

The impact of the COVID-19 pandemic on Government finances: Update to March 2022



C**VID-19**



To help the public
service spend wisely

G

TABLE OF CONTENTS

Introduction	1
Background.....	1
The Government has taken a range of measures in response to COVID-19	1
The Government’s response to COVID-19 has had an impact on its financial performance	3
The financial impact of the COVID-19 pandemic to the Government is at least \$333 million.....	4
About the report	7
The financial impact to 30 September 2021	9
The Government had spent almost \$132 million responding to COVID-19 by 30 September 2021.....	9
Actions taken to support local businesses cost over \$66.2 million.....	12
Over \$34.2 million was spent on healthcare related to COVID-19.....	14
Quarantine and social distancing cost around \$15.7 million.....	17
The Government spent \$6.5 million on public sector personnel costs	20
Over \$4.2 million was spent on education.....	22
The Government provided social assistance of \$2.8 million to individuals.....	24
A further \$2.2 million was spent on other COVID-related costs	26
The Government had foregone revenues of at least \$116 million by the end of September 2021....	28
Estimated financial impact from October 2021 to March 2022	31
The additional estimated cost of continued activities is around \$70 million	32
Support for business has continued and is estimated to cost an additional \$51.9 million.....	32
Healthcare costs as a result of COVID-19 will continue for the foreseeable future	33
Additional quarantine and social distancing costs are estimated at \$6.8 million	35
The Government committed a further \$1.6 million in social assistance.....	36
An additional \$195,000 was spent on education.....	36
Estimated foregone revenues to the end of March 2022 are \$14.6 million	37

INTRODUCTION

BACKGROUND

1. The first known cases of the coronavirus (COVID-19) outbreak appeared in China late 2019 and quickly spread worldwide. 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, and the Government established the National Emergency Operations Centre (NEOC) on 3 March 2020. From mid-March 2020, the Government started to take a number of actions aimed at suppressing the spread of the disease, many of which had and continue to have a financial impact. The Government adopted a five-stage response strategy to COVID-19. This strategy aimed to relax measures on a phased approach while retaining a number of restrictions that aimed to limit the importation and community transfer of COVID-19. The Government moved to Level 2 Minimal Suppression on 21 June 2020, including relaxing the 'shelter-in-place' measures and the relaxation of other measures, and disbanded the NEOC on 26 June 2020.
3. In July 2020, the Office of the Auditor General (OAG) published a public interest report on the Government's costs of responding to the COVID-19 pandemic as at June 2020.¹ That report provided a position statement of the Government's costs in relation to combatting the COVID-19 pandemic as at 19 June 2020; the point at which the Government moved to Level 2 Minimal Suppression. It also included an estimate of the costs of programmes and activities that the Government had committed to at the same date. The report stated that, as at 19 June 2020, the total estimated cost of the Government's response to the COVID-19 pandemic was \$46.7 million.

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

4. The Government took a number of actions to suppress and control the spread of COVID-19 in the early stages of the pandemic and some of these have continued. For example, the Government closed the borders in March 2020 to all airlines and cruise ships.² The restrictions on travel, while containing the virus, had a significant negative impact on some parts of the economy, particularly the tourism sector, which is a key driver of the Cayman Islands' economy. Because of this, the

¹ *Overview of the Government's costs in relation to COVID-19*, Office of the Auditor General, July 2020.

² The Government continued to allow certain repatriation and airbridge flights.

Government introduced a range of programmes and initiatives to support vulnerable people and businesses.

5. In early July 2021, the new Government announced a five-stage border-reopening plan. Phase 1 became effective in June 2021 and introduced a reduced quarantine period for fully vaccinated individuals and the easing of some travel restrictions. Phase 2 became effective on 9 August 2021 and introduced reduced repatriation restrictions; quarantine continued but electronic tagging was no longer required for securely verified vaccinated travellers. Phase 3 became effective on 9 September 2021 and introduced tourism to a limited extent, with some additional flights but still managing the number of people arriving. However, on 14 September 2021, the Government put the reopening plan on hold, because of the community transmission of COVID-19. This resulted in the reintroduction of some restrictions, including extending quarantine periods for fully vaccinated people, and reintroducing electronic tagging for people quarantining at private residences.
6. The Government moved to Phase 4 of its border-reopening plan on 20 November 2021. At that time, the airport re-opened and more flights started arriving but cruise ships continued to be banned. In February 2022, other airlines started flying to the Cayman Islands and by mid-March 2022 most airlines that had scheduled flights pre-COVID had resumed travel.³ On 20 January 2022, the Government moved to Phase 5 and the first cruise ship arrived on 21 March 2022. Limits on the number of cruise ship passengers allowed to enter were removed on 18 April 2022.
7. Consecutive Governments have taken a number of measures to help mitigate the economic hardship to vulnerable people, and to support the economy.⁴ These measures include providing funding for vulnerable individuals and families, providing support to businesses, waiving tourism accommodation taxes and trade and business license fees, and amending the *National Pensions Act* to allow one-off pension withdrawals (up to a maximum threshold) and a pension payment holiday for employees and employers in the private sector. The Government has also continued to monitor and contain the virus through quarantine for people arriving on island, testing and introducing a vaccination programme in early 2021.

³ All airlines with the exception of Air Canada had resumed flights by mid-March 2022.

⁴ The Cayman Islands national election was held on 14 April 2021, after which a new Government (political administration) was formed. The core government was restructured from 1 July 2021 to align with new ministerial portfolios. Core government includes Cayman Islands Government Ministries, Portfolios, Offices and Judicial Administration. It does not include Statutory Authorities and Government Companies.

THE GOVERNMENT'S RESPONSE TO COVID-19 HAS HAD AN IMPACT ON ITS FINANCIAL PERFORMANCE

8. All of these measures, including actions to alleviate the financial impact of COVID-19 on the economy, have resulted in additional costs and foregone revenues for the Government. The Government transferred \$7.1 million from the National Disaster Fund to finance some of these additional costs in 2020. In addition to extra costs associated with responding to the COVID-19 pandemic, the Government has also foregone some revenues. The pandemic has significantly affected some revenues, particularly revenues from the tourism industry.
9. Combined, the extra costs and reduced revenues because of the COVID-19 pandemic have affected the Government's financial performance. Overall, the reported financial performance for the 2020 financial year was a deficit of \$101 million compared to a surplus of \$165 million in 2019.⁵ However, the overall financial performance has not been as adversely affected by the pandemic as it could have been because some revenue streams performed better than budgeted. For the nine-month period to 30 September 2021, the Government reported a surplus of \$103 million for the entire public sector.⁶ In March 2022, the Minister for Finance announced an operating surplus of \$207 million for the first two months of 2022.^{7,8}
10. This public interest report provides an update on the cost to the Government of the COVID-19 pandemic. It includes a summary of the following:
 - **The financial impact of COVID-19 to 30 September 2021.** This includes actual costs incurred and an estimate of foregone revenues for the period. We have validated some of the actual costs incurred to 31 December 2020 through our annual audits for the 2020 financial year. However, we have not audited the expenditure incurred from 1 January 2021 to 30 September 2021.⁹ We have also included a summary of estimated foregone revenues from March 2020 to 30 September 2021. We have based our estimates of foregone revenues on information in the Government's unaudited quarterly financial reports and draft financial statements for the entire public sector. However, it should be

⁵ Based on the unaudited draft EPS financial statements for 2019 and 2020.

⁶ At the time of preparing this report, the draft EPS financial statements for 2021 had not yet been submitted.

⁷ Minister for Finance and Economic Development's presentation of the Government's unaudited financial report for 28 February 2022 to Cabinet.

⁸ Note that all of the figures reported in this paragraph are unaudited.

⁹ At the time we carried out the financial analysis for this report the 2021 financial audits for entities were ongoing. The audits of the Ministry of Health and Cayman Islands Airport Authority for the financial year 2020 continued to be backlogged as prior year audits were also outstanding at this time.

noted that the financial information contained in these reports is prepared on a different basis and none of these figures have been audited.¹⁰

- **An estimate of the financial impact of COVID-19 from October 2021 to March 2022.** This includes an estimate of additional costs for those commitments made that will continue to incur costs and an estimate of foregone revenues for the six-month period to March 2022 when the borders reopened to both stay-over and cruise-ship visitors. We have based our estimates of additional costs on an analysis of announcements of continued commitments and programmes, and budget documents. The estimate of foregone revenues is based on our analysis of budget documents, unaudited financial reports and assumptions based on trend information.

11. The COVID-19 pandemic has had a significant impact on the Cayman Islands' economy. This makes it even more important that the Government considers and plans for financial sustainability in the longer term. We will use the financial analysis done for this public interest report to inform the third report in the series of performance audits on *Improving Financial Accountability and Transparency* that focuses on long-term financial sustainability.¹¹

THE FINANCIAL IMPACT OF THE COVID-19 PANDEMIC TO THE GOVERNMENT IS AT LEAST \$333 MILLION

12. Since March 2020, consecutive Governments have announced a wide range of measures, activities and programmes in response to COVID-19, most of which had financial consequences. Some of these costs were short-term such as lockdown measures. Other costs are for the short-to-medium term, like the costs of supporting individuals and businesses in hardship. However, some costs may be long term, like the ongoing healthcare costs associated with testing and vaccinating individuals for COVID-19.

