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GOVERNMENT OF THE TURKS AND CAICOS ISLANDS



FEBRUARY 2021

FINANCIAL REPORT

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KEY POINTS

- ❖ *The monthly Financial Report for February 2021 shows the actual position against the expected profile based on the 2020-21 estimates as well as the prior year's outturn.*
 - ❖ *During the month of December, a Supplementary Appropriation Bill was enacted to reduce expenditure to \$308.5m, \$28m lower than the Approved Estimates and the Revenue to \$174 million, approximately \$92.3 million lower than the Approved Estimates.*
 - ❖ *The operating balance as at the end of February 2021 was a deficit of \$52.0 million.*
 - ❖ *Development Fund Expenditure for the year to date totaled \$23.0 million.*
 - ❖ *Outstanding Public Debt stood at \$0.8 million after principal repayments of \$2.2 million.*
 - ❖ *The underlying cash balance was a reduction of \$70.7 million bringing Cash and Cash equivalents to a total of \$139.1 million.*
-

OVERVIEW

The Estimates of Revenue and Expenditure (the “Estimates”) for the financial year (FY) 2020-21 were approved in the House of Assembly on 23rd April, 2020 and came into effect on 30th April, 2020. The House of Assembly Revised the Estimates of Revenue and Expenditure in December 2020 that reduced expenditure to \$308.5m, \$28m lower than the Approved Estimates and the Revenue to \$174 million, approximately \$74 million lower than the Approved Estimates. The revision shows a deficit of \$ 134.5 million. The budget deficit reflects the associated economic disruption, revenue fallout and the Government’s economic policy response designed to support income and minimize business failures to prevent further economic damage. Included in the revised estimates were costs associated with the COVID-19 public health response and \$20.3 million in direct stimulus.

During the month of February, The Turks and Caicos Islands held its general elections which resulted in a change in Government. While the Fiscal impact inclusive of policy implications may not be seen until the next financial year, a third stimulus had been announced for circa \$11 million which should be reflected next month before the end of the financial year.

Fiscal measures implemented to date included:

- *\$11 million in Citizens’ Relief Grants, \$14.4 million in Cash Grants for Individuals in the Tourism/Hospitality Sector who became unemployed or underemployed because of the COVID-19 pandemic and \$5 million in Cash Grants allocated to Micro, Small and Medium Enterprises (MSME) Sector. A second round of stimulus payments started in December 2020 and continued into the last quarter;*
- *\$500 thousand for social welfare services;*

- *The waiver of payment of HRTT which was due and payable on the 21st April 2020, in accordance with section 13 (1) of the Hotel, Restaurant & Tourism Tax Ordinance and the payment of HRTT which became due and payable on 21st May 2020 and 21st June 2020, in accordance with section 13 (1) of the HRTT were deferred until 21st July 2020;*
- *As of 1st April, until 30th June 2020 (unless extended) the importation of construction materials was exempted from import duty chargeable under the Customs Ordinance;*
- *From the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020) a 50% reduction in stamp duty payable on real estate transactions;*
- *Suspension of the mortgage payments and accrual of ordinary and default interest on existing TC Invest mortgages during the period April 2020 to September 2020;*
- *Extension of the grace period to renew 2020/2021 Business Licenses on or before 31st July 2020 without penalty;*
- *Write off outstanding amounts for the municipal water and waiver of charges for the period 1st April to 30th June 2020;*
- *The borders to allow for international travel reopened on 22nd July 2020 and business activities restored. All major properties were reopened by late 3rd Quarter;*
- *From the 21st September to 30th December 2020 (completion to have occurred on or before during the specific times outlined in the policy) a reduction of either 75%, 50% or 25% in stamp duty payable on real estate transactions.*

These economic policy responses to the COVID-19 pandemic provides support for individuals and businesses through grants and concessions and comes with substantial direct budgetary costs. All the measures are designed specifically to support the economy through this shock and shall help prevent greater economic and fiscal damage in the long term.

