

# Overview of the Government's costs in relation to COVID-19



**C****VID-19**



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# INTRODUCTION

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## BACKGROUND

1. The first known cases of the coronavirus outbreak appeared in China late 2019 and quickly spread world-wide. On 11 March 2020 the World Health Organisation officially declared the COVID-19 outbreak as a pandemic.
2. In early March 2020, the first cases were identified in the Cayman Islands. From mid-March 2020, the Government started to take a number of actions aimed at suppressing the spread of the disease, many of which have associated costs.
3. This public interest report provides a factual summary of the Cayman Islands Government's response to COVID-19 and a position statement of COVID-19 related financial costs as at Friday 19 June 2020, as the Government moved to Level 2 Minimal Suppression from 21 June 2020. The report includes the total estimated costs, which comprise actual costs incurred to 19 June and the estimated cost of programmes and activities that the Government has committed to at the same date. The estimated costs after 19 June are based on approved budgets and best estimates at that time and the final cost of the Government's activities in relation to COVID-19 may therefore be higher or lower than the estimates included in this report.
4. This public interest report is the first report that the Office of the Auditor General will do in relation to the Government's COVID-19 expenditure. We plan to provide an update on expenditure, including validation of the figures in our upcoming performance audit report on the Government's approach to demonstrating long-term financial sustainability, which is due later this year.

## GOVERNMENT'S RESPONSE STRATEGY

5. The Government established the National Emergency Operations Centre (NEOC) on 3 March. The NEOC consists of 17 cluster teams focusing on different aspects of the response, providing advice to the Government as well as supporting front-line delivery of some responses. From mid-March the Government started to take action to suppress the spread of the disease, including the following:
  - Closing the borders – cancelling all cruise ship visits from 13 March and closing the airports on 22 March 2020. This has had a significant impact on the tourism industry, which is a major employer and generator of revenues for government.
  - A nationwide closure of all schools – moving to online classes and remote learning.
  - Closure of all non-essential business in tandem with 'shelter-in-place' arrangements, that is hard and soft curfews.

- A ban on public gatherings.
6. Appendix 1 to the report provides a timeline of the key events and Government announcements relating to the COVID-19 pandemic.
  7. The Government has adopted a five-stage response strategy to COVID-19. On Sunday 21 June the Cayman Islands moved to Level 2 Minimal Suppression. The NEOC stepped down its operations and was disbanded on Friday 26 June.

**Exhibit 1 – Cayman Islands Government response strategy**



Source: <https://www.explore.gov.ky/coronavirus>

8. The Government developed a range of public awareness campaigns using a range of communication modes to keep the public informed and up to date with developments, including the following:
  - Regular press briefings attended by H.E. The Governor, the Premier, the Minister for Health, and the Chief Medical Officer. Other senior officials attend to provide regular updates e.g. the Commissioner of Police.
  - A website - <https://www.explore.gov.ky/coronavirus>

- Social media, including CIG and Hazard Management Cayman Islands.
- Posters.

## SUMMARY OF THE GOVERNMENT'S ACTIVITIES AND COMMITMENTS

9. The Government has announced a wide range of measures, activities and programmes in response to COVID-19, most of which have financial consequences. For example, the costs associated with testing individuals for COVID-19, the costs of supporting individuals and businesses in hardship as a result of some of the measures taken.
10. For the purposes of this report we have analysed financial information and identified the following categories of activity and spend:
- Healthcare – including the purchase of test kits, costs associated with testing, Personal Protective Equipment (PPE), and medical supplies and equipment.
  - Quarantine facilities and social distancing – including the cost of running the quarantine facilities such as accommodation, cleaning, meals and security; social distancing costs such as barriers; additional healthcare facilities; and the cost of repatriation flights.
  - Social assistance for individuals – including financial assistance to Caymanians and expatriates.
  - Support for business – including grants to micro and small businesses; support to the tourism industry, including taxi drivers, mini-bus drivers, watersport operators, artists and musicians; and assistance to farmers.
  - Education - including the cost of moving to online distance learning, grants to pre-schools, free school meals and outsourced services for schools.
  - Public sector personnel costs – including overtime payments, costs associated with essential workers and NEOC operations and an additional honorarium for public sector workers.
  - Other COVID-19 related costs – including a range of costs such as public awareness campaigns and moving to remote working for civil servants.
11. This report discusses expenditure incurred to 19 June 2020 and the additional estimated cost of commitments made at that date for each of these categories of activity.

## ORGANISATIONS INVOLVED

12. The Cayman Islands Government has led the response to COVID-19 and this has been a government-wide initiative. The wider public sector has also played its part and has had to adapt to new ways of working. However, a number of Statutory Authorities and Government Companies (SAGCs) have played a significant role in responding to the pandemic. The Health Services Authority (HSA) has provided the majority of the healthcare responses, including testing and treating COVID-19 patients.

Cayman Islands Airports Authority (CIAA) and Cayman Airways Limited have been instrumental in repatriating people affected by the pandemic.

13. We do not have information on the estimated costs incurred by the entire public sector as a result of COVID-19. We have collected some information on additional costs incurred and committed to 19 June by some SAGCs. For example, the figures reported include additional costs incurred and estimated by the HSA that are being recharged to the Government. We have also obtained estimated additional costs from CIAA, mostly for healthcare and social distancing within the Owen Roberts International Airport during repatriation flights.
14. In addition, the private sector has played a role. For example, private hospitals have carried out some of the testing for COVID-19. These costs are being recharged to the Government and are included in this report.