13. The Cayman Islands Government led the response to the pandemic. The wider public sector has also played its part and has had to adapt to new ways of working. In particular, the Health Services Authority (HSA) has provided the majority of the healthcare responses, including the ongoing testing for and treatment of COVID-19 and the vaccination programme. The Cayman Islands Airports Authority (CIAA) and Cayman Airways Limited have been instrumental in repatriating people

¹⁰ At the time of this report, we had not yet audited the financial statements for the entire public sector (EPS) for the financial years 2019, 2020 and 2021. It is also worth noting that the most recently audited EPS financial statements for 2018 had an adverse audit opinion. One of the reasons for this adverse audit opinion was poor controls for the recording of coercive revenues.

¹¹ In May 2020, the Office of the Auditor General committed to preparing a trilogy of reports on improving financial accountability and transparency. We published our first report on *Budgeting* in December 2020, and the second report on *Financial Management and Reporting* in May 2021. We will publish the third report on long-term financial sustainability later in 2022.

affected by the pandemic.¹² However, we do not have information for the entire public sector on the estimated costs incurred because of COVID-19. We have collected information on the additional costs incurred by the HSA; the Government covers these additional costs. We have also obtained estimated additional costs from CIAA, mostly for healthcare and social distancing within the Owen Roberts International Airport. The private sector has also played a significant role. For example, private hospitals carry out some of the testing for COVID-19 and the Government covers these costs so they are included in this report.

14. Overall, we have estimated that the Government spent an additional \$202 million and missed out on revenues of \$131 million as a result of the pandemic.

THE ESTIMATED ADDITIONAL COST OF THE GOVERNMENT'S RESPONSE TO THE COVID-19 PANDEMIC IS \$202 MILLION

15. In line with our previous public interest report, we have analysed financial information and identified the following categories of activity and spend:

- **Support for business.** This includes support to businesses in the tourism industry, including taxi drivers, mini-bus drivers, water sport operators, and artists and musicians. It also includes grants to micro and small businesses, and assistance to farmers.
- **Healthcare.** This includes the purchase of test kits, costs associated with testing and vaccinating people, Personal Protective Equipment (PPE), and medical supplies and equipment.
- **Quarantine and social distancing.** This includes the cost of running the quarantine facilities such as accommodation, cleaning, meals, and security and transporting passengers from the airport to their quarantine location. It also includes the costs of home isolation and the operational costs associated with both the quarantine and home isolation programmes i.e. Travel Cayman and Travel Time. We have also included within this category, repatriation flights and the costs associated with social distancing.
- **Public sector personnel costs.** This includes overtime payments, and costs associated with essential workers, including NEOC operations. It also includes the additional honorariums for public sector workers.
- **Education.** This includes the cost of moving to online distance learning, grants to private and pre-schools, payments to Non-Government Organisations, free school meals and outsourced services for schools.

¹² British Airways and the Governor's Office also played key roles in repatriating people.

- **Social assistance for individuals.** This includes financial assistance and support provided to Caymanians and expatriates. It also includes the Government’s commitment to pay people’s health insurance premiums.
- **Other COVID-19 related costs.** This includes a range of costs like public awareness campaigns, equipping and setting up remote working for civil servants. It also includes the costs of renting vehicles and equipment, fuel and cleaning.

16. Based on our analysis of the information available the total estimated additional cost of the Government’s response to COVID-19 is \$202 million. Exhibit 1 provides a summary of total estimated costs by category of activity. Exhibit 1 reports these costs for two periods - those incurred to 30 September 2021, and an estimate of the cost of commitments made for additional measures, between 1 October and 31 March 2022.

Exhibit 1 – Summary of the total estimated costs in relation to COVID-19

Activity	Total expenditure to 30 September 2021	Additional estimated cost of commitments from 1 October 2021 to 31 March 2022	Total estimated costs
Support for business	66,234,168	51,900,000	118,134,168
Healthcare	34,206,232	9,685,000	43,891,232
Quarantine and social distancing	15,695,451	6,800,000	22,495,451
Public sector personnel costs	6,532,128	-	6,532,128
Education	4,224,851	195,000	4,419,851
Social assistance for individuals	2,769,926	1,574,000	4,343,926
Other COVID-related costs	2,177,732	-	2,177,732
Total	131,840,488	70,154,000	201,994,488

Source: OAG analysis.

ESTIMATED FOREGONE REVENUES AS A RESULT OF THE COVID-19 PANDEMIC ARE \$131 MILLION

17. Based on our analysis of the information available, the total estimated foregone revenues by the Government as result of COVID-19 are \$131 million. Exhibit 2 provides a summary of total estimated foregone revenues by category of revenue stream for the same two periods as reported above. Note that we have only included a summary of those revenues that the Government has identified as being directly affected by the COVID-19 pandemic. These include revenues from the tourism industry, import duties and work permit fees. Other revenue streams may also have been impacted by the pandemic.

Exhibit 2 – Summary of the total estimated foregone revenues in relation to COVID-19

Revenue stream	Estimated foregone revenues to 30 September 2021	Additional estimated foregone revenues between 1 October 2021 and 31 March 2022	Total estimated foregone revenues
Tourism accommodation charges	54,467,000	8,533,000	63,000,000
Cruise ship departure charges	17,213,000	4,504,000	21,717,000
Environmental protection fund fees	8,751,000	1,565,000	10,316,000
Other import duties	13,900,000	-	13,900,000
Gasoline & diesel duties	8,928,000	-	8,928,000
Motor vehicle duty	4,400,000	-	4,400,000
Work permit fees	8,718,000	-	8,718,000
Total	116,377,000	14,602,000	130,979,000

Source: OAG analysis.

18. We provide further detail and commentary on the estimated additional costs and foregone revenues in the remainder of this report.

ABOUT THE REPORT

19. We carried out this work as part of our series of performance audits on *Improving Financial Accountability and Transparency*, and specifically for the third report in the trilogy, which focuses on long-term financial sustainability. We will include our findings on the impact of the COVID-19 pandemic on the long-term financial sustainability of the Cayman Islands Government in our performance audit report.

20. This public interest report provides a position statement of the estimated financial impact of the COVID-19 pandemic to the Government. It reports on the costs incurred by the Cayman Islands Government in relation to the COVID-19 pandemic as at 30 September 2021 and an estimate of the additional costs of actions and commitments to 31 March 2022. The report also includes an estimate of the revenues that the Government missed out on because of measures taken to combat the pandemic for the same two periods.

21. However, the estimates of costs and revenues foregone are incomplete for the following reasons:

- The actual costs reported to 30 September 2021 include core government, HSA and CIAA only. They do not include COVID-19 related costs incurred by the entire public sector.

- In relation to the estimated additional costs of commitments, we have reviewed announcements made by the Government between September 2021 and early April 2022, of commitments made that would incur costs from 1 October 2021 onwards. However, we cannot guarantee that we have identified all of those announcements that may have financial consequences.
- We audited some of the costs incurred for the period to 31 December 2020 through our annual financial audits of the 2020 financial statements of government entities and Statutory Authorities and Government Companies (“SAGCs”).¹³ We have not audited or verified expenditure incurred during 2021 as our audits for the 2021 financial year were ongoing at the time of preparing this report.
- We based our estimate of foregone revenues on our review and analysis of government documents. These documents included unaudited quarterly financial reports, unaudited draft financial statements for the entire public sector for 2020, and budget documents. We have included only those foregone revenues that the Government explicitly stated as affected by the COVID-19 pandemic. However, other revenue streams may also have been affected.

¹³ As stated earlier, the audits of the 2020 financial statements of the Ministry of Health and Cayman Islands Airport Authority were not complete when we prepared this report. We have included the unaudited figures in our analysis.

THE FINANCIAL IMPACT TO 30 SEPTEMBER 2021

22. This chapter of the report provides a summary of the total impact on government finances of the COVID-19 pandemic by 30 September 2021. It includes the following:

- **Actual costs incurred as at 30 September 2021.** We have analysed the actual total costs incurred, distinguishing between entity and executive expenditure for core government.¹⁴ It is worth noting, that since our previous public interest report in July 2020, the Government re-categorised some costs, shifting them from entity expenditure to executive expenditure. Because of this, the individual entity and executive figures in the two reports are not directly comparable. We report separately the costs incurred by the HSA and CIAA as they are not part of core government. We have summarised the costs for each of the categories of activity outlined at paragraph 15.
- **An estimate of foregone revenues as at 30 September 2021.** We have reported this by category of revenue stream. As reported earlier, we have included only those foregone revenues that the Government explicitly stated as affected by the COVID-19 pandemic.