OPERATING BALANCE

Net Operating Deficit: **Month \$5.7 million, Year to Date \$52.0 million**

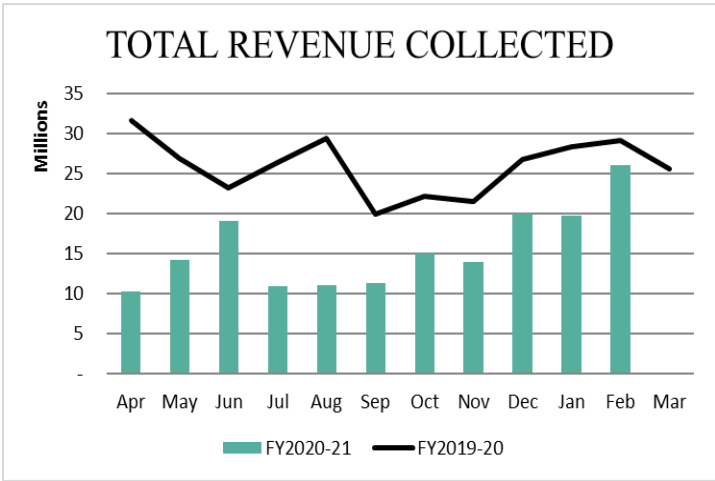
| | Month | | | Variance | | | | Year to Date | | | Variance | | | |
|------------------------------|----------------|----------------|----------------|------------------|--------------|------------------|--------------|-------------------|--------------------|-----------------|-----------------|-------------|--------------------|---------------|
| | Actual | Budget | Prior Year | Budget | | Prior Year | | Actual | Budget | Prior Year | Budget | | Prior Year | |
| | \$ 000's | \$ 000's | \$ 000's | \$ 000's | % | \$ 000's | % | \$ 000's | \$ 000's | \$ 000's | \$ 000's | % | \$ 000's | % |
| Recurrent Revenue | 25,679.1 | 27,260.6 | 29,124.0 | (1,581.4) | (6%) | (3,444.9) | (12%) | 170,453.3 | 141,133.5 | 287,790.2 | 29,319.8 | 21% | (117,336.9) | -41% |
| Recurrent Expenditure | 19,803.8 | 20,189.6 | 20,465.6 | 385.8 | 2% | 661.8 | 3% | 218,662.0 | 235,633.4 | 212,340.1 | 16,971.5 | 7% | (6,321.9) | (3%) |
| Net Recurrent Surplus | 5,875.3 | 7,071.0 | 8,658.4 | (1,195.7) | (17%) | (2,783.1) | (32%) | (48,208.7) | (94,499.9) | 75,450.2 | 46,291.2 | -49% | (123,658.8) | (164%) |
| Non-Recurrent Revenue | 333.7 | - | - | 333.7 | - | 333.7 | #DIV/0! | 6,584.8 | 956.4 | 756.2 | 5,628.4 | - | 5,828.7 | 771% |
| Non-Recurrent Expenditure | 527.1 | 2,121.9 | 1.8 | 1,594.8 | 75% | (525.4) | (29725%) | 10,343.0 | 17,167.6 | 3,894.4 | 6,824.6 | 40% | (6,448.7) | (166%) |
| Net Operating Balance | 5,681.9 | 4,949.0 | 8,656.6 | 732.8 | 15% | (2,974.7) | (34%) | (51,966.9) | (110,711.1) | 72,311.9 | 58,744.2 | -53% | (124,278.8) | (172%) |

The month of February 2021 recorded an operating surplus of \$5.7 million which resulted in a year to date deficit of \$52.0 million. On a year-over-year basis, the results at the end of February showed movement from a healthy surplus of \$72.3 million to a deficit of \$52.0 million, a reduction of \$124.3 million or 172%. This significant underperformance is a direct result of the TCIG's response to the COVID-19 pandemic which involved significant increases in health care related expenditure, payment of stimulus grants and a significant reduction in revenue collection because of the impact on the tourism sector. The revenue collection for the month of February was encouraging as the burn-rate has been reduced from a high of \$10 million during the year to \$3.7 million as at the end of February. The over performance of revenue in comparison to the estimates is due to the processing of a \$92.3 million supplementary appropriation reducing revenue estimates from \$266.3 million to \$174.0 million.

