.75	13%	17.76	14%	1.01	6%
Less Management Fees	(10.95)	(9%)	(11.68)	(9%)	(0.73)	7%
Net admin expenditure	5.80	5%	6.08	5%	0.28	5%
Programme core & total restricted expenditure	119.36	94%	123.37	95%	4.01	3%
Net facilities costs (incl. FCR)	1.29	1%	0.50	0%	(0.79)	(61%)
Net ICT FCR	0.00		0.00		0.00	0%
Total expenditure	126.45	100%	129.95	100%	3.50	3%
Net result of the year	(1.28)		0.42		1.69	(133%)

¹ International Public Sector Accounting Standards.

Statement of financial performance as of end of August 2024

Overall performance

Table 2: Summary of performance as of 31 August 2024

m €	Actual	%	Budget	%	Var - Budget	Var %	Aug-23	%	Var - LY	Var %
Revenue										
Members Contribution	10.78	15%	10.76	14%	0.02	0%	11.11	17%	-0.33	-3%
Restricted Funds	60.04	82%	66.89	84%	-6.85	-10%	56.42	84%	3.62	6%
Others	2.11	3%	2.00	3%	0.11	6%	-0.51	-1%	2.62	-515%
Total Revenue	72.93	100%	79.66	100%	-6.72	-8%	67.02	100%	5.91	9%
Expenditure										
Admin - DG Office	4.61	7%	6.44	8%	1.83	28%	4.76	7%	0.15	3%
Admin - OMD	4.68	7%	5.38	7%	0.69	13%	3.92	6%	-0.76	-20%
FCR - Facilities	0.48	1%	0.33	0%	-0.15	-45%	0.02	0%	-0.46	-2309%
FCR - ICT	-0.63	-1%	0.00	0%	0.63		-0.53	-1%	0.10	-19%
Admin Others - Depr, provisions	0.12				-0.12				-0.12	
Total Admin	9.26	13%	12.15	15%	3.01	25%	8.17	12%	-0.97	-12%
PMF Recovery	-6.76	-10%	-7.79	-10%	-1.02	13%	-5.77	-9%	0.99	-17%
Net Admin Expenditure	2.50	4%	4.37	6%	1.98	45%	2.40	4%	-0.10	-4%
Programme Expenditure	66.64	96%	75.01	94%	8.37	11%	63.26	96%	-3.38	-5%
Total Expenditure	69.14		79.38		10.36		65.66		-3.48	
Surplus/(Deficit)	3.79		0.28		3.63		1.36		2.43	
Surplus/(Deficit) without ICT	3.16		0.28		2.88		0.83		2.33	

Operating result

11. The net core operating result without self-funding units (housing and canteen) and ICT was EUR 3.16 million, above the 2024 revised budget by EUR 2.88 million. The surplus is driven from the following major factors (Table 3):

Table 3: Analysis of factors that affected the operating result

	million €	Commentary
Shortfall in expected PMF	- 1.02	Reflects a decline in project and programme implementation however corresponding savings in core expenses has offset the deficit.
Increase Interest Income	0.70	Interest income from short term deposits and interest bearing accounts. However, this assisted with reducing the impact of exchange loss noted below.
Net Exchange Gain (Unrealised loss, 387K, realised loss - 201K)	- 0.57	Unrealised loss, 387K and realised loss, 201K. The losses arise mainly from foreign currency holdings, largely AUD, NZD and USD.
Reduction in core expenses	3.78	SPC has embarked on monthly budgeting from 2024. Unspent funds during the year has been re-programmed for spending in the last quarter during the budget revision process.
Net savings	2.88	

Management fee (MF)

12. The MF contributes to recovery of overhead costs of SPC. These mainly relate to costs under the Director-General's Office (D-G) and Operations and Management Directorate (OMD).
13. Table 4 reflects the average recovery rate over the years, with the portion of administration costs covered through the MF.

Table 4: Project MF trend from 2015 to August 2024

K €	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Restricted	49,608	46,012	56,760	58,422	54,661	44,160	44,710	65,820	84,534	53,277
Expenditure										
PM Fees	2,653	3,480	4,707	5,448	5,828	5,209	4,665	7,271	9,730	6,762
PMF %	5.35%	7.56%	8.29%	9.33%	10.66%	11.80%	10.43%	11.05%	11.51%	12.69%
% of admin cost coverage		34.00%	46.70%	57.20%	61.20%	50.70%	45.70%	57.66%	69.95%	72.59%

14. The Secretariat draws members' attention to the continued level of progress towards the target MF of 15%, as mandated by CRGA in 2016, and the Secretariat is grateful to development partners for their constructive engagement on this matter.