THE GOVERNMENT HAD SPENT ALMOST \$132 MILLION RESPONDING TO COVID-19 BY 30 SEPTEMBER 2021

23. Our analysis of the financial information shows that overall the Government had spent almost \$131.8 million on COVID-19 related activities by the end of September 2021.

ALL CORE GOVERNMENT ENTITIES INCURRED ADDITIONAL EXPENDITURE AS A RESULT OF THE PANDEMIC

24. Of this total, core government had spent around \$96 million, of which \$21.8 million was entity expenditure and a further \$73.9 million was executive expenditure. All government entities incurred expenditure. In addition, the HSA incurred additional COVID-related costs of over \$35.6 million and the CIAA incurred costs of around \$419,000. The Government has committed to reimburse HSA for all COVID-19 related costs.¹⁵

25. As reported earlier, during 2020, the Government transferred \$7.1 million from the National Disaster Fund to alleviate some of the pressure from these additional costs. The National Disaster

¹⁴ Entity expenditure is incurred and reported by core government entities. Executive expenditure is administered by core government entities on behalf of Ministers and is reported in the financial statements for the entire public sector.

¹⁵ The costs reported for HSA include the cost of testing carried out by two private sector hospitals.

Fund monies were intended to pay for NEOC activities, the purchase of test kits, assistance to farmers and chartering British Airways repatriation flights.

26. In July 2021, the core government reorganised to align with new ministerial portfolios after the April 2021 elections. Many entities remained the same, some were discontinued after June 2021, others subsumed different departments and were therefore renamed, and some new ministries were created. Exhibit 3 provides a summary of total expenditure incurred by core government entities, previous and current, and the HSA and CIAA as at 30 September 2021.

Exhibit 3 – Summary of COVID-19 related expenditure as at 30 September 2021

	Entity expenditure	Executive expenditure	Total expenditure
Cabinet	-	324,820	324,820
Cabinet Office	252,932	-	252,932
Judicial Administration	97,668	-	97,668
Ministry of Commerce Planning and Infrastructure * ¹	4,922,193	4,200,517	9,122,710
Ministry of Community Affairs* (discontinued)	209,860	1,488,043	1,697,903
Ministry of District Administration, Tourism and Transport * ²	110,780	61,601,308	61,712,088
Ministry of Education, Youth, Sports, Agriculture and Lands*	923,693	4,463,711	5,387,404
Ministry of Employment and Border Control*	6,125,313	1,613	6,126,926
Ministry of Finance and Economic Development	44,448	52,802	97,250
Ministry of Financial Services and Home Affairs* (discontinued)	4,772,663	-	4,772,663
Ministry of Health, Environment, Culture and Housing*	380,478	1,830,070	2,210,548
Ministry of International Trade, Investment, Aviation and Maritime Affairs* (discontinued)	620,199	-	620,199
Office of the Commissioner of Police	3,197,274	-	3,197,274
Portfolio of the Civil Service	132,029	-	132,029
Other * ³	23,827	-	23,827
Total Core Government	21,813,357	73,962,884	95,776,241
Health Services Authority	35,645,529	-	35,645,529
Cayman Islands Airports Authority	418,718	-	418,718
Total	57,877,604	73,962,884	131,840,488

Notes: * - denotes Ministries that changed as a result of core government reorganisation effective July 2021.

*¹ – This includes expenditure incurred after July 2021 by the Department of Commerce and Investment, which has since moved to the Ministry of Financial Services and Commerce. *² – This includes expenditure incurred by the Departments of Tourism and Transport, which now sit under the Ministry of Tourism and Transport. *³ –

'Other' includes those core government entities whose total expenditure was less than \$20,000. These include the Office of the Director of Public Prosecutions, Office of the Ombudsman, Portfolio of Legal Affairs, Cayman Islands Parliament, Ministry of Sustainability and Climate Resiliency and the Ministry of District Administration and Lands.

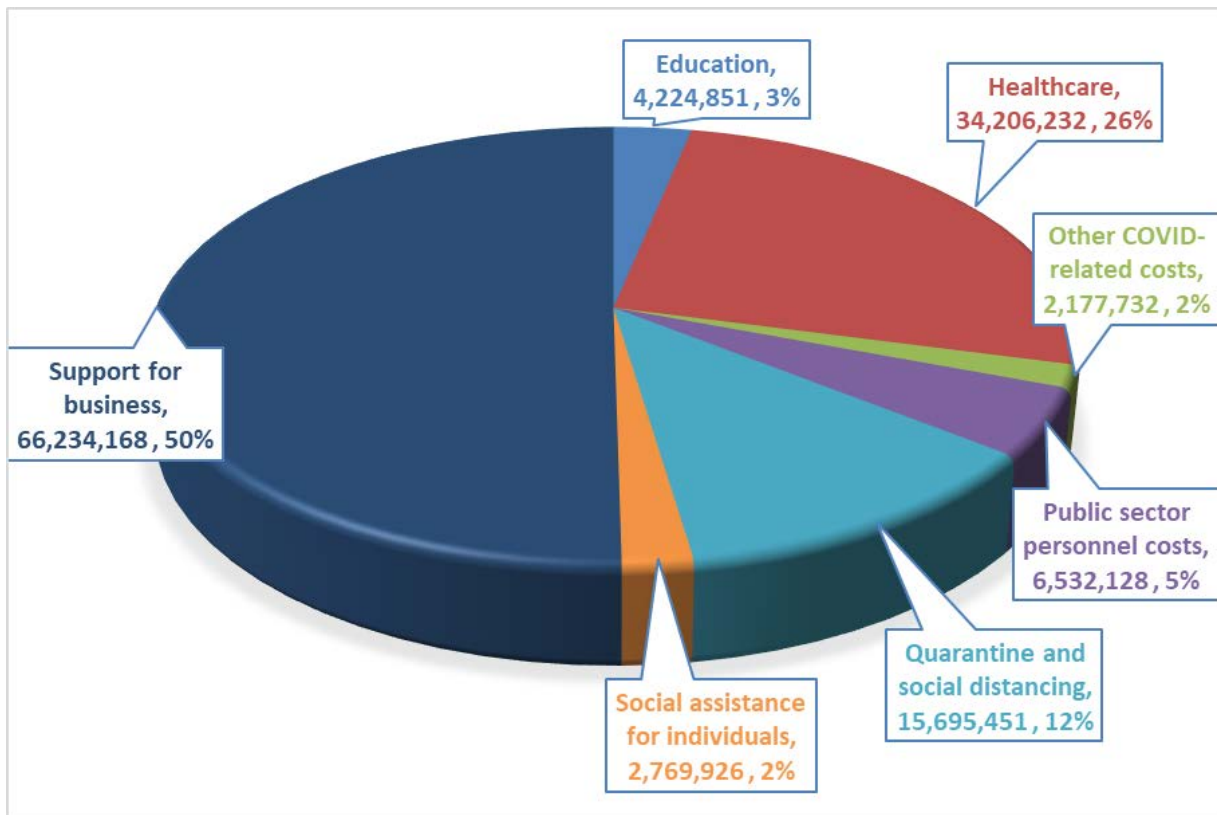
Source: OAG analysis of financial information downloaded from the Government's financial system (IRIS) and information supplied by HSA and CIAA.

27. Most Ministries and the HSA incurred significant COVID-19 related expenditure. Our analysis of the information identified that the biggest spender was the Ministry of District Administration, Tourism and Transport (and now Ministry of Tourism and Transport), which spent \$61.7 million (47 per cent of the total). This mostly relates to payments made to individuals working in the tourism industry who were significantly affected by the border closure. The HSA was the second largest spender at \$35.6 million (27 per cent). Of this total, the two largest elements of HSA expenditure were testing (\$18 million) and personal protective equipment (\$10.2 million).

AROUND HALF OF THE ADDITIONAL EXPENDITURE WAS ON SUPPORT FOR BUSINESSES

28. As reported earlier we analysed the financial information and categorised it into seven COVID-19 related activities. Exhibit 4 provides a summary of the \$131.8 million spent as at 30 September 2021 by category of COVID-19 activity.

Exhibit 4 – Summary of expenditure incurred in relation to COVID-19 as at 30 September 2021, by category



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

29. We provide further analysis and commentary for each category of expenditure in the remainder of this chapter. The chapter is structured by value of expenditure for each category.

ACTIONS TAKEN TO SUPPORT LOCAL BUSINESSES COST OVER \$66.2 MILLION

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

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

31. During 2020, the Government committed to significant funding to support individuals and businesses, particularly those in the tourism industry that were directly affected by closing the borders, and to help boost the economy.
32. As at 30 September 2021, the Government had paid out over \$66.2 million in support to local businesses. This is the largest area of spend as part of the Government’s response to the COVID-19 pandemic. The Ministry of District Administration, Tourism and Transport, and later the Ministry of Tourism and Transport, incurred the majority of these costs. Exhibit 5 provides a summary of the expenditure on providing support to business to 30 September 2021.