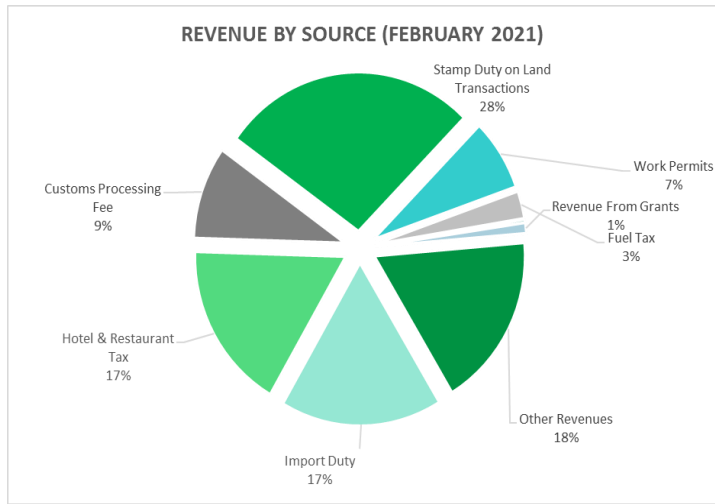
CASH FLOW

| | Month | | | Variance | | | | Year to Date | | | Variance | | | |
|--|----------------|----------------|-----------------|----------------|-------------|------------------|--------------|-------------------|--------------------|-----------------|-----------------|--------------|--------------------|---------------|
| | Actual | Budget | Prior Year | Budget | | Prior Year | | Actual | Budget | Prior Year | Budget | | Prior Year | |
| | \$ 000's | \$ 000's | \$ 000's | \$ 000's | % | \$ 000's | % | \$ 000's | \$ 000's | \$ 000's | \$ 000's | % | \$ 000's | % |
| Cash Flow from Operations | 5,681.9 | 4,949.0 | 8,656.6 | 732.8 | 15% | (2,974.7) | (34%) | (51,966.9) | (110,711.1) | 72,311.9 | 58,744.2 | (53%) | (124,278.8) | -172% |
| Less: | | | | | | | | | | | | | | |
| Development Fund Expenditure | (1,652.8) | (3,626.2) | (1,273.4) | 1,973.4 | - | (379.4) | - | (23,001.6) | (24,380.8) | (24,896.9) | 1,379.2 | - | 1,895.3 | - |
| Debt Repayments | - | - | - | - | - | - | - | (2,182.6) | (2,284.5) | (6,372.9) | 101.8 | (4%) | 4,190.3 | (66%) |
| Borrowing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bond Inflows | - | - | - | - | - | - | - | 355.5 | 171.9 | 367.2 | 183.6 | - | (11.7) | - |
| Transfers from/(to) NWF | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net receipts/(payments) of public accounts | 2,232.0 | - | 2,845.5 | 2,232.0 | - | (613.5) | (22%) | 6,119.4 | - | 1,869.0 | 6,119.4 | - | 4,250.4 | 227% |
| Net Cash Flow | 6,261.0 | 1,322.8 | 10,228.7 | 4,938.2 | 373% | (3,967.7) | (39%) | (70,676.2) | (137,204.4) | 43,278.3 | 66,528.2 | (48%) | (113,954.5) | (263%) |

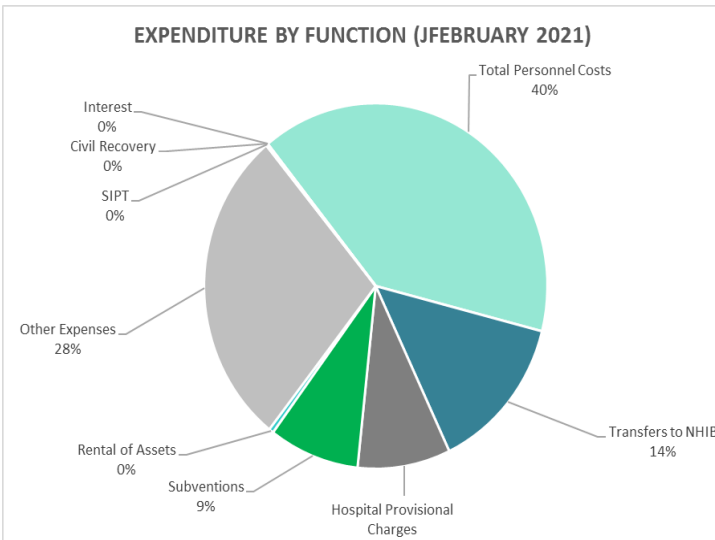
The month of February saw an increase in the underlying cash balance, inclusive of Development Fund expenditure, by \$6.3 million. This resulted in a year to date decline of \$70.7 million. On a year over year basis, the outturn showed a \$114.0 million reduction against the result of the same period last year. As a result, Cash and Cash Equivalents decreased from \$179.8 million at the beginning of the financial year to \$139.1 million at the end of February, after the inclusion of the \$30 million matured term deposit.



\$26.0 million in revenue was collected for the month of February, against prior year results of \$29.1 million. Year to date revenue of \$177.0 million, at the end of February was down \$111.5 million (39%) when compared to last year's results. This fallout in revenue is expected to continue until the end of the Fiscal year. The receipts for January and February have picked up momentum and may be linked to the full reopening of the hotel and tourism sector late in the 3rd Quarter.



\$20.3 million was expended during the month of February resulting in Aggregate Expenditure of \$229.0 million. This was \$23.8 million or 9% below the projected amount whilst up \$12.8 million or 6% from the prior year. The significant variance to the budget is mainly seen in Grants and Contributions. To date, \$11.5 million has been spent on stimulus grants to both individuals and businesses in the MSME sector against a revised allocation of \$19.8 million (original estimate of \$25 million). Significant expenditure continues to be incurred in the health care sector and in relation to the capture, detention and repatriation of illegal immigrants.