## ABOUT THE REPORT

15. We carried out this work as the costs of the Government's response to COVID-19 are of public interest. We prepared this public interest report to provide independent information on the estimated costs of the Government's response to COVID-19.
16. The report provides a position statement of costs incurred by the Cayman Islands Government as at 19 June 2020 and the estimated costs of additional actions and commitments that had been announced at that date. We selected the 19 June as the cut-off date for the position statement as the Government moved to Level 2 - Minimal Suppression on Sunday 21 June, which was a major milestone.
17. It is worth noting that we have included information on some major announcements made after 19 June where they may result in significant costs to the Government. However, we have not included estimates of these costs in our analysis.
18. However, the total estimated costs reported may be incomplete for the following reasons:
  - We worked with the Ministry of Finance to collate information on expenditure by core government and obtained additional costs incurred as a result of COVID-19 from the HSA and CIAA to 19 June. However, the costs reported do not include COVID-19 related costs that have been incurred by all SAGCs. We also have found some gaps in the financial information provided.
  - We have relied on information provided by the Ministry of Finance, HSA and CIAA on the estimated costs of commitments made as at 19 June. We have reviewed announcements made by the Government since March but cannot guarantee that we have identified all of those that may have financial consequences. We obtained evidence for some commitments, such as Cabinet approval.



- The costs incurred to date have not been audited, that is, we have not verified whether this is actual expenditure related to COVID-19 or whether monies have been disbursed in line with policies and procedures or agreed criteria. We obtained evidence for some of the larger sums, including invoices for bulk purchases.

19. As a result of some of the actions taken to respond to COVID-19 the Government will also have foregone some revenues, such as import duties and tourist taxes. This report does not cover foregone revenues. We intend to report on actual and estimated revenues foregone as a result of COVID-19 in our later report on Government's approach to demonstrating long-term financial sustainability.

# THE COST OF THE GOVERNMENT'S ACTIVITIES AND COMMITMENTS

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## THE GOVERNMENT HAS TAKEN A RANGE OF MEASURES IN RESPONSE TO COVID-19

20. As previously outlined the Government took a number of actions to suppress and control the spread of COVID-19, including wide-spread testing of individuals, repatriating Caymanians and permanent residents and quarantining these individuals for 14 days in isolation facilities to limit the spread of the disease.
21. A number of actions, such as closing the borders, have had a significant impact on the economy and particularly the tourist industry, which is a key driver of the Cayman Islands' economy. As a result the Government has taken a number of measures to help mitigate the economic hardship to vulnerable people, and to support the economy. These measures include:
- Transferring \$7.1 million from the National Disaster Fund to finance health related costs of COVID-19.
  - Funding for vulnerable individuals and families. This includes one-off payments of \$425 to vulnerable people including disabled people, seamen, veterans and people already receiving financial assistance from the Government; one-off stipend of \$600 to taxi drivers; one-time grant of \$600 to Caymanian tourism workers affected by the shutdown; additional monthly support of \$1,000 a month for 3 months for tourism workers; and expanding Needs Assessment Unit (NAU) assistance to work permit holders in the form of food vouchers.
  - Amending the Pensions Law to allow one-off pension withdrawals (up to a maximum threshold) and a pension payment holiday from 1 April to 30 September 2020 for both employees and employers.
  - Support to businesses including the creation of a \$5 million low-cost loan fund, to be provided through the Cayman Islands Development Bank, available to businesses that are 100 per cent Caymanian owned; grant funding of \$9 million available for small and micro businesses; and making available funding for Caymanian-owned businesses of \$500,000 for technical assistance and \$200,000 for training.
  - Waiving tourism accommodation taxes and trade and business license fees in the short-term.
  - Enhancing capacity in the NAU and in the Planning Department to deal with increased demand for services.
22. This report provides a position statement as at 19 June 2020. At that time some of the costs in relation to measures taken had already been incurred. However, many of the costs were still

unknown as individuals and businesses were still in the process of applying for available funding. The actual demand for, draw-down rate, and final cost of some measures are unknown at this time. We have therefore used Government estimates and approved budgets for the likely cost of commitments after 19 June.

23. The remainder of this report provides information on actual expenditure incurred to 19 June 2020 and the estimated costs of commitments made at this date. It also provides estimated costs for each of the categories of activity outlined at paragraph 10.

#### **THE GOVERNMENT HAD SPENT AROUND \$21.5 MILLION RESPONDING TO COVID-19 BY 19 JUNE 2020**

24. For the purposes of this report the Ministry of Finance provided us with information of all COVID-19 related spending across core government as at 19 June 2020. This shows that core government had spent around \$10.4 million as a result of COVID-19 and that all government entities had incurred expenditure.
25. In addition to core government expenditure the HSA incurred costs of around \$11.1 million to 19 June. The Government has committed to reimburse HSA for all additional COVID-19 related costs. In addition, CIAA has incurred additional COVID-related costs of around \$51,000 for cleaning products, PPE and to equipment for social distancing.
26. Exhibit 2 provides a summary of expenditure incurred by entity as at 19 June 2020.

**Exhibit 2 – Summary of COVID-19 related expenditure as at 19 June 2020**

Entity	Actual cost to 19 June 2020
	Cayman Islands Dollars
Cabinet Office	144,956
Office of the Director of Public Prosecutions	3,280
Judicial Administration	78,201
Ministry of Commerce Planning and Infrastructure	1,119,086
Ministry of Community Affairs	1,373,406
Ministry of District Administration, Tourism and Transport	523,138
Ministry of Education, Youth, Sports, Agriculture and Lands	2,807,499
Ministry of Employment and Border Control	360,981
Ministry of Finance and Economic Development	42,032
Ministry of Financial Services and Home Affairs	2,052,942
Ministry of Health, Environment, Culture and Housing	401,447
Ministry of International Trade, Investment, Aviation and Maritime Affairs	5,303
Office of the Commissioner of Police	439,868
Office of the Ombudsman	838
Portfolio of the Civil Service	15,399
Cabinet	1,055,237
<b>Total Core Government</b>	<b>10,423,613</b>
Health Services Authority	11,064,138
Cayman Islands Airports Authority	50,860
<b>Total</b>	<b>21,538,611</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by HSA and CIAA.*