Exhibit 5 – Summary of expenditure on providing support to business to 30 September 2021

	Actual cost to 30 September 2021		
	Entity expenditure	Executive expenditure	Total expenditure
Support to tourism	-	61,072,700	61,072,700
Micro and small businesses	-	4,188,000	4,188,000
Assistance to farmers	23,360	463,600	486,960
Support to artists and musicians	37,508	449,000	486,508
Total	60,868	66,173,300	66,234,168

Source: OAG analysis of financial information downloaded from IRIS and information supplied by the Government.

SUPPORT TO TOURISM

33. The closure of the borders has seriously affected the tourism industry and the Government has made funding available to individuals affected, including tourism workers, taxi and mini-bus drivers.
34. On 21 May 2020, the Government announced a range of measures to support the tourism industry. This initially included one-off stipends for taxi drivers and mini-bus drivers, and a one-time grant to Caymanian tourism workers affected by the shutdown. These payments were extended, and as at 30 September 2021, almost \$61.1 million had been paid to individuals in the tourism industry. At the time of preparing this report, the Government had committed to continue these payments. The estimated cost of this commitment is included later in this report.

SUPPORT FOR MICRO AND SMALL BUSINESS

35. On 6 April 2020, 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. As at 30 September 2021, almost \$4.2 million had been spent on micro and small businesses; all of this cost was incurred during 2020.

36. The Government also made available the following two loans schemes:

- In April 2020, the Government supported \$5 million in low-interest loans for small and micro businesses available through the Cayman Islands Development Bank (CIDB). As at the end of September 2021, the CIDB had issued loans valued at \$886,000 under the Micro and Small Business Loan Interruption Programme.¹⁶
- In December 2020, the Government entered into an agreement with five local banks to guarantee a loan programme to offer and provide new credit facilities to qualifying medium and large-sized business (Government Guaranteed Loan Programme). Under this programme, the Government guarantees 50 per cent of the aggregate of the outstanding principal, unpaid interest and other costs of the eligible borrowers. As at 31 May 2021, three borrowers had been approved under the programme for credit facilities of \$1.9 million.¹⁷ We do not have information as at 30 September 2021.

ASSISTANCE TO FARMERS

37. On 15 May 2020, the Cabinet approved \$1 million in assistance to farmers to buy feed and other supplies. As reported earlier, the cost of assistance to farmers was met from monies transferred from the National Disaster Fund. The Farmers' Assistance and Relief Measures (FARM) programme has continued and as at 30 September 2021, almost \$487,000 had been spent assisting farmers as part of this initiative.

SUPPORT TO ARTISTS AND MUSICIANS

38. On 1 May 2020, the Government announced a one-off stipend of \$1,000 for local musicians and artists affected by the closure of tourism activities, which was paid in June 2020. The Government made a further payment to musicians in March 2021. As at 30 September 2021, almost \$487,000 had been paid to local artists and musicians.

OVER \$34.2 MILLION WAS SPENT ON HEALTHCARE RELATED TO COVID-19

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

¹⁶ Information obtained from the CIDB trial balance as at 30 September 2021 as part of our 2021 interim audit.

¹⁷ As reported in the draft EPS financial statements for 2020.

- Cost of testing, carried out by HSA and private hospitals.
- Personal Protective Equipment (PPE) such as masks, goggles, gloves, gowns and other protective clothing and equipment.
- Medical supplies and equipment.
- Test kits, equipment and supplies needed for testing.
- Cleaning and cleaning products, to ensure safe and clean working environments and for personal hygiene, including hand sanitisers.
- Additional facilities, including costs of establishing two field hospitals.

40. As at 30 September 2021 over \$34.2 million had been spent on healthcare activities. The majority of this (\$32.1 million) was spent by the HSA. Exhibit 6 provides a summary of the actual costs on healthcare activities to 30 September 2021.

Exhibit 6 – Summary of expenditure on healthcare activities to 30 September 2021

	Actual cost to 30 September 2021				
	Entity expenditure	Executive expenditure	Health Services Authority	Cayman Islands Airport Authority	Total expenditure
Cost of testing	851	-	18,070,828	-	18,071,679
Personal Protective Equipment (PPE)	892,697	94,050	10,155,057	75,546	11,217,350
Medical supplies and equipment	114,208	-	2,906,522	-	3,020,730
Test kits and supplies	-	316,562	944,016	-	1,260,578
Cleaning and cleaning products	330,864	-	4,626	163,102	498,592
Additional facilities	73,430	-	63,873	-	137,303
Total	1,412,050	410,612	32,144,922	238,648	34,206,232

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

41. In January 2021, the Government started to roll out its vaccination programme. The vaccines were provided free of charge by the UK Government and the costs associated with the vaccination programme are staff costs only. Staff costs are included within Public Sector Personnel costs, later in this report.

COST OF TESTING

42. By 30 September 2021, the cost of carrying out tests for COVID-19 was almost \$18.1 million. The HSA and two private hospitals - Doctors Hospital and Health City Cayman Islands – carry out tests. The Government reimburses all three hospitals for all of the associated costs. All of these costs are included within the HSA expenditure.

PERSONAL PROTECTIVE EQUIPMENT (PPE)

43. All government entities and SAGCs bought personal protective equipment (PPE) such as masks, goggles, gloves, gowns and other protective clothing. As at 30 September 2021, the total cost of PPE and was over \$11.2 million. The HSA spent most of this (\$10.2 million).

MEDICAL SUPPLIES AND EQUIPMENT

44. As at 30 September 2021, just over \$3 million had been spent on medical supplies and equipment. The HSA spent the vast majority of this (\$2.9 million) on, for example, testing machines, ventilators and laboratory supplies.

TEST KITS AND SUPPLIES

45. In July 2020, we reported that the Government purchased 200,000 COVID-19 test kits from South Korea in April 2020. The total cost of these kits was almost \$3.7 million. However, a benefactor donated half of this cost to the Government. The Government also sold (or exchanged) some of the test kits, reducing the cost to around \$317,000. As reported earlier, the cost of buying test kits was funded by monies transferred from the National Disaster Fund. In addition, the HSA has spent around \$944,000 on test kits and reagents needed to carry out the tests.

CLEANING AND CLEANING PRODUCTS

46. An essential element of containing the spread of COVID-19 is having clean workspaces and regular hand washing. All government entities and SAGCs incurred costs in relation to additional cleaning and personal hygiene, for example hand sanitisers and hand-washing stations. By the end of September 2021, a total of \$499,000 had been spent; core government had spent over \$331,000 on cleaning products, and CIAA had spent \$163,000. The HSA identified minimal additional cleaning costs because of COVID-19. This is reasonable, as we would expect hospitals and medical facilities to ensure clean workspace and personal hygiene as part of their normal operating procedures.

ADDITIONAL FACILITIES

47. 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. These adaptations cost a total of \$137,000. The two field hospitals included the set-up of a 60-bed facility at the Family Life Centre and equipping the Jasmine hospice facility. They became operational in May 2020 and were decommissioned in February 2021. In November 2021, in response to the increase in COVID cases, the Government announced that it would recommission the field hospital at the Family Life Centre.

QUARANTINE AND SOCIAL DISTANCING COST AROUND \$15.7 MILLION

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

- Quarantine facilities. This includes the running cost of quarantine facilities for people arriving in Cayman Islands and for key workers. The costs include the following:
 - Accommodation costs
 - Security
 - Meals
 - Cleaning (including quarantine facilities and transportation)
 - Transport to isolation facilities.
- Oversight of quarantine and isolation. This includes the operational costs of the government departments - Travel Cayman and Travel Time – that were set up to oversee and operate the quarantine and isolation processes. The costs include, among other expenses, accommodation and staff costs.
- Electronic tagging (for home isolation).
- 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. As at 30 September 2021, the Government had spent around \$15.7 million on quarantine and social distancing. Over the period, a number of ministries have been involved in supporting the quarantine facilities. The three ministries that incurred the majority of this expenditure were the Ministry of Financial Services and Home Affairs, the Ministry of Commerce, Planning and Infrastructure and the Ministry of Employment and Border Control. Exhibit 7 provides a summary of the actual costs of quarantine and social distancing activities to 30 September 2021.

Exhibit 7 – Summary of estimated expenditure on quarantine and social distancing activities

	Actual cost to 30 September 2021			
	Entity expenditure	Executive expenditure	Cayman Islands Airport Authority	Total expenditure
Quarantine facilities -				
Accommodation costs	8,408,735	5,051	-	8,413,786
Security	1,922,060	-	-	1,922,060
Meals	1,540,569	-	-	1,540,569
Cleaning	527,551	254,571	-	782,122
Transportation costs	220,319	254,038	17,637	491,994
	12,619,234	513,660	17,637	13,150,531
Oversight of quarantine and isolation	1,743,227	-	-	1,743,227
Electronic tagging	664,456	2,615	-	667,071
Social distancing	149,843	16,846	8,082	174,771
Repatriation flights	-	(40,149)	-	(40,149)
Total	15,176,760	492,972	25,719	15,695,451

Source: OAG analysis of financial information downloaded from IRIS and information supplied by the Government and CIAA

QUARANTINE FACILITIES

50. One of the Government’s responses to containing the spread of COVID-19 was for all people returning to the Cayman Islands on repatriation flights to go in to mandatory quarantine. In the early days of the pandemic, essential workers were also offered accommodation in quarantine facilities to limit the spread of the disease. The Government arranged for a few local hotels to provide these facilities.
51. Between March and 22 May 2020, the Government met all of the quarantine costs for Caymanians and permanent residents returning to the islands. From 22 May 2020, the Government allowed work permit holders to return to the islands; a condition of a work permit holders’ return was that they (or their employer) paid the costs of the quarantine facilities. The quarantine facilities continue to operate, as the Government requires some people entering the Cayman Islands to quarantine. We report the estimated costs of this later in this report.