REVENUE

Recurrent Revenue: **Month \$25.7 million, Year to Date \$170.5 million**

| RECURRENT REVENUE | Month | | | Monthly Variance | | Year To Date | | | Year to Date Variance | |
|---------------------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|-----------------------|--------------------|
| | Actual | Budget | Last Year | Budget | Last Year | Actual | Budget | Last Year | Budget | Last Year |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Import Duty | 4,411.1 | 6,568.0 | 6,142.6 | (2,156.9) | (1,731.6) | 38,578.2 | 34,766.8 | 71,641.9 | 3,811.4 | (33,063.7) |
| Hotel & Restaurant Tax | 4,459.8 | 8,025.8 | 8,273.1 | (3,566.0) | (3,813.3) | 16,776.8 | 6,323.8 | 68,023.6 | 10,453.0 | (51,246.8) |
| Customs Processing Fee | 2,450.7 | 2,987.7 | 2,838.7 | (537.0) | (388.0) | 19,733.2 | 19,581.6 | 33,072.4 | 151.6 | (13,339.2) |
| Stamp Duty on Land Transactions | 7,138.7 | 2,459.2 | 3,742.2 | 4,679.5 | 3,396.5 | 28,676.7 | 20,211.3 | 30,717.3 | 8,465.4 | (2,040.6) |
| Work Permits | 1,893.2 | 1,885.1 | 2,169.8 | 8.1 | (276.5) | 15,923.6 | 12,202.8 | 21,412.4 | 3,720.8 | (5,488.8) |
| Fuel Tax | 715.0 | 854.3 | 948.1 | (139.3) | (233.1) | 6,822.6 | 5,894.2 | 10,073.3 | 928.4 | (3,250.6) |
| Other Revenues | 4,610.7 | 4,480.6 | 5,009.5 | 130.1 | (398.8) | 43,942.1 | 42,153.0 | 52,849.2 | 1,789.1 | (8,907.2) |
| TOTAL RECURRENT REVENUE | 25,679.1 | 27,260.6 | 29,124.0 | (1,581.4) | (3,444.9) | 170,453.3 | 141,133.5 | 287,790.2 | 29,319.8 | (117,336.9) |

Recurrent Revenue for the month of February totaled \$25.7 million. On a year-over-year basis, Revenue was down \$3.4 million (12%) when compared to the results of the same period last year. The significant variance to budget is due to the processing of a supplementary appropriation approved during the month of December, reducing revenue estimates by \$92.3 million.

The major Revenue Heads are summarised as follows:

Import Duties:

Import Duties collected for the month of February totaled \$4.4 million. This result was down by \$2.2 million (33%) from projected receipts and in comparison to the prior year's receipts, saw a decline of \$1.7 million (28%). Year to date outturn totaled \$38.6 million accounting for 23% of Total Revenue. This was 11% above the estimates whilst 46% below the prior year's outturn. The need for imported goods remains relatively low as tourist related consumption is relatively low. Additionally, as part of its measures to combat the economic fallout as a result of the COVID-19 pandemic, TCIG enacted Customs (COVID-19) (Duty Exemption) Order 2020 which gave the importation of essential items and construction materials an exemption from import duty chargeable under the Customs Ordinance from 1st April until 31st May for bread basket of goods and 30 June 2020 (unless extended) for construction materials. The waiver of duties on cleaning essentials (i.e. cleaning supplies, sanitizers, masks, etc.) was extended to 31 July 2021. Total duties foregone as a result of this measure was \$2.2 million.

While receipts from Import Duties is performing less than optimal an improvement has been seen since the first two quarters after the borders reopened and economic activity began to slowly increase.

Hotel & Restaurant Tax:

Hotel & Restaurant Tax receipts for the month of February totaled \$4.5 million, accounting for 28% of the year to date collections of \$16.8 million. This was against prior year receipts of \$68.0 million, a decline of 75%, mainly due to the fact the Tourism Industry has been the hardest hit during this COVID-19 pandemic. However, the improvement in collections during the last three months (\$10.8m of the total \$16.8m collected) is definitely a positive sign that hotels and restaurants are reopening and activity is slowly increasing.

It also should be noted that prior year's receipts for Hotel & Restaurant Tax are reflective of the amnesty programme that was approved in March 2019 that returned approximately \$2.7m in revenue in 2019-20.

Nevertheless, as part of its measures to combat the economic fallout as a result of the COVID-19 pandemic, TCIG waived payment of tax which was due and payable on the 21st April 2020, in accordance with section 13 (1) of the Hotel, Restaurant & Tourism Tax Ordinance and the payment of any tax which is due and payable on 21st May 2020 and 21st June 2020, in accordance with section 13 (1) of the HRTT was deferred until 21st July 2020.