27. Some Ministries and the HSA have incurred significant COVID-19 related expenditure. Our analysis of the information has identified that:

- The Ministry of Commerce, Planning and Infrastructure (MCPIA) had spent over \$1.1 million. Most of this was in relation payments made under the small and micro business programme (\$907,000).
- The Ministry of Community Affairs (MCA) had spent almost \$1.4 million. This is in relation to stipends and food vouchers for vulnerable people.
- The Ministry of Education, Youth, Sports, Agriculture and Lands (MEYSAL) has spent \$2.8 million on COVID-related activities. The majority of this expenditure (\$1.9 million) relates to outsourced services to schools such as security, janitorial and school buses.
- The Ministry of Financial Services and Home Affairs (MFSHA) spent over \$2.1 million. A large proportion of this is in relation to operation of the quarantine facilities.
- Cabinet (executive transactions) of just over \$1 million have been incurred. This relates to the net cost of the purchase of COVID-19 test kits. The test kits cost \$3,685,000. However, the Government also received half of the cost as a donation (\$1.8 million) and has sold some test kits to Barbados and Bermuda.
- HSA had incurred costs of \$11.1 million for a wide-range of healthcare activities, including test kits, cost of testing, medical supplies and equipment, and additional staff costs.

28. Although we have not audited or validated this information at this stage, we have identified some expenditures that appear to be routine operating expenditure but have been identified as COVID-19 related costs. For example, as outlined above MEYSAL has included monthly contract costs for April to June 2020 totaling \$1.9 million for outsourced services for schools, including security, cleaning and school buses. MEYSAL have continued to pay the suppliers of these outsourced services although the services have not been delivered due to school closures. However, it is not clear why these costs have been included as COVID-related costs. We will investigate this further when we carry out a more detailed review of COVID-19 expenditure later in the year.

29. For the purposes of this report we also analysed the financial information and categorised it into the following COVID-19 related activities:

- Healthcare.
- Quarantine facilities and social distancing.
- Social assistance for individuals.
- Support for business.
- Education.
- Public sector personnel costs.
- Other COVID-related costs.

30. Exhibit 3 summarises the \$21.5 million spent as at 19 June by category of COVID-19 activity. Expenditure for each of these categories of activity is further analysed later in this report.

**Exhibit 3 – Summary of expenditure incurred in relation to COVID-19 as at 19 June 2020**

Activity	Actual cost to 19 June 2020
	Cayman Islands Dollars
<b>Healthcare</b>	12,536,286
<b>Quarantine and social distancing</b>	2,027,805
<b>Social assistance for individuals</b>	1,364,928
<b>Support for business</b>	1,569,150
<b>Education</b>	2,210,767
<b>Public sector personnel costs</b>	599,983
<b>Other COVID-related costs</b>	1,229,692
<b>Total</b>	<b>21,538,611</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by HSA and CIAA.*

**THE ADDITIONAL ESTIMATED COST OF GOVERNMENT COMMITMENTS MADE AS AT 19 JUNE IS AT LEAST \$25.1 MILLION**

31. As outlined earlier the Government moved to Level 2 Minimal Suppression from 21 June 2020 on a phased approach. At this time a number of the ‘shelter-in-place’ measures were relaxed, and others were to be further relaxed on a phased approach. However, some activities may continue for the foreseeable future, for example, the Government has continued testing for COVID-19, people remain in quarantine facilities and these will continue to be used as more people return on repatriation flights, social distancing is the new normal and with it the requirement for PPE, and remote working particularly for civil and public servants. In addition, a number of vulnerable people and businesses continue to access the funding made available as deadlines for application were extended into July. It is anticipated that the Government will continue to incur COVID-related costs at least in the short term.
32. For the purposes of this report we have used estimates of additional costs that were provided by the Government. Some of these are based on assumptions and budgets approved by the Cabinet. HSA has also estimated that it has committed a further \$1.7 million in relation to COVID-19 for

additional PPE, medical supplies and equipment and additional isolation facilities. Exhibit 4 summarises the additional estimated cost of commitments made as at 19 June that had still to be met.

**Exhibit 4 – Summary of further estimated cost of commitments made as at 19 June in relation to COVID-19**

<b>Activity</b>	<b>Additional estimated cost of commitments made as at 19 June 2020</b>
	Cayman Islands Dollars
<b>Healthcare</b>	1,627,889
<b>Quarantine and social distancing</b>	470,108
<b>Social assistance for individuals</b>	3,803,291
<b>Support for business</b>	14,130,850
<b>Education</b>	94,579
<b>Public sector personnel costs</b>	5,000,000
<b>Other COVID-related costs</b>	13,238
<b>Total</b>	<b>25,139,955</b>

*Source: Information provided by CIG, HSA and CIAA.*

**THE TOTAL ESTIMATED COST OF THE GOVERNMENT’S RESPONSE TO COVID-19 IS AT LEAST \$46.7 MILLION**

33. Based on our analysis of the information available at this time the total estimated cost of the Government’s response to COVID-19 is \$46.7 million. Exhibit 5 provides a summary of actual costs incurred and estimated additional costs by category of activity and in total.