52. The cost of operating the quarantine facilities includes accommodation, security, meals, cleaning and transportation costs. An element of the quarantine process is to ensure that people are transported safely and securely directly from the airport to their place of quarantine, whether that is a designated quarantine facility or private residence. We have therefore included transportation costs in this category. By the end of September 2021, the total cost of operating the quarantine facilities was over \$13.2 million. Of this total, \$8.4 million was for accommodation costs, \$1.9 million for security, \$1.5 million for meals, \$780,000 for cleaning and \$492,000 for transportation costs.

OVERSIGHT OF QUARANTINE AND ISOLATION

53. In July 2020, the Government established a new department 'Travel Time' within the Ministry of International Trade, Investment, Aviation and Maritime Affairs to oversee and operate the quarantine and isolation requirements. In October 2020, the responsibilities moved to a new department 'Travel Cayman'. In March 2021, this department moved to the Ministry of Employment and Border Control.

54. As at the end of September 2021, the Government had spent over \$1.7 million operating Travel Time and Travel Cayman. The majority of this was on staff costs.

ELECTRONIC TAGGING

55. From October 2020, the Government allowed incoming travellers to quarantine at home, subject to certain restrictions. This included people isolating at home wearing electronic tags so that their location could be monitored. On 9 August 2021, the Government stopped using electronic tags as it moved to phase 2 of its border reopening plan. However, this requirement was reintroduced on 14 September when the Government put the reopening plan on hold because of community transmission of COVID-19. As at 30 September 2021, the Government had spent around \$667,000 on buying tags and phones, and operating the electronic tagging system.

SOCIAL DISTANCING

56. Most government entities and the CIAA incurred additional costs in relation to social distancing. The majority of these costs were incurred in the early days of the pandemic as public bodies installed partitions and screens to protect individuals, hand-washing stations, and temporary barriers and fencing. As at 30 September 2021, around \$175,000 had been spent on social distancing measures.

REPATRIATION FLIGHTS

57. As reported earlier, the Government closed the borders in March 2020 as part of its response to the COVID-19 pandemic. The Government organised a number of repatriation flights to ensure that citizens were able to return home to the Cayman Islands, help people get back to their home

countries, and allow for some essential travel, for example, medical treatment. These included British Airways air bridge flights to London, and flights to the Philippines and India.

58. The UK Government's Foreign and Commonwealth Office paid for the first British Airways airbridge flight (GBP280,000) and so there was no cost to the Cayman Islands Government. The Government paid for the other repatriation flights and received income from ticket sales; the intention was that the flights should be cost neutral wherever possible. Some funding from the National Disaster Fund was intended to pay for repatriation flights. However, as at 30 September 2021, the Government had recovered around \$40,000 more than it had incurred to operate the flights.

59. Cayman Airways Limited operated a number of other repatriation flights. We did not obtain information from Cayman Airways Limited on the cost of operating these flights. As a result of the borders being closed, Cayman Airways Limited was not able to operate as normal, which would have affected its ability to generate revenues. At the end of 2020, the Parliament approved operational support of \$16.3 million for Cayman Airways; this is not included in Exhibit 7.

THE GOVERNMENT SPENT \$6.5 MILLION ON PUBLIC SECTOR PERSONNEL COSTS

60. 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.
- Honorarium for staff.
- Essential staff costs.
- Additional costs incurred for essential core government staff, such as meals and refreshments.

61. Our analysis shows that the Government spent \$6.5 million on public sector personnel costs in relation to COVID-19. This includes overtime payments, additional staff costs and a one-off honorarium paid to some public sector staff. The HSA (\$3.2 million) and the Office of the Police Commissioner (\$2.5 million) incurred the most for additional public sector personnel costs. Exhibit 8 provides a summary of the actual expenditure on public sector personnel costs to 30 September 2021.

Exhibit 8 – Summary of estimated expenditure on public sector personnel costs as at 30 September 2021

	Actual cost to 30 September 2021			
	Entity expenditure	Health Services Authority	Cayman Islands Airport Authority	Total expenditure
Overtime payments	1,692,650	1,747,312	-	3,439,962
Honorarium for staff	1,234,170	869,000	154,000	2,257,170
Essential staff costs	76,403	576,673	-	653,076
Meals	147,893	54	-	147,947
Other	33,973	-	-	33,973
Total	3,185,089	3,193,039	154,000	6,532,128

Note: There is no executive expenditure in relation to public sector personnel costs

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

62. On 25 March 2020, 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 COVID-related costs’ later in this report) but many were deemed essential staff, such as staff on the NEOC, police officers and healthcare workers. After the ‘curfews’ in 2020, the public sector continued to incur additional personnel costs as a direct result of the pandemic.
63. We have removed the staff-related costs for Travel Cayman and Travel Time from this category and are reported earlier as expenditure on quarantine and social distancing.

OVERTIME PAYMENTS

64. Some core government entities and HSA staff were paid overtime as they had to work additional hours to provide essential services because of the pandemic. For example, Royal Cayman Islands Police (“RCIPS”) and some Customs and Border Control staff enforced compliance with curfews during 2020, and HSA staff worked additional hours to provide essential healthcare such as running COVID tests.
65. As at 30 September 2021, around \$3.4 million had been paid in overtime. Of this total, core government had incurred around half of the cost of overtime - \$1.7 million; the majority of this was for overtime of \$1.5 million paid to police officers. The HSA incurred the other half, having paid \$1.7 million in overtime.

HONORARIUM FOR STAFF

66. On Friday 19 June 2020, the Government announced that public sector workers who had been directly involved in the Government's response to COVID-19 would be paid a one-off honorarium. All staff that had provided essential front-line services were eligible for payment of an honorarium of \$1,000. This included healthcare workers, uniformed officers, emergency responders, teaching staff, social services staff, waste collectors, communications staff and NEOC teams. In addition, some staff were eligible for an additional \$500 enhanced honorarium if they were deemed to have faced significant hazards. For example, by coming into close contact with high volumes of people or COVID-19 patients in isolation or detention or through COVID-19 test samples. Staff with leadership roles in the NEOC structure that required them to remain on call throughout the crisis were also eligible for this enhanced honorarium.¹⁸
67. The Government, HSA and CIAA paid over \$2.2 million in honorarium to staff; all of which was paid in 2020. This included around \$1.2 million to core government, \$869,000 to HSA staff, and \$154,000 to CIAA staff.

ESSENTIAL STAFF COSTS

68. As at the end of September 2021, the Government and HSA had incurred around \$650,000 in essential staff costs, the vast majority of this was incurred by the HSA (\$577,000). Some of this relates to additional temporary staff recruited by HSA as a direct result of the pandemic.

OVER \$4.2 MILLION WAS SPENT ON EDUCATION

69. For the purposes of this report we have included the following items of expenditure and activities as education:
- Outsourced services for schools, including security, cleaning and school buses.
 - Payments to Non-Government Organisations.
 - Grants to pre-schools.
 - Grants to private schools.
 - Online distance learning, including cost of learning packs and the online learning platform.
 - Free school meals.
70. On 16 March 2020 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

¹⁸ Cayman Islands Government Personnel Circular 11 of 2020, 19 June 2020.

weeks but on 23 April 2020, the Government announced that schools would remain closed for the rest of the 2019/20 academic year. All schools were re-opened for normal activities on 26 August 2020.

71. As a result of the decision to close schools, the Government paid over \$4.2 million in COVID-related expenditure for education activities. The vast majority of this expenditure was incurred in 2020. Exhibit 9 provides a summary of the actual expenditure on education activities to 30 September 2021. The Ministry of Education and its predecessor (the Ministry of Education, Youth, Sports, Agriculture and Lands) incurred all of this expenditure.

Exhibit 9 – Summary of expenditure on education activities to 30 September 2021

	Actual cost to 30 September 2020		
	Entity expenditure	Executive expenditure	Total expenditure
Outsourced services for schools	146,058	1,990,670	2,136,728
Payments to Non-Government Organisations	-	1,600,735	1,600,735
Grants to pre-schools	-	205,023	205,023
Grants to private schools	-	171,777	171,777
Online distance learning	91,087	-	91,087
Free school meals	19,333	-	19,333
Other	168	-	168
Total	256,646	3,968,205	4,224,851

Source: OAG analysis of financial information downloaded from IRIS and information supplied by the Government.