At this point, it remains uncertain when revenue collections will continue with the gains in momentum or the recent surges of COVID-19 cases along with the resulting measures both locally and internationally will once again cause it to slow. However, recent reports show that vaccine rollout has been successful with 32% of the Islands' adult population having been vaccinated in the first 60 days. If the country continue on this trajectory is expected that some of the more stringent measures can be relaxed creating room for increased tourism activity.

S&P expected that tourism in the Caribbean will probably decline by 60-70% from April to December, 2020 when compared with last year. The World Tourism Organization (UNWTO) predicted a 20% to 30% decline in international tourist arrivals in 2020. While many economic sectors are expected to recover once restrictive measures are lifted, it is likely that the pandemic will have a longer lasting effect on international tourism. According to the World Travel and Tourism Council (WTTC), in previous viral epidemics the average recovery time for standard levels of tourist arrivals was about nineteen (19) months.

Customs Processing Fees:

Customs Processing Fees (CPF) for February totaled \$2.5 million, which was \$0.5 million below estimates while \$0.4 million below the prior year's results. This brought the year to date total to \$19.7 million, which was down by 40% from the prior year's outturn.

As part of its measures to combat the economic fallout as a result of the COVID-19 pandemic TCIG enacted the Emergency Powers (COVID-19) (Waiver of Customs Processing Fee) Regulations 2020 which waived CPF fees for essential items. Total CPF foregone as a result of the measure was \$0.8 million.

Stamp Duty on Land Transactions:

Stamp Duty collected during the month of February, totaled \$7.1 million due to the large number of high value transactions processed during the month. This result was \$4.7 million above the estimates and up \$3.4 million from the prior year's outturn. This resulted in year to date collections totaling \$28.7 million and comprising 17% of Total Recurrent Revenue. These results were \$8.5 million ahead of the estimates whilst down \$2.0 million from the prior year's results. This significant outturn is as a result of one of the Government's measures to combat the economic fallout as a result of the COVID-19 pandemic by offering a 50% reduction in stamp duty payable on real estate transactions originally from the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020), then a further reduction of either 75%, 50% or 25% in stamp duty payable on real estate transactions from the 21st September to 30th December 2020 (completion to have occurred on or before during the specific times outlined in the policy).

The sale of land along with the applicable stamp duty does not follow a consistent revenue collection pattern as it is contingent on the amount of high value (>\$1M) transactions during the period that would be subject to stamp duties.

Work Permits:

Receipts from Work Permits totaled \$15.9 million for the year to date, \$1.9 million of which was collected during the month of February. These results were \$3.7 million above the estimates and down \$5.5 million from the prior year. The majority of work permit holders are employed in the tourism and hospitality sector which is significantly affected as major hotels and the Cruise Port remains closed.

Fuel Tax:

Fuel tax receipts for the month of February were \$0.7 million, a decrease of 25% from the prior year's outturn and 16% from the projected receipts. Year to date results totaled \$6.8 million, up 16% from the estimates while down 32% from the prior year's results. This can be attributed to the recent collapse in oil prices in the global market as a result of the COVID-19 pandemic. The decline in oil demand, particularly in the transportation sector due to the suspension of domestic and international travels, business closures and reduction in economic activity all led to the reduction of demand for petroleum products.

Other Revenue: Month \$4.6 million, Year to date \$43.9 million

| OTHER REVENUE <small>In USD thousands of dollars</small> | Month | | | Monthly Variance | | Year to Date | | | Year to Date Variance | |
|---|----------------|----------------|----------------|------------------|----------------|-----------------|-----------------|-----------------|-----------------------|------------------|
| | Actual | Budget | Last Year | Budget | Last Year | Actual | Budget | Last Year | Budget | Last Year |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Business Licence renewal | 55.9 | 47.6 | 28.1 | 8.3 | 27.7 | 2,099.8 | 1,977.0 | 1,884.7 | 122.8 | 215.1 |
| Communication Tax | 378.2 | 382.2 | 438.3 | (4.0) | (60.1) | 3,779.1 | 3,625.8 | 4,428.1 | 153.3 | (649.0) |
| Gaming Machine Tax | 241.4 | 328.6 | 384.7 | (87.2) | (143.3) | 1,549.2 | 1,566.0 | 3,580.8 | (16.8) | (2,031.6) |
| Seaport Departure Tax | - | 439.4 | 794.6 | (439.4) | (794.6) | 73.1 | (316.6) | 4,187.6 | 389.7 | (4,114.4) |
| Telecommunication Licences | 301.0 | 364.6 | 419.5 | (63.6) | (118.4) | 2,073.1 | 3,178.4 | 4,164.7 | (1,105.3) | (2,091.6) |
| Overtime Costs Recovered | 248.5 | 273.5 | 226.8 | (25.0) | 21.7 | 1,177.5 | 1,348.7 | 2,827.9 | (171.2) | (1,650.4) |
| Vehicle Licence Renewals | 366.9 | 398.5 | 398.5 | (31.6) | (31.6) | 3,769.9 | 4,383.4 | 4,522.6 | (613.4) | (752.7) |
| Permanent Residency Fees | 108.7 | 145.0 | 155.9 | (36.4) | (47.3) | 1,268.7 | 1,268.9 | 1,911.0 | (0.2) | (642.3) |
| Excess Revenue | 1,225.7 | 250.0 | 0.9 | 975.7 | 1,224.8 | 15,260.2 | 12,709.2 | 2,983.0 | 2,551.0 | 12,277.1 |
| Other Revenues | 1,684.4 | 1,851.1 | 2,162.2 | (166.7) | (477.8) | 12,891.4 | 12,412.2 | 22,358.7 | 479.2 | (9,467.4) |
| TOTAL OTHER REVENUE | 4,610.7 | 4,480.6 | 5,009.5 | 130.1 | (398.8) | 43,942.1 | 42,153.0 | 52,849.2 | 1,789.1 | (8,907.2) |