**Exhibit 5 – Summary of the Government’s total estimated costs in relation to COVID-19.**

<b>Activity</b>	<b>Actual cost to 19 June 2020</b>	<b>Additional estimated cost of commitments made as at 19 June 2020</b>	<b>Total estimated cost</b>
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Healthcare</b>	12,536,286	1,627,889	<b>14,164,175</b>
<b>Quarantine and social distancing</b>	2,027,805	470,108	<b>2,497,913</b>
<b>Social assistance for individuals</b>	1,364,928	3,803,291	<b>5,168,219</b>
<b>Support for business</b>	1,569,150	14,130,850	<b>15,700,000</b>
<b>Education</b>	2,210,767	94,579	<b>2,305,346</b>
<b>Public sector personnel costs</b>	599,983	5,000,000	<b>5,599,983</b>
<b>Other COVID-related costs</b>	1,229,692	13,238	<b>1,242,930</b>
<b>Total</b>	<b>21,538,611</b>	<b>25,139,955</b>	<b>46,678,566</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA*

34. More detailed information on the actual costs incurred to 19 June and estimated costs of commitments made at the same date June for each category of activity is outlined in the remainder of this report. We provide commentary on some of the larger areas of expenditure.

**HEALTHCARE COSTS ARE ESTIMATED TO BE AROUND \$14.2 MILLION**

35. For the purposes of this report we have included the following items of expenditure and activities as healthcare:

- Test kits and equipment needed for testing.
- Cost of testing.
- Personal Protective Equipment (PPE) such as masks, goggles, gloves, gowns and other protective clothing and equipment.
- Medical supplies and equipment, including equipping the hospice with a generator.
- Cleaning products, including hand sanitizers.



36. Exhibit 6 provides a summary of the actual costs on healthcare activities to 19 June and estimated costs of further activity and commitments made as at 19 June.

**Exhibit 6 – Summary of estimated expenditure on healthcare activities**

<b>Healthcare Activity</b>	<b>Actual cost to 19 June 2020</b>	<b>Additional estimated costs of commitments made as at 19 June 2020</b>	<b>Total estimated cost</b>
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>PPE</b>	5,280,821	1,270,099	<b>6,550,920</b>
<b>Medical supplies and equipment</b>	2,944,170	257,790	<b>3,201,960</b>
<b>Cost of testing</b>	3,062,100	-	<b>3,062,100</b>
<b>Test kits</b>	1,055,237	-	<b>1,055,237</b>
<b>Cleaning products</b>	193,958	100,000	<b>293,958</b>
<b>Total</b>	<b>12,536,286</b>	<b>1,627,889</b>	<b>14,164,175</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA*

37. By 19 June the Government had incurred costs of around \$2.5 million on healthcare and HSA a further \$10 million.

38. The Government has continued to test significant numbers daily since 20 June and plans to continue testing as part of its approach. Although it has sufficient test kits, additional costs for PPE, cleaning and other medical supplies may be needed. The Government has not provided us with an estimate for additional costs of healthcare after 19 June. HSA has estimated that it will spend a further \$1.5 million for PPE and additional medical supplies and equipment and CIAA a further \$100,000 on cleaning products.

**PERSONAL PROTECTIVE EQUIPMENT (PPE)**

39. All government entities, HSA and CIAA have bought PPE such as masks, goggles, gloves, gowns and other protective clothing spending. Total spending on PPE by 19 June was \$5.3 million - core government spent over \$1.1 million and HSA had spent almost \$4.1 million.

40. HSA estimates that almost \$1.3 million needs to be spent on PPE after 19 June bringing the total estimated cost on PPE for COVID-related activities to \$6.6 million.

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#### MEDICAL SUPPLIES AND EQUIPMENT

41. The Government and HSA have also had to purchase additional medical supplies and equipment to help with testing and treatment of individuals who have contracted COVID-19. For example, swabs, testing machines and ventilators. As at 19 June the Government (\$134,000) and HSA (\$2.8 million) had spent a total of \$2.9 million on medical supplies and equipment. This includes the cost of fitting a generator at the Jasmine Hospice (\$29,000).
42. The HSA expects to spend a further \$258,000 on medical supplies and equipment after 19 June.

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#### COST OF TESTING

43. The HSA also incurred additional costs in relation to carrying out tests. As at 19 June, a total of 20,370 tests had been carried out and HSA had spent just over \$3 million carrying out these tests. The Doctor's Hospital has carried out some of these tests and were reimbursed for the costs by HSA (around \$904,000). These costs are included above.
44. The Government has continued to test individuals for COVID-19 after 19 June and will continue to do so. By 21 July, a total of 28,239 tests had been carried; an additional 7,869 since 19 June. We have not been provided with an estimated cost for the continuation of testing. However, the cost of carrying out a test is \$150.

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#### TEST KITS

45. In April, the Government purchased 200,000 COVID-19 test kits from South Korea. The total cost of these kits was almost \$3.7 million. However, half of this cost was donated by a benefactor and the Government has sold (or exchanged) some of the test kits to other Caribbean islands, reducing the cost to the Government to just over \$1 million.
46. It is not anticipated that any further test kits will need to be purchased as there is sufficient stock. The test kits have an expiry date and the Government is continuing to look at options to sell test kits to other countries.

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#### CLEANING PRODUCTS

47. An essential element of containing the spread of COVID-19 is having clean workspaces and regular hand washing. All government entities and SAGCs will have incurred costs in relation to additional cleaning and personal hygiene, for example hand sanitizers and hand-washing stations. As at 19 June, a total of \$194,000 had been spent on cleaning products (Government entities - \$134,000); HSA - \$26,000; CIAA - \$34,000). Regular cleaning will continue for the foreseeable future and it is expected that there will continue to be additional costs in relation to this. The Government and HSA have not provided an estimated cost for this but CIAA has estimated additional costs of \$100,000.