OUTSOURCED SERVICES TO SCHOOLS

72. The Ministry of Education included \$2.1 million of monthly payments, from April to June 2020, to suppliers of outsourced services to schools such as security, janitorial and school buses, as COVID-19 related expenditure. It is not clear why these have been categorised as COVID-related costs. We appreciate that the services were not provided as the schools were closed. However, the contracts in place mean that the Government would have incurred the costs nevertheless. Supplementary appropriations for the Ministry of Education were approved in Parliament in December 2020, transferring funds from entity to executive (transfer payments) to cover these expenses.
73. However, we also noted, that some of the same suppliers received additional money from the Government by supplying similar services to the quarantine facilities, for example, security, cleaning

and transportation. It would be a better use of money to re-negotiate with suppliers to deliver different services for the money they were already being paid through existing government contracts.

PAYMENTS TO NON-GOVERNMENTAL ORGANISATIONS

74. The Ministry of Education has annual purchase agreements with a large number of non-governmental organisations (NGOs), including sporting associations, to provide a range of services. These are agreed as part of the two-year budget cycle.
75. The Ministry classified \$1.6 million in payments made to NGOs from April to June 2020 as COVID-19 expenditure. We noted that the descriptions for these payments stated “quarterly payment as per purchase agreement”. It is not clear why these costs were classified as COVID-related as the Government would have incurred this expenditure anyway. The Parliament approved supplementary appropriations for the Ministry of Education, in December 2020, transferring funds from entity to executive (transfer payments) to cover these costs.

GRANTS TO SCHOOLS

76. As a result of the decision to close educational institutions the Government paid grants to preschools in lieu of some of the fees they would have received from parents. A total of \$205,000 was paid in grants to pre-schools. Grants of around \$172,000 were also paid to private schools.

ONLINE DISTANCE LEARNING

77. As reported earlier, the Government closed all schools in March 2020 and moved to online distance learning. This remained in place for the remainder of the 2019/20 academic year. The Government spent around \$91,000 on providing online learning to students.

THE GOVERNMENT PROVIDED SOCIAL ASSISTANCE OF \$2.8 MILLION TO INDIVIDUALS

78. For the purposes of this report we have included the following items of expenditure and activities as social assistance for individuals:
- Payments to vulnerable people. This included one-off payments to disabled people, seamen, veterans and people already receiving financial assistance from the Government prior to the pandemic. The Government also helped expatriate work permit holders affected by the closure of businesses in the form of food vouchers.
 - Assistance with paying health insurance premiums for people who had lost their jobs or were not working fulltime in the tourism and hospitality industries.

79. The Government had spent almost \$2.8 million in assistance to individuals by 30 September 2021. All of this expenditure was classified as executive expenditure. The Ministry of Community Affairs incurred the majority of these costs for payments to vulnerable people. The Ministry of Health, Environment, Culture and Housing paid for the cost of health insurance premiums. Exhibit 10 provides a summary of the actual costs of social assistance to individuals to 30 September 2021.

Exhibit 10 – Summary of expenditure on social assistance to individuals to 30 September 2021

	Actual cost to 30 September 2021	
	Executive expenditure	Total expenditure
Payments to vulnerable people	1,512,450	1,512,450
Health insurance premiums	1,257,476	1,257,476
Total	2,769,926	2,769,926

Note: There is no entity expenditure for social assistance.

Source: OAG analysis of financial information downloaded from IRIS and information supplied by the Government

PAYMENTS TO VULNERABLE PEOPLE

80. On 23 March 2020, the Government announced that it would pay a one-off stipend to people receiving permanent financial assistance and families receiving food vouchers. The Government provided significant additional funding available to support individuals and families by approving additional budgets for a range of transfer payments.¹⁹ As at 30 September 2021, the Government had paid out over \$1.2 million to these people.

81. The Government also provided over \$278,000 for expatriate work permit holders who were experiencing financial hardship because of the loss of employment. Many of these people were unable to leave Cayman Islands due to the borders being closed here and in their home countries. The financial assistance was provided in the form of food vouchers. An additional budget for this was approved as part of the supplementary appropriations for 2020.²⁰

¹⁹ Transfer payments are a classification of government expenditure that is usually a benefit given by the government to individuals or entities without the expectation of goods or service in return. The Government provided additional funding for the following transfer payments – TP 41 – Permanent financial assistance, TP 47 – Ex-gratia benefit payments to seamen and ex-servicemen, TP 57 – Children and family services support and TP 87 – Temporary financial assistance.

²⁰ TP 95 – temporary support to non-Caymanian residents due to COVID-19.

HEALTH INSURANCE PREMIUMS

82. In April 2020, the Government announced the Premium Payment Assistance Programme. Under this programme, the Government committed to pay health insurance premiums for individuals that had been furloughed as a result of COVID-19 backdated to April 2020. By the end of September 2021, the Government had paid over \$1.2 million in health insurance premiums. The Government had committed to continue paying health insurance premiums until March 2022. The estimated cost of this commitment is included later in this report.

A FURTHER \$2.2 MILLION WAS SPENT ON OTHER COVID-RELATED COSTS

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

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

84. By 30 September 2021, almost \$2.2 million had been spent on other COVID-related costs. All entities incurred expenditure in this category. The Office of the Police Commissioner (\$478,000) and the Ministry of Employment and Border Control (\$400,000) incurred the most costs. Exhibit 11 provides a summary of the actual costs on Other COVID-related costs to 30 September 2021.

Exhibit 11 – Summary of expenditure on Other COVID-related costs to 30 September 2021

	Actual cost to 30 September 2021				
	Entity expenditure	Executive expenditure	Health Services Authority	Cayman Islands Airport Authority	Total expenditure
Cost associated with moving core government staff to remote working	364,724	-	-	-	364,724
Public awareness campaigns	220,497	-	133,604	-	354,101
Rental of equipment and vehicles	236,978	-	91,817	-	328,795
Fuel	152,244	-	3,337	-	155,581
Accommodation	29,674	-	-	-	29,674
Other	717,825	147,871	78,811	350	944,857
Total	1,721,942	147,871	307,569	350	2,177,732

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

REMOTE WORKING

85. As reported above, the Government closed all offices on 25 March 2020 and wherever possible moved all non-essential staff to work remotely until restrictions were removed in June 2020. As a result, new equipment needed to be purchased, including laptops and tokens to allow staff to access the Government’s remote working platform. Remote working continued after the lifting of the ‘curfew’ restrictions. In September 2021, the civil service updated its policy in response to community transmission of COVID-19, which introduced a maximum capacity of 50 per cent of staff in all offices. This restriction was removed in March 2022 but many staff continue to work flexibly. The Government spent almost \$365,000 on equipping staff to work remotely.

PUBLIC AWARENESS CAMPAIGNS

86. An integral part of the response to the pandemic was keeping the public informed and raising awareness about developments, including the introduction of the vaccination programme in early 2021. This was done through a range of communication modes including radio and newspaper adverts, posters and leaflets. By the end of September 2021, around \$354,000 had been spent on

public awareness campaigns. Of this total, the Government spent around \$220,000 and the HSA spent around \$134,000.

RENTAL OF EQUIPMENT AND VEHICLES

87. A number of core government entities had to rent additional equipment and vehicles because of COVID-19. For example, 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 curfews. HSA also had to rent vehicles and equipment to support its additional testing facilities and public awareness campaigns. By 30 September 2021, around \$329,000 had been spent renting equipment and vehicles.

FUEL

88. As at 30 September 2021, almost \$156,000 had been spent on additional fuel costs as a direct result of the Government's response to the pandemic. The majority of this was incurred by RCIPS, as it was required to enforce the curfews imposed by the Government across all three islands from 24 March to 19 June 2020. This resulted in additional patrolling in both vehicles and the police helicopter.

THE GOVERNMENT HAD FOREGONE REVENUES OF AT LEAST \$116 MILLION BY THE END OF SEPTEMBER 2021

89. In addition to extra costs as a result of the pandemic the Government has also foregone revenues. The Government reported within its draft EPS financial statements for 2020 that its revenues for the year were \$131.3 million less than budgeted. Of this total, coercive revenues were \$41.5 million less than budgeted and revenues from the sales of goods and services were \$89.8 million less than budgeted. However, by 30 September 2021, the Government reported that revenues for the nine-month period were \$88.7 million more than budgeted.

90. For the purposes of this report, we have analysed the Government's coercive revenues for the period March 2020 until the end of September 2021. We have only included those revenue streams that the Government identified as being lower than budgeted due to the COVID-19 pandemic. Exhibit 12 summarises the foregone revenues to 30 September 2021.