Other Revenues for February totaled \$4.6 million. This brought the year to date outturn to a total of \$43.9 million against a budget of \$42.2 million an increase of \$1.8 million whilst being down \$8.9 million from the prior year's outturn. As previously mentioned, a withdrawal was processed reducing revenue estimates by \$92.3 million, which gave rise to the \$1.7 million outperformance of budget seen. This is also the cause for the negative estimates seen for Seaport Departure Tax however, the figures will normalize within the remaining month of the financial year.

The year to date total consists of \$15.3 million in Excess Revenue Returns from Statutory Bodies making up 9% of the Total Other Revenue collected by TCIG to date.

Non-Recurrent Revenue: Month \$0.3 million, Year to date \$6.6 million

| NON-RECURRENT REVENUE | Month | | | Monthly Variance | | Year To Date | | | Year to Date Variance | |
|------------------------------------|--------------|----------|-----------|------------------|--------------|----------------|--------------|--------------|-----------------------|----------------|
| | Actual | Budget | Last Year | Budget | Last Year | Actual | Budget | Last Year | Budget | Last Year |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Civil Recovery Income | - | - | - | - | - | - | - | - | - | - |
| Land Sales | 69.0 | - | - | 69.0 | 69.0 | 417.0 | 341.8 | 457.5 | 75.1 | (40.5) |
| Revenue From Grants | 264.7 | - | - | 264.7 | 264.7 | 6,167.9 | 614.6 | 298.7 | 5,553.3 | 5,869.2 |
| Insurance Proceeds | - | - | - | - | - | - | - | - | - | - |
| TOTAL NON-RECURRENT REVENUE | 333.7 | - | - | 333.7 | 333.7 | 6,584.8 | 956.4 | 756.2 | 5,628.4 | 5,828.7 |

Non-recurrent receipts for the year to date totaled \$6.6 million, consisting primarily of a \$5.7 million grant received from the European Development Fund during the month of December. Also included in the total are small grants and donations received from UNICEF and a private sector firm to assist the Ministry of Education as well as \$0.4 million in land sales.

EXPENDITURE

Recurrent Expenditure: **Month \$19.8 million, Year to Date \$218.7 million.**

| RECURRENT EXPENDITURE | Month | | | Monthly Variance | | Year To Date | | | Year to Date Variance | |
|------------------------------------|-----------------|-----------------|-----------------|------------------|--------------|------------------|------------------|------------------|-----------------------|------------------|
| | Actual | Budget | Last Year | Budget | Last Year | Actual | Budget | Last Year | Budget | Last Year |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Total Personnel Costs | 7,899.3 | 9,484.8 | 8,006.4 | 1,585.5 | 107.1 | 87,549.5 | 89,523.6 | 85,895.9 | 1,974.1 | (1,653.6) |
| Transfers to NHIB | 2,771.2 | 2,771.2 | 2,771.2 | - | - | 30,483.2 | 28,709.5 | 30,483.2 | (1,773.7) | - |
| Hospital Provisional Charges | 1,735.2 | 1,772.0 | 1,695.4 | 36.7 | (39.8) | 20,402.4 | 20,409.4 | 19,633.3 | 7.0 | (769.1) |
| Subventions | 1,690.9 | 1,739.2 | 809.5 | 48.4 | (881.3) | 13,768.3 | 14,041.7 | 13,634.4 | 273.4 | (133.9) |
| Rental of Assets | 86.2 | 443.8 | 392.7 | 357.5 | 306.5 | 5,068.2 | 4,871.2 | 4,585.2 | (197.0) | (483.0) |
| Other Expenses | 5,620.9 | 3,978.5 | 6,790.3 | (1,642.4) | 1,169.4 | 61,390.3 | 78,078.0 | 58,108.0 | 16,687.8 | (3,282.2) |
| TOTAL RECURRENT EXPENDITURE | 19,803.8 | 20,189.6 | 20,465.6 | 385.8 | 661.8 | 218,662.0 | 235,633.4 | 212,340.1 | 16,971.5 | (6,321.9) |

Recurrent expenditure for the month of February totaled \$19.8 million and was \$0.4 million or 2% below the estimate. Year to date expenditure of \$218.7 million was \$17.0 million behind the budget whilst up \$6.3 million from the prior year's outturn.