**THE COST OF QUARANTINE FACILITIES AND SOCIAL DISTANCING IS ESTIMATED TO BE AT LEAST \$2.5 MILLION**

48. For the purposes of this report we have included the following items of expenditure and activities as quarantine facilities and repatriation flights:

- Quarantine facilities. This includes the running cost of quarantine facilities for people arriving in Cayman Islands on repatriation flights and for key workers. The costs include the following:
  - Accommodation costs
  - Transport to isolation facilities
  - Cleaning (including quarantine facilities and transportation)
  - Meals
  - Security
- Additional facilities, including costs of establishing two field hospitals.
- Social distancing costs. This includes physical alterations to government and public buildings to enforce social distancing such as partitions, barriers and signage.
- Repatriation flights arranged by the Government.

49. Exhibit 7 provides a summary of the actual costs of quarantine and social distancing activities to 19 June and estimated costs of further activity and commitments made at the same date.

**Exhibit 7 – Summary of estimated expenditure on Quarantine and Social Distancing activities**

<b>Quarantine and Social Distancing activity</b>	<b>Actual cost to 19 June 2020</b>	<b>Additional estimated costs of commitments made as at 19 June 2020</b>	<b>Total estimated cost</b>
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Quarantine facilities</b>	1,301,643	150,000	<b>1,451,643</b>
<b>Additional facilities</b>	581,875	208,608	<b>790,483</b>
<b>Social distancing</b>	140,374	111,500	<b>251,874</b>
<b>Repatriation flights</b>	3,913	-	<b>3,913</b>
<b>Total</b>	<b>2,027,805</b>	<b>470,108</b>	<b>2,497,913</b>

Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA

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#### QUARANTINE FACILITIES

50. One of the Government's responses to containing the spread of COVID-19 has been for all people returning to the Cayman Islands on a repatriation flight to go in to mandatory 14-day quarantine. In the early days of the pandemic, essential workers were also offered accommodation in quarantine facilities to keep them isolated from their families and to limit the spread of the disease. The Government arranged for a few local hotels to provide these facilities.
51. The Government met all of the costs for Caymanians and permanent residents returning to the islands. Since 22 May, work permit holders have also been allowed to return to the islands. Prior to this date, requests from work permit holders were considered on a case-by-case basis by the Deputy Premier. A condition of work permit holders' return is that they (or their employer) pick up the costs of the quarantine facilities.
52. As at 19 June the Government had spent \$1.3 million on running the quarantine facilities. As at 21 July it remains government policy for returning individuals to go into quarantine for 14 days. There will therefore continue to be costs associated with running the quarantine facilities until this policy changes in early September. The estimated costs associated with running the quarantine facilities after the 19 June that we were provided with is \$150,000. Based on the actual costs incurred to 19 June this is likely to be an underestimate.

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#### ADDITIONAL FACILITIES

53. In preparation for a large-scale pandemic that may put strain on existing healthcare facilities the Government adapted some existing buildings to provide two additional field hospitals to accommodate COVID-19 patients if necessary. The two field hospitals became operational on 11 May.
54. As at 19 June, a total of \$582,000 had been spent on these. The Government had spent around \$64,000 on these facilities and the HSA had spent almost \$518,000. The HSA has estimated further costs of \$209,000 for these facilities as some payments have still to be made after 19 June for work already completed.

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#### SOCIAL DISTANCING

55. Most government entities, HSA and CIAA have incurred additional costs in relation to social distancing. This has included installing partitions and screens to protect individuals, hand-washing stations, and temporary barriers and fencing. As at 19 June, around \$140,000 had been spent on social distancing measures.
56. CIAA has estimated that it may need to spend a further \$111,500 after 19 June on social distancing measures as it prepares for opening of Owen Roberts International Airport.

## REPATRIATION FLIGHTS

57. The Government has organised a number of repatriation flights to bring people home to the Cayman Islands and help people get back to their home countries. These include a number of British Airways air bridge flights to London, Philippines and India (the latter was on 3 July, after the cut-off date for this position statement).
58. The first flight, which cost GBP280,000, was paid for by the UK Government's Foreign and Commonwealth Office and is not a cost to the Cayman Islands Government. The Government paid for the other flights and received income from ticket sales. The information that we were provided with on costs to 19 June did not include any information on the costs or revenue in relation to these flights. A number of other repatriation flights have been operated by Cayman Airways Limited but it is not known if there has been an additional cost to CAL as a result of these flights.
59. The costs to 19 June above includes only the cost of transporting luggage for those people travelling on repatriation flights.

## THE ESTIMATED COST OF PROVIDING SOCIAL ASSISTANCE TO INDIVIDUALS IS \$5.2 MILLION

60. For the purposes of this report we have included the following items of expenditure and activities as social assistance for individuals:
- One-off payment (of \$425) to vulnerable people including disabled people, seamen, veterans and people already receiving financial assistance from the Government.
  - Assistance to expatriate work permit holders affected by the closure of businesses in the form of food vouchers.
61. Exhibit 8 provides a summary of the actual costs of social assistance to individuals to 19 June and estimated costs of further activity and commitments made as the same date.

## Exhibit 8 – Summary of estimated expenditure on social assistance to individuals

Social Assistance to Individuals Activity	Actual cost to 19 June 2020	Additional estimated costs of commitments made as at 19 June 2020	Total estimated cost
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Payments to vulnerable people</b>	831,725	2,123,790	<b>2,955,515</b>
<b>Assistance to expatriates</b>	533,203	1,466,797	<b>2,000,000</b>
<b>Health insurance premiums</b>	-	212,704	<b>212,704</b>
<b>Total</b>	<b>1,364,928</b>	<b>3,803,291</b>	<b>5,168,219</b>

Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA

62. On 23 March the Government announced that it would be paying a one-off stipend to people receiving permanent financial assistance and families receiving food vouchers.