Exhibit 12 – Foregone revenues to 30 September 2021

Coercive revenue stream	Foregone revenue during 2020	Foregone revenue – 1 January to 30 September 2021	Total foregone revenue to 30 September 2021
Tourist accommodation charges	25,700,000	28,767,000	54,467,000
Cruise ship departure charges	8,200,000	9,013,000	17,213,000
Environmental Protection Fund fees	4,100,000	4,651,000	8,751,000
<i>Tourism-related revenues</i>	38,000,000	42,431,000	80,431,000
Other import duty ¹	13,900,000	-	13,900,000
Gasoline & diesel duty	6,200,000	2,728,000	8,928,000
Motor vehicle duty ²	4,400,000	-	4,400,000
<i>Duties</i>	24,500,000	2,728,000	27,228,000
Work permit fees	7,500,000	1,218,000	8,718,000
Total	70,000,000	46,377,000	116,377,000

Notes: All of the figures used are unaudited. 1 – The Quarterly reports for 2021 to 30 June (Q1 and Q2) reported less ‘Other Import Duty’ being received than budgeted but by Q3 there was no longer a negative variance. 2 – The Q1 report for 2021 reported less ‘motor vehicle duty’ than budgeted but by Q2 this was no longer a negative variance.

Source: OAG analysis of the unaudited financial statements for the entire public sector for the financial year ended 31 December 2020 and Government’s unaudited quarterly financial reports to September 2021.

91. Based on our analysis, we estimate that the Government had foregone revenues of around \$116.4 million in the period to 30 September 2021. However, other revenue streams may have been impacted by the COVID-19 pandemic. These include, for example, other work permit fees such as temporary work permits, other tourism-related revenues such as timeshare ownership charges, and other fees and charges such as passport fees.

REVENUES FROM THE TOURISM INDUSTRY

92. As reported earlier, the Government took a number of actions to combat the COVID-19 pandemic that had a significant impact on the tourism sector. In March 2020, the borders were closed and remained largely closed until early 2022. This affected both stay-over visitors and cruise ship passengers. Both of which generate revenues for the Government.

93. The three main sources of revenue identified by the Government as affected by the pandemic were tourist accommodation charges, cruise ship departure charges and environmental protection fund fees. The Government usually generates around 6-7 per cent of its coercive revenues from these

three revenue streams. By comparison, in the draft EPS financial statements for 2020, the Government reported that these revenue streams had contributed 2 per cent of coercive revenues. Overall, by 30 September 2021, we estimate that the Government had foregone revenues of \$80.4 million for these three revenue streams.

FOREGONE REVENUE DUTIES

94. The Government also identified that three types of duty affected by the COVID-19 pandemic. These included other import duty, gasoline and diesel duty, and motor vehicle duty. We estimate that by the end of September 2021, the Government had foregone revenues of \$27.2 million for these three revenue streams.

WORK PERMIT FEES

95. A significant source of income for the Government is work permit fees. Work permit and other immigration fees usually generate around 13 per cent of coercive revenues. Although the overall percentage was similar in the draft EPS financial statements for 2020, the reported figure was less than the prior year. The Government specifically identified work permit fees as one of the revenue sources affected by the pandemic. As a result of the border being closed between March 2020 and September 2021, many people that had worked in the tourism sector left the Cayman Islands and employers in other sector were unable to bring new recruits to the country to fill vacancies. We estimate that by the end of September 2021, the Government had foregone revenues of around \$8.7 million in work permit fees. The majority of this related to the 2020 financial year.

ESTIMATED FINANCIAL IMPACT FROM OCTOBER 2021 TO MARCH 2022

96. As reported earlier, the Government put its border-reopening plan on hold in September 2021 because of the first cases of community transmission of COVID-19. As a result of this, the Government also reintroduced some restrictions. These restrictions included the reintroduction of social distancing and the use of PPE, including in schools, the requirement for PCR testing for inter-island travel and increased quarantine from five to seven days.
97. On 22 October 2022, the Government announced that it would transition back to Phase 4 of its border-reopening plan from 20 November 2021. This included allowing more airlines to fly to the Cayman Islands. As reported earlier, by mid-March 2022 most major airlines had resumed flights.
98. On 22 January 2022, the Government moved to Phase 5 of the reopening plan on a staged approach. This removed the requirement to quarantine for most travellers and reduced the quarantine period to 7 days for those that did. On 17 February 2022, the Government announced that it was moving fully to Phase 5 of its border-reopening plan, indicating the return of cruise ships on 21 March 2022. At this time, further restrictions were removed or relaxed. This included the removal of the requirement for post-arrival tests for vaccinated travellers, the quarantine period being further reduced and the requirement for pre-flight testing to the Sister Islands being removed.
99. As a result of the delays to the reopening plan, and to continue to boost the economy until it recovered from the pandemic, the Government has continued some COVID-related activities. Some of these activities will continue for at least the short-term. For example, at the time of preparing this report the Government had committed to continue some of the programmes and initiatives that were introduced during 2020 to support individuals and businesses, particularly those affected by the loss of the tourism industry. The reintroduction of tourists should help the tourism industry recover but it could take some time for the number of tourists to reach pre-COVID-19 levels.
100. Some COVID-related activities will continue for the foreseeable future and may be with us long-term. For example, the Government will need to continue testing for COVID-19, the vaccination programme will continue, and social distancing is the new normal and with it, potentially, the requirement for PPE and remote working. At the time of preparing this report, some people returning to the country after travel were still required to quarantine or isolate at home. However, the Government has changed the criteria for it paying the costs of quarantine. In March 2022, the Government also announced that travel approval requirements to enter the Cayman Islands would continue for the foreseeable future.

101. As reported earlier, for the purposes of this report, we have analysed government announcements and used unaudited figures and assumptions to estimate both the costs and foregone revenues from 1 October 2021 to 31 March 2022.

THE ADDITIONAL ESTIMATED COST OF CONTINUED ACTIVITIES IS AROUND \$70 MILLION

102. We have estimated the costs of commitments associated with COVID-19 related programmes and activities that the Government made from 1 October 2022 to 31 March 2022. Where an end date beyond 31 March was specified we have included an estimate of the additional costs to that date.

103. Overall, we estimate that the cost of commitments made by the Government from 1 October 2022 is approximately \$70.1 million. We have used the same categories of expenditure as reported earlier. Exhibit 13 summarises the additional estimated cost of commitments made from 1 October 2021 onwards.

Exhibit 13 – Summary of the estimated cost of Government commitments from 1 October 2021

Activity	Estimated cost of Government commitments made at 1 October 2021
Support for business	51,900,000
Healthcare	9,685,000
Quarantine and social distancing	6,800,000
Social assistance for individuals	1,574,000
Education	195,000
Total	70,154,000

Source: OAG analysis of Government commitments and announcements, and previous expenditure.

SUPPORT FOR BUSINESS HAS CONTINUED AND IS ESTIMATED TO COST AN ADDITIONAL \$51.9 MILLION

104. In March 2022, the Government announced that the Displaced Tourism Employees Stipend Programme would end in April 2022 and the tourism assistance programme would continue until the end of June 2022. In January 2022, responsibility for this programme transferred from the Ministry of Tourism and Transport to the Ministry of Border Control and Labour. The Government has reported that this programme costs around \$5 million a month. Estimated costs for the period 1 October 2021 to 30 June 2022 are therefore \$45 million.

105. In November 2021, the Government announced a new phase of grants to small businesses and made \$2 million available for this. In April 2022, the Government announced the resumption of the business stipend and asset grant program for wildlife interaction zone and water sports operators and other tourism-related micro and small businesses. The Parliament's Finance Committee approved new funding of \$4.9 million for this program in March 2022. The Ministry of Investment, Innovation and Social Development delivers this program and the Cayman Islands Centre for Business Development disburses monies.

106. In March 2022, the Government further extended the national pensions holiday to 30 June 2022. The pensions holiday applies to private sector pensions only and so it has no direct impact on government funding in the short- to medium term. However, this could have long-term financial implications for the Government. As Caymanians retire, in the future they may have insufficient pensions to see them through retirement if they withdrew pensions in 2020 and continued to take advantage of the pensions holiday. The costs of supporting individuals may therefore fall upon the Government at some time in the future.

HEALTHCARE COSTS AS A RESULT OF COVID-19 WILL CONTINUE FOR THE FORESEEABLE FUTURE

107. We reported earlier on the costs of managing the COVID-19 pandemic to the end of September 2021. The Government achieved a lot in this period, including regular testing for essential workers and the rollout of the vaccination programme. Because of the border closure and other actions taken the Cayman Islands did not experience community transmission, or the start of the first wave of the pandemic, until mid-September 2021. At the time of this report, the Cayman Islands continued to experience the Omicron-variant wave of the pandemic, and testing and the vaccination programme continued.

108. It is highly likely that there will continue to be healthcare services and costs associated with COVID-19 in the short, medium and long term. The virus is likely to continue for the foreseeable future, which as a minimum, will require continued testing and potentially further vaccinations.

109. We estimate that the additional healthcare costs since October 2021 are \$9.7 million. This includes estimated costs for testing, test kits and the vaccination programme.