Of the total Expenditure, Personnel Costs accounted for 40% totaling \$87.5 million down \$2.0 million from the budget while exceeding the prior year's results by a marginal 2%. Transfers to NHIB totaled \$30.5 million for the year to date which was on par with the prior year's results. The variance to budget \$1.8 million to the estimates are mainly due to profiling differences between actual and budgeted expenditure. Hospital Provisional charges for the Year to date totaled \$20.4 million which was on par with estimates while 4% above the prior year's outturn. Subventions totaling \$13.8 million for the year to date, trailed both the budget and prior year's results by \$0.3 million and \$0.1 million respectively. The variance to budget is mainly due to timing differences between profiled and actual expenditure.

Other Recurrent Expenditure: **Month \$5.6 million, Year to date \$61.4 million**

| OTHER RECURRENT EXPENDITURE | Month | | | Monthly Variance | | Year to Date | | | Year to Date Variance | |
|--|----------------|----------------|----------------|------------------|----------------|-----------------|-----------------|-----------------|-----------------------|------------------|
| | Actual | Budget | Last Year | Budget | Last Year | Actual | Budget | Last Year | Budget | Last Year |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Operating Expenses | 959.7 | 934.2 | 1,589.5 | (25.6) | 629.7 | 10,644.7 | 12,785.7 | 12,095.5 | 2,141.0 | 1,450.8 |
| Maintenance Expenses | 606.8 | 596.2 | 646.9 | (10.5) | 40.2 | 8,874.6 | 9,498.1 | 8,385.3 | 623.5 | (489.3) |
| Professional and Consultancy Services | 438.1 | 342.9 | 233.2 | (95.2) | (204.9) | 3,317.6 | 5,833.0 | 2,907.4 | 2,515.4 | (410.2) |
| Grants and Contributions | 1,252.3 | 557.2 | 848.7 | (695.2) | (403.6) | 17,200.5 | 26,104.5 | 7,189.2 | 8,904.0 | (10,011.3) |
| Utilities | 316.3 | 352.4 | 404.6 | 36.1 | 88.3 | 2,951.4 | 3,373.8 | 4,054.5 | 422.4 | 1,103.1 |
| Other Recurrent Expenditure | 2,047.7 | 1,195.7 | 3,067.4 | (852.0) | 1,019.6 | 18,401.5 | 20,482.9 | 23,476.1 | 2,081.4 | 5,074.7 |
| TOTAL OTHER RECURRENT EXPENDITURE | 5,620.9 | 3,978.5 | 6,790.3 | (1,642.4) | 1,169.4 | 61,390.3 | 78,078.0 | 58,108.0 | 16,687.8 | (3,282.2) |

The expenditure for the month reflected inescapable spending. The significant variance to the budget is mainly seen in Grants and Contributions. To date, \$11.5 million has been spent on stimulus grants to both individuals and

businesses in the MSME sector against a revised allocation of \$19.8 million (original estimate of \$25 million), resulting in a \$49% shortfall.

Non-Recurrent Expenditure: *Month \$0.5 million, Year to date \$10.3 million*

| NON-RECURRENT EXPENDITURE | Month | | | Monthly Variance | | Year To Date | | | Year to Date Variance | |
|--|--------------|----------------|------------|------------------|----------------|-----------------|-----------------|----------------|-----------------------|------------------|
| | Actual | Budget | Last Year | Budget | Last Year | Actual | Budget | Last Year | Budget | Last Year |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Statutory Land Acquisitions | - | - | - | - | - | 12.3 | 160.0 | 1.7 | 147.7 | (10.6) |
| SIPT | 30.5 | 260.3 | 1.8 | 229.7 | (28.8) | 1,804.0 | 2,100.2 | 3,259.4 | 296.2 | 1,455.4 |
| Civil Recovery | 4.8 | - | - | (4.8) | (4.8) | 703.1 | 900.0 | 348.3 | 196.9 | (354.8) |
| Covid-19 Expense | 491.9 | - | - | (491.9) | (491.9) | 7,701.5 | 10,050.4 | - | 2,348.9 | (7,701.5) |
| Contingency | - | 1,861.7 | - | 1,861.7 | - | - | 3,810.8 | - | 3,810.8 | - |
| Interest | - | - | - | - | - | 122.1 | 146.2 | 285.0 | 24.1 | 163.0 |
| TOTAL NON-RECURRENT EXPENDITURE | 527.1 | 2,121.9 | 1.8 | 1,594.8 | (525.4) | 10,343.0 | 17,167.6 | 3,894.4 | 6,824.6 | (6,448.7) |

Non-Recurrent Expenditure results for the year to date of \$10.3 million, consisted primarily of \$7.7 million in Covid-19 related expenses.