63. In total, the Government has committed \$5.2 million in funding to support vulnerable individuals and families. This includes Transfer Payments (TP) 41 – Permanent Financial Assistance (\$436,050), TP 47 – Ex-Gratia benefit payments to semen and ex-servicemen (\$400,000), TP 87 Temporary Financial Assistance (\$2,119,465), \$2 million in assistance to expatriates, and payment of health insurance premiums.

### PAYMENTS TO VULNERABLE PEOPLE

64. The Government has made significant additional funding available to support vulnerable individuals and families by approving additional budgets for TP 41, TP 47 and TP 87. As at 19 June, the Government had paid out almost \$832,000 to individuals.

65. It has made available a further \$2.1 million for additional payments after 19 June.

### ASSISTANCE TO EXPATRIATES

66. The Government has made available \$2 million for expatriate work permit holders who are experiencing financial hardship as a result of the loss of employment. Many of these people have been unable to leave Cayman Islands due to the borders being closed here and in their home countries. This financial assistance is to be provided in the form of food vouchers.

67. As at 19 June, the Government had issued \$533,000 in food vouchers. The Government has also provided specific support to Nicaraguans who were stranded in the Cayman Islands as a result of the late cancellation of their repatriation flight by the Nicaraguan Government.

#### HEALTH INSURANCE PREMIUMS

68. The Government has committed to pay health insurance premiums for April to June 2020 for individuals that had been furloughed as a result of COVID-19. On 16 July the Minister for Health confirmed that 225 applications had been approved by the Health Insurance Commission in April and May but these had yet to be paid. The total cost of these claims is just under \$213,000 and has been included as a commitment to be paid after 19 June.

69. On 17 July, the Minister announced that the Government was considering extending the health insurance payment assistance programme. We do not have an estimated cost for this.

#### THE GOVERNMENT HAS COMMITTEED AROUND \$15.7 MILLION IN SUPPORT TO BUSINESS

70. For the purposes of this report we have included the following items of expenditure and activities as support for business:

- Assistance to micro and small business, including grants, technical assistance and training.
- Support to the tourism industry, including one-off stipends to taxi drivers and mini-bus drivers and one-time grants to Caymanian tourism workers affected by the shutdown.
- Support to the arts, including musicians and artists.
- Assistance to farmers.

71. Exhibit 9 provides a summary of the actual costs on providing support to business to 19 June and estimated costs of commitments made at the same date.

**Exhibit 9 – Summary of estimated expenditure on providing support to business**

<b>Support to Business Activity</b>	<b>Actual cost to 19 June 2020</b>	<b>Additional estimated costs of commitments made as at 19 June 2020</b>	<b>Total estimated cost</b>
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Micro and small businesses</b>	907,474	8,792,526	<b>9,700,000</b>
<b>Support to Tourism</b>	449,000	4,362,691	<b>5,000,000</b>
<b>Support to artists and musicians</b>	188,309		
<b>Assistance to farmers</b>	24,367	975,633	<b>1,000,000</b>
<b>Total</b>	<b>1,569,150</b>	<b>14,130,850</b>	<b>15,700,000</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA*

72. The Government has committed significant funding to support businesses and help boost the economy. As at 19 June, only \$1.6 million of the \$15.7 million committed had been paid out. The final cost of supporting businesses is unknown at this time as much will depend on the number of businesses and individuals applying for and receiving support. However, we have used the Government’s approved budgets for the total estimated costs.

**SUPPORT FOR SMALL AND MICRO BUSINESS**

73. On 6 April the Government announced support of \$9.7 million for small and micro businesses. This support includes \$9 million in grants, \$500,000 for technical assistance, and \$200,000 for training.

74. The information that we were provided as at 19 June did not include any costs in relation to the payment of grants or technical assistance. The Premier announced on 12 June that a number of grant applications had been approved and payment made. We therefore followed up on this and have been informed that \$907,000 was paid out in grants by 19 June.

75. On 17 July, the Premier announced that 1,085 applications for the micro and small business grant programme had been received and 84 per cent of these had been approved and processed for payment. Almost of \$1.6 million had been paid out to 347 business owners.

76. The Government has also supported \$5 million in low-interest loans being made available by the Cayman Islands Development Bank. We have not included this as a cost above as individuals are



expected to repay loans. On 17 July, the Premier announced that 73 applications for the low interest loan programme, valued at almost \$2.5 million, had been received and loans of \$615,000 had been approved.

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#### SUPPORT TO TOURISM

77. The closure of the borders has seriously affected the tourism industry. On 1 May the Government announce a one-off stipend of \$1,000 for local musicians and artists affected by the closure of tourism activities. On 21 May the Government announced a range of support for the tourism industry. This included one-off stipends of \$600 for taxi drivers and mini-bus drivers, and a one-time grant of \$600 to Caymanian tourism workers affected by the shutdown. On 16 June, the Cabinet approved a further \$4 million in funding to be made available to support the tourism industry.

78. As at 19 June, the Government had paid out \$449,000 in support to tourism workers and a further \$188,000 had been paid to artists and musicians.

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#### ASSISTANCE TO FARMERS

79. On 15 May the Cabinet approved \$1 million in assistance to farmers to buy feed and other supplies. As at 19 June just over \$24,000 had been spent assisting farmers as part of this initiative.

#### EDUCATION COSTS ARE ESTIMATED TO BE AROUND \$2.3 MILLION

80. For the purposes of this report we have included the following items of expenditure and activities as education:

- Online distance learning, including cost of learning packs and the online learning platform.
- Free school meals.
- Grants to pre-schools.
- Outsourced services for schools, including security, cleaning and school buses.

81. Exhibit 10 provides a summary of the actual costs on education activities to 19 June and estimated costs of further activity and commitments made at the same date.