Restricted project and programme implementation

15. The budget was revised, and each division committed to their levels of generated resources and expenditure. Actual project and programme implementation as of August 2024 was **EUR 60.04 million** (90% of budget). The increase in the revised budget reflects both new funding and the implementation of a workplan to accelerate spending. Based on the current trend of approximately **EUR 9.0 million** implementation per month, the forecast implementation for 2024 is **EUR 100 million**, which will be 90% of the revised budget. The Secretariat will continue to monitor implementation in line with the revised budget.

Special funds – Housing and canteen

16. Special funds are internally generated from the canteen operation and housing unit based in New Caledonia. The canteen includes a shop that sells goods as well as duty-free products exclusively to staff. The housing unit manages SPC's residential properties, which are occupied by SPC staff. SPC pays 75% of the assessed market rental to the housing unit, while staff pay 25% of the rental. The financial status of the two units as of 31 August were as follows:

- Housing – shows a surplus of **EUR 0.34 million**. There has been continued maintenance in 2024, and this is likely to reduce surplus. Net result at year end is cleared to housing reserves.
- Canteen – shows a surplus of EUR 39,000. Like housing, the net result is cleared to canteen reserves.

Statement of financial position as of end of August 2024

Cash and cash equivalents

17. Cash and investment continued to be closely managed by the Secretariat. Cash at bank was at **EUR 142.55 million (Dec 2023: EUR 120.20 million)**. The majority of this relates to donor pre-financing of projects, amounting to **EUR 106.30 million (Dec 2023: EUR 92.05 million)**. The increase in cash balance is a reflection of inflow of funds, especially for AUD, USD and NZD.

Partner advances – grants

18. A grant is a modality for project and programme implementation whereby advances are given to implementing partners through grant agreements. The grant is treated

as an advance until acquittal is submitted by the implementing partner, at which stage it is posted as an expense in the project ledger.

19. Total subrecipient balances stood at **EUR 6.71 million**, which has steadily increased since December 2023 (**EUR 3.4 million**). Table 5 below shows the ageing of subrecipients. To minimise potential risk, funds are sent in tranches. Furthermore, provisions are held for balances relating to 2022 and prior years.

Table 5: Ageing of partner advances

k €	2020	2021	2022	2023				2024			TOTAL
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Partner advances	3.1	13.8	261.0	160.3	82.3	437.4	913.9	1,539.4	1,405.2	1,894.9	6,711.3
	0%	0%	4%	2%	1%	7%	14%	23%	21%	28%	100%

Provisions

20. Table 6 below shows various provisions held as per SPC's accounting policy. This is to assist in managing financial risks

Table 6: Provisions held

Provisions held as of July 24		m €	
Donor ineligibility & partner advances	6.38		deemed conservative but held given changing risk profile
Repatriation	2.97		held for accounting purpose. Actual costs charged to projects and prov. Reversed
AC and HCG	1.09		As per accounting policy, balances over 4 years old and doubtful balances
Total	10.44		

Reserves

21. Table 7 below shows an estimate of SPC core reserves by nature as of 31 December 2023. Core liquid reserves are estimated at approximately EUR 8.59 million, which enables SPC to cover three months of operations expenditures (core).

Table 7: Reserves as of 31 December 2023

		m €	SPC core activities	Housing (self-funded)
Non-liquid	Net fixed assets		9.50	9.41
	Stocks (net)			
	AC and HCG receivables	1.61		
	Deposits (receivable from third parties)	0.27		
liquid	Cash & cash equivalent	6.45		3.01
	Accrued interest	2.27		
	Other assets and liabilities		-	3.14
TOTAL			20.10	9.29

Recommendations

22. CRGA is requested to:

- i. note the revision of the 2024 budget, in accordance with paragraph 39 of the Pacific Community Governance Arrangement; and
- ii. note the results of the financial performance as of August 2024, compared with the 2024 revised budget.