TESTING

110. Testing for COVID-19 has continued and will continue for the foreseeable future. Since September 2021, the Cayman Islands has experienced community transmission of COVID-19 and a number of waves of different variants of the virus. As a result, the Government expanded some existing services and introduced some new measures, which will have incurred additional healthcare costs to combat the virus. These actions included the following:

- In late September 2021, as a direct result of the first community transmissions, the Government introduced the requirement for PCR tests for travel to the Sister Islands. This requirement was removed in February 2022.
- On 6 October 2021, the Government announced that the use of Lateral Flow Tests (LFTs) should be used to help monitor and contain the spread of COVID-19. In late October, the Government issued national guidelines for testing children in early childhood care and education centres and schools. As part of this initiative, the Government made LFT kits available for free so that children could be tested at home twice a week. The Civil Service also introduced a policy of twice-weekly testing. The Cabinet approved funding of \$3 million to buy LFTs for use in schools and by civil servants.
- In mid-November 2021, the flu hotline and clinic were expanded and the decision was made to reinstate the field hospital, which was originally established in 2020. Three exit-testing centres were also opened.
- In December 2021, as a direct result of the emergence of the Omicron variant in the Cayman Islands, the Government introduced a range of measures. These included mandatory testing of front-line workers and the need for anyone testing positive on a LFT to undergo a PCR test to confirm the result. To limit community transmission, residents who had tested positive using a LFT are also required to self-isolate for at least seven days; a further PCR test at one of the official testing centres is required for release.

111. The average monthly cost of testing until August 2021 was \$1 million. However, as reported above community transmission was detected in September 2021. The monthly cost of testing since then has likely increased significantly as more people were tested, particularly during the peaks of waves of different variants. However, we do not have information on the cost of testing from September 2021 and we have estimated that the additional cost of testing continued to be \$1 million a month. On this basis, the cost of testing from 1 October until 31 March is \$6 million.

112. In addition to the cost of testing, the HSA and other test centres would have needed to buy more test kits. The HSA purchased an additional 150,000 test kits in August 2021 at a cost of around \$685,000. We have estimated that this stock will need to be replenished and that the cost will be similar.

VACCINATION PROGRAMME

113. As reported earlier, the Government launched the COVID-19 vaccination programme in early 2021, operated by the HSA. The Government set a target of 80 per cent of the population to be fully vaccinated (i.e., two doses of the vaccine). By 30 September 2021, 72 per cent of the population were fully vaccinated. The target of 80 per cent of the population being fully vaccinated was

achieved by 15 December.²¹ In January 2022, the vaccination programme was extended to children. By 2 April 2022, 90 per cent of the population were fully vaccinated.

114. In mid-September 2021, the Government announced that booster vaccines would be available for the extremely vulnerable. In mid-November 2021, the booster programme started to be rolled out to the rest of the population. In December 2021, the Government set a target of 80 per cent of the population to have a booster vaccination. By 2 April 2022, 35 per cent of the population had a booster dose of the vaccine.

115. The UK Government donated the vaccines. Therefore, the additional costs associated with the vaccine programme are staff costs only. We are aware that the HSA has recruited some additional staff and redeployed staff to support the rollout of the vaccination programme. However, these costs are not separately identified and we are therefore unable to estimate the additional costs.

ADDITIONAL QUARANTINE AND SOCIAL DISTANCING COSTS ARE ESTIMATED AT \$6.8 MILLION

116. As part of the Government's approach to containing the spread of COVID-19, it has continued to require people returning to the Cayman Islands to quarantine in a government-approved facility or isolate at home in a private residence. For example, people travelling from a country where less than 60 per cent of the population is vaccinated are required to quarantine on entry. As reported earlier, the costs of operating quarantine facilities include accommodation, meals, security, cleaning and transport.

117. The Government has continued to pay the quarantine costs of some travellers as outlined in regulations. For example, returning Caymanian students, people on official government business, people travelling for medical reasons, people representing the Cayman Islands at sporting events, and some parents, guardians and caregivers. On 8 April 2022, the Government updated the regulations, with effect from 31 May 2022, to remove its commitment to pay for quarantine facilities for all incoming travellers.

118. Between July and September 2021, the Government paid \$2.3 million for quarantine facilities; around \$767,000 a month. Based on this, the estimated cost of providing quarantine facilities between 1 October 2021 and the end of May 2022 is \$6.1 million.

119. Another option is for people to isolate at a private residence and wear an electronic tag, fitted and monitored by Travel Cayman. As reported earlier, the Government bought electronic tags in the

²¹ By 1 November 2021, 80 per cent of the population had one dose of the vaccine.

period to September 2021. The ongoing costs for monitoring people isolating at home are staff costs for Travel Cayman.

120. Travel Cayman also oversees entry requirements for travellers and returning residents. In March 2022, the Government stated that these requirements will continue for the foreseeable future. Between March and September 2021, the cost of operating Travel Cayman was \$706,000. Based on this, we estimate that, for the six-month period to the end of March 2022, the cost of operating Travel Cayman was the same (\$706,000).

121. We therefore estimate the additional costs for quarantine and social distancing as \$6.8 million.

THE GOVERNMENT COMMITTED A FURTHER \$1.6 MILLION IN SOCIAL ASSISTANCE

122. The majority of social assistance payments to vulnerable people affected by the COVID-19 pandemic were incurred during 2020. However, the Government has continued the healthcare insurance premiums payment assistance programme and in October 2021 made funding available for those in hardship due to isolating after testing positive for COVID.

123. The healthcare insurance premiums payment assistance programme was extended to March 2022. The Government stated that in the nine months to December 2021 it had paid health insurance premiums of \$860,949, which is on average \$95,661 a month. Based on this, we estimate that the additional cost of health insurance premiums between October 2021 and March 2022 is \$574,000.

124. In October 2021, the Government announced two initiatives in response to community transmission of COVID-19, and the number of people having to self-isolate after testing positive. These included the following:

- The Government approved funding of \$1 million for an ex-gratia stipend to be paid to Caymanians and Permanent Resident holders who had lost earnings due to the Public Health home isolation requirements after testing positive. These stipends were available until the end of 2021.
- The Government set up an Isolation Support Call Centre. The centre aimed to help vulnerable persons who had been directed by Public Health to isolate due to actual or potential exposure to COVID-19 by assisting them with receiving and processing requests for groceries. The costs associated with operating this centre would have been staff costs only. We have not included an estimate of this additional cost.

125. We therefore estimate the additional costs for social assistance as \$1,574,000.

AN ADDITIONAL \$195,000 WAS SPENT ON EDUCATION

126. In November 2021, the Ministry of Education announced that it had purchased 44,000 reusable face masks for schools at a cost of \$195,000.

ESTIMATED FOREGONE REVENUES TO THE END OF MARCH 2022 ARE \$14.6 MILLION

127. As reported earlier, the Government commenced Phase 4 of the border-reopening plan in November 2021. At that time, the airport reopened to airlines other than Cayman Airways and British Airways. Over the period to mid-March 2022, most airlines reintroduced flights to the Cayman Islands bringing stay-over visitors. On 20 January 2022, the Government commenced Phase 5 of the border-reopening plan. This means that some stay-over tourists started to return to the Cayman Islands towards the end of 2021. The first cruise ship since the borders closed arrived in the Cayman Islands on 21 March 2022.

128. For the purposes of this report, we have estimated the additional foregone revenues between 1 October 2021 and 31 March 2022. This is based on our analysis of budget documents, unaudited quarterly finance reports and our assumptions about revenues. We have only assessed those revenue streams that the Government had previously identified as being affected by the COVID-19 pandemic. Exhibit 14 shows our estimate of foregone revenues for the six months to 31 March 2022 as \$14.6 million.

Exhibit 14 – Estimated foregone revenues between October 2021 and March 2022

Coercive revenue stream	Estimated foregone revenues between October 2021 and March 2022
Tourist accommodation charges	8,533,000
Cruise ship departure charges	4,504,000
Environmental protection fund fees	1,565,000
Total	14,602,000

Source: OAG analysis

129. We have assumed that only tourism-related revenues have been affected in this six-month period.

Contact us

Physical Address:

3rd Floor Anderson Square
64 Shedden Road, George Town Grand Cayman

Mailing Address:

Office of the Auditor General
P. O. Box 2583 Grand Cayman KY1– 1103
CAYMAN ISLANDS
Email: auditorgeneral@oag.gov.ky
T: (345) 244 3211 Fax: (345) 945 7738

Complaints

To make a complaint about one of the organisations we audit or about the OAG itself, please contact Katrina Thomas at our address, telephone or fax number or alternatively email: katrina.thomas@oag.gov.ky

Freedom of Information

For freedom of information requests please contact Katrina Thomas at our address, telephone or fax number. Or alternatively email: foi.aud@gov.ky

Media enquiries

For enquiries from journalists please contact Angela Cullen at phone number (345) 244 3220 or email: Angela.Cullen@oag.gov.ky

www.auditorgeneral.gov.ky



May 2022