**Exhibit 10 – Summary of estimated expenditure on education activities**

<b>Education Activity</b>	<b>Actual cost to 19 June 2020</b>	<b>Additional estimated costs of commitments made as at 19 June 2020</b>	<b>Total estimated cost</b>
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Outsourced services for schools</b>	1,942,474	-	<b>1,942,474</b>
<b>Grants to pre-schools</b>	205,848	77,939	<b>283,787</b>
<b>Online distance learning</b>	48,979	10,000	<b>58,979</b>
<b>Free school meals</b>	13,280	6,640	<b>19,920</b>
<b>Other</b>	186	-	<b>186</b>
<b>Total</b>	<b>2,210,767</b>	<b>94,579</b>	<b>2,305,346</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA*

82. On 16 March all education institutions, including schools and pre-schools, in the Cayman Islands closed and moved to online distance learning. The closure was initially for a period of three weeks but on 23 April the Government announced that schools would remain closed for the rest of the academic year. As a result of this decision the Ministry of Education has incurred significant additional costs. On 24 June the Government announced that pre-schools for early childhood care could reopen on 5 July.

83. It is also worth noting that on 2 July the Government announced that all public school students will be provided with a laptop. The Government has approved funding of almost \$3 million to fund this commitment; \$1.9 million in capital to buy equipment and \$1.1 million for ICT support. It is also anticipated that there will be annual recurring costs of around \$2 million for this initiative. We have not included these costs in the table above as the announcement was made after the position statement date of 19 June.

**OUTSOURCED SERVICES TO SCHOOLS**

84. As reported earlier, the Ministry of Education has included monthly payments from April to June 2020 to suppliers of outsourced services to schools such as security, janitorial and school buses, to COVID-19 expenditure. These payments total \$1.9 million.

## GRANTS TO PRE-SCHOOLS

85. As a result of the decision to close educational institutions the Government has paid grants to pre-schools in lieu of some of the fees they would have received from parents. As at 19 June, a total of \$206,000 had been paid in grants. On the basis that these grants will continue to be paid for the period that pre-schools are closed, that is to 5 July, the estimated cost after 19 June is \$78,000.

## THE GOVERNMENT EXPECTS TO SPEND AN EXTRA \$5.6 MILLION ON PUBLIC SECTOR PERSONNEL COSTS

86. For the purposes of this report we have included the following items of expenditure as additional public sector personnel costs:

- Overtime payments to core government staff, such as police officers and Customs and Border Control officers while maintaining security and compliance with curfews, and healthcare staff.
- Additional costs incurred for essential core government staff, such as meals and refreshments.
- Honorarium for staff

87. Exhibit 11 provides a summary of the actual costs on public sector personnel costs to 19 June and estimated costs of further activity and commitments made at the same date.

**Exhibit 11 – Summary of estimated expenditure on public sector personnel costs**

Public Sector Personnel Activity	Actual cost to 19 June 2020	Additional estimated costs of commitments made as at 19 June 2020	Total estimated cost
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Overtime payments</b>	518,784	-	<b>518,784</b>
<b>Essential staff costs</b>	81,199	-	<b>81,199</b>
<b>Honorarium for staff</b>	-	5,000,000	<b>5,000,000</b>
<b>TOTAL</b>	<b>599,983</b>	<b>5,000,000</b>	<b>5,599,983</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA*

88. On 25 March the Government announced that all non-essential businesses and all non-essential workers had to stay at home. The public sector continued to work during this period. Some staff were deemed non-essential and worked remotely after this closure (the costs of shifting to remote

working are included in 'Other' below) but many were deemed essential staff, such as staff on the NEOC, police officers and healthcare workers.

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#### OVERTIME PAYMENTS

89. Many of the core government and HSA essential workers were paid overtime as they had to work additional hours to provide essential services, such as ensuring compliance with curfews and providing healthcare. As at 19 June a total of \$519,000 had been paid in overtime; \$279,000 to core government essential workers and \$240,000 to HSA staff.

90. As the Government moved to Level 2 Minimal Suppression on 21 June the extent of additional overtime as a result of COVID-19 is expected to reduce significantly although there may continue to be some overtime required.

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#### HONORARIUM FOR STAFF

91. On Friday 19 June the Government announced that public sector workers who had been directly involved in the Government's response to COVID-19 would be given a one-off honorarium. This is estimated to cost up to \$5 million.

#### **A FURTHER \$1.2 MILLION HAS BEEN SPENT FOR OTHER COVID-RELATED COSTS**

92. For the purposes of this report we have included the following items of expenditure and activity as Other COVID-related costs:

- Public awareness campaigns.
- Costs associated with moving core government staff to remote working, such as laptops, phones and other IT equipment.
- Rental of equipment and vehicles.
- Fuel.
- Cleaning.
- Other – this includes all 'other' expenditure, such as training, uniforms, and delivery. Some expenditure is not able to be categorised without further investigation.

93. Exhibit 12 provides a summary of the actual costs on Other COVID-related costs to 19 June and estimated costs of commitments at the same date.

**Exhibit 12 – Summary of estimated expenditure on Other COVID-related costs**

<b>Other COVID-related Activity</b>	<b>Actual cost to 19 June 2020</b>	<b>Additional estimated costs of commitments made as at 19 June 2020</b>	<b>Total estimated cost</b>
	Cayman Islands Dollars	Cayman Islands Dollars	Cayman Islands Dollars
<b>Remote working</b>	313,310	-	<b>313,310</b>
<b>Public awareness campaigns</b>	143,030	13,238	<b>156,268</b>
<b>Equipment</b>	168,166	-	<b>168,166</b>
<b>Rental of equipment and vehicles</b>	122,823	-	<b>122,823</b>
<b>Fuel</b>	120,744	-	<b>120,744</b>
<b>Cleaning</b>	88,245	-	<b>88,245</b>
<b>Other</b>	273,374	-	<b>273,374</b>
<b>Total</b>	<b>1,229,692</b>	<b>13,238</b>	<b>1,242,930</b>

*Source: OAG analysis of financial information downloaded from IRIS and information supplied by CIG, HSA and CIAA*

94. On 27 May the Minister for Finance announced that the Government intended to issue a Request for Proposal for a standby line of credit of \$500 million for 18 months. The Government has made it clear that it will only use this should it be needed. It is not yet known whether the Government will need to draw on this line of credit but if it does there will be significant costs involved including an arrangement fees and interest repayments. We have not included any costs for this in our estimates.