Also included in total non-recurrent expenditure \$1.8 million in payments to SIPT and \$0.7 million in payments for Civil Recoveries. This total non-recurrent expenditure was \$6.8 million below the estimates, primarily due to a \$3.8 million unused to date provision for contingency spending reflected in the estimates as well as \$2.3 million remaining for Covid-19 related expenditure.

PUBLIC DEBT

| Public Debt | Opening 01-Apr-20 \$ 000's | February 28, 2021 | |
|--------------------------------------|----------------------------------|------------------------------------|--------------------------------------|
| | | Principal Repayment \$ 000's | Outstanding Principal \$ 000's |
| TCIG Loans - Unsecured | 3,021.4 | (2,391.0) | 630.4 |
| Total Outstanding Public Debt | 3,021.4 | (2,391.0) | 630.4 |

TCIG's outstanding debt as at 28th February 2021 was \$0.8 million. Total principal debt repayment for the year was \$2.2 million while total finance costs for the year was \$0.1 million. There were no new borrowings during the financial year, neither were there any drawdowns of previously approved borrowings.

During the month of December an agreement was reached with the Republic Bank Limited to make available an \$80 million revolving credit facility. As at the end of February 2021, there has not been any draw down on the facility.

HUMAN RESOURCE MANAGEMENT

Employees

There were 1,771 people employed by TCIG at the end of February 2021 consisting of 272 waged employees as well as 1,499 monthly paid employees, exclusive of the Royal Turks and Caicos Police Force, with 96 vacancies existing throughout the civil service.

Pensioners

The total number of Pensioners at the end of February 2021 were 301.

DEVELOPMENT FUND (DF)

In accordance with the PFM Ordinance Section 18(2) (b), approximately \$36.6 million was retained in the Development Fund to cover the cost of projects that were deemed committed at the end of the previous financial year.

The total budgeted for capital expenditure for the financial year is \$35.3 million. To date, the total amount spent on capital projects amounted \$23.0 million and these relates mainly to capital projects approved in the previous financial year. Major components of the amount spent in this FY are as follows: \$14.3 million was spent on the construction, renovation & upgrading of Government's buildings, of which \$6.8 million was spent on schools throughout the islands, \$3.9 million on road development, \$1.4 million on the National Physical Development Plan and \$0.9 million spent on the purchase of office furniture and other supplies.

NATIONAL WEALTH FUND (NWF)

The balance in the NWF as at February 28, 2021 stood at \$25.9 million. No transfers to the fund are expected during this financial year.

NATIONAL FORFEITURE FUND (NFF)

The National Forfeiture Fund had a balance of \$7.1 million as at 28th February, 2021 after receipts of \$0.7 million during the month.

FINANCIAL OUTLOOK

The Turks and Caicos Islands have experienced a drastic reduction in revenue intake whilst incurring sustained large-scale expenditure associated with COVID-19 related emergency spending, maintenance of regular civil service salaries, transfers to NHIB and payments to Interhealth Canada. The Government has simultaneously been trying to get the capital programme underway in an effort to stimulate the economy. During this time, cash flow management has become an urgent requirement as the macroeconomic backdrop is exceptionally uncertain due to the health and economic uncertainties surrounding COVID-19.

The country is now reopened and the gradual uptick in both revenue generation and government spending are expected to continue. Although restrictions are partially lifted some of the precautionary measures still persist which will result in structural changes in the economy thus impacting the expected results for the months ahead.

The impact of the recent change in government as well as COVID-19 and the continual uncertainties therein will continue to affect TCIG's policies and cash flows. Actively monitoring revenue collection, cash balance position and cash flow requirements remains at the forefront of the Treasury's immediate agenda to safeguard TCIG's liquidity position. The current budget deficit is being funded through a draw-down on existing cash reserves. As cash flow levels decline within the last quarter, possible drawdowns from the loan acquired in December 2020 may occur.

Within this context, the Government continues to act decisively in the national interest. This is being done whilst continuing to provide value for money as well as an efficient and effective public service. TCIG will also continue to focus on prudent expenditure management as well as strengthening and broadening the revenue enhancement efforts especially during these uncertain times.