**REMOTE WORKING**

95. As reported above, the Government closed all offices on 25 March and wherever possible moved all non-essential staff to work remotely. As a result new equipment needed to be purchased, including laptops and tokens to allow staff to access the Government’s remote working platform. As at 19 June, a total of \$313,000 had been spent on equipping staff to work remotely. The vast majority of this was spent by central government (\$310,000). It is expected that most of the costs associated with moving to remote working have already been incurred.

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#### PUBLIC AWARENESS CAMPAIGNS

96. As outlined earlier the Government has kept the public informed and raised awareness of COVID-19 through a range of communication modes including posters, radio and newspaper adverts. As at 19 June, a total of \$143,000 had been spent on public awareness campaigns, with the majority of this being spent by core government (\$135,000).
97. It is expected that there will continue to be costs associated with public announcements and awareness. We were not provided with an estimated cost for this but we are aware of an additional \$13,000 being spent on public awareness campaigns after 19 June.

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#### EQUIPMENT

98. By 19 June a total of \$168,000 has been spent on purchasing equipment. The majority of this expenditure was incurred by HSA and included the purchase of equipment such as fridges and printers.

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#### RENTAL OF EQUIPMENT AND VEHICLES

99. The total cost of renting equipment and vehicles to 19 June is \$123,000. The majority of these costs relate to RCIPS and HSA. RCIPS had to rent additional vehicles to supplement its fleet of police cars to ensure it had sufficient vehicles to do additional patrols and enforce curfew. HSA also had to rent vehicles and equipment to support its additional testing facilities.

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#### FUEL

100. The Government imposed soft and hard curfews on all three islands from 24 March and RCIPS was required to enforce these curfews. This resulted in additional patrolling in both vehicles and the police helicopter. As a result RCIPS spent around \$121,000 on fuel costs.

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#### OTHER

101. As at 19 June, over \$273,000 had been spent on other COVID-related activities. This includes \$50,000 on rental of office space, \$42,000 on additional security, \$29,000 on delivery, \$13,000 on the jingle competition, \$12,000 on uniforms, and \$12,000 on training.
102. We were unable to categorise some of the expenditure that we have identified as 'Other' without further investigation. We are also not clear if all of this is COVID-related expenditure. We will investigate these issues further in our later report.

## APPENDIX 1 – TIMELINE OF EVENTS

Key Event	Date	Government announcement with related cost
NEOC established	<b>3 March</b>	
First confirmed case of COVID-19 reported.	<b>12 March</b>	
Government announce ban on cruise ships for 60 days; and restriction of public gathering to maximum 50 people.	<b>13 March</b>	
First (only) death from COVID-19.	<b>14 March</b>	
	<b>16 March</b>	All educational institutions closed and move to online distance learning.  Government introduces mandatory 14-day isolation for all people arriving in Cayman Islands.
Borders officially close (closure of airports)	<b>22 March</b>	
	<b>23 March</b>	Government announces a one-off stipend to be paid to people receiving permanent financial assistance and families receiving food vouchers.
Curfews introduced across the three islands.	<b>24 March</b>	
All non-essential businesses close and all non-essential workers to stay at home.	<b>25 March</b>	
	<b>2 April</b>	Government orders 200,000 test kits from South Korea (First 165,000 arrive on 9 April).
	<b>6 April</b>	Government announces support of \$14.7 million for small and micro businesses.
	<b>1 May</b>	Government announces one-off stipend of \$1,000 for local musicians.

Move from Level 5 Maximum suppression to Level 4 High suppression.	<b>4 May</b>	
Government announces that borders will remain closed until 1 September	<b>7 May</b>	
	<b>11 May</b>	Two field hospitals become operational.
	<b>15 May</b>	The Cabinet approved \$1 million in assistance to farmers.
	<b>21 May</b>	Government announces tourism stipend.
	<b>27 May</b>	Minister for Finance announces that the Government intends to issue a RFP for a standby line of credit of \$500 million for 18 months.
Move to Level 3 Moderate Suppression with phased approach to lifting restrictions.	<b>1 June</b>	
Level 3 Moderate Suppression Phase 2 introduced.	<b>7 June</b>	
	<b>16 June</b>	The Cabinet approved a further \$4 million in funding to be made available to tourism workers.
20,370 tests had been carried out.	<b>19 June</b>	Government announces a one-off honorarium payment for public servants bearing brunt of COVID-19 response.
Move to Level 2 Minimal Suppression with a 3-phased approach on 21 June, 5 July and 19 July	<b>21 June</b>	
NEOC formally disbanded	<b>26 June</b>	
	<b>2 July</b>	Government announce that all public school students will be provided with a laptop.
Pre-schools able to reopen	<b>5 July</b>	



	<b>17 July</b>	<p>The Premier announced that \$907,000 had been paid out in grants to small and micro businesses and \$615,000 in loans had been approved.</p> <p>Minister for Health announced that the healthcare insure assistance programme may be extended.</p>
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*Note: The above timeline does not include all announcements made by the Government in relation to COVID-19.*



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