

Caicos Passage

ATLANTIC



TURKS AND CAICOS ISLANDS

OCEAN

Caicos Islands (U.K.)

Caicos Bank

Turks Islands (U.K.)

ATLANTIC OCEAN



# GOVERNMENT OF THE TURKS AND CAICOS ISLANDS



## AUGUST 2020

# FINANCIAL REPORT

**Contents**

- KEY POINTS .....2
- OVERVIEW .....2
- OPERATING BALANCE .....3
- CASH FLOW.....3
- REVENUE.....5
  - Recurrent Revenue .....5
    - Import Duties.....5
    - Hotel & Restaurant Tax .....5
    - Customs Processing Fees:.....6
    - Stamp Duty on land transactions: .....6
    - Work Permits:.....6
    - Fuel Tax:.....7
  - Other Revenue.....7
  - Non-Recurrent Revenue.....7
- EXPENDITURE .....8
  - Recurrent Expenditure .....8
  - Other Recurrent Expenditure .....8
  - Non-Recurrent Expenditure .....9
- PUBLIC DEBT .....9
- HUMAN RESOURCE MANAGEMENT.....9
  - Employees .....9
  - Pensioners .....9
- DEVELOPMENT FUND..... 10
- NATIONAL WEALTH FUND..... 10
- NATIONAL FORFEITURE FUND..... 10
- FINANCIAL OUTLOOK ..... 11

## KEY POINTS

---

- ❖ *The monthly Financial Report for August 2020 shows the actual position against the expected profile based on the 2020-21 estimates as well as the prior year's outturn.*
- ❖ *The August 2020 results includes the impact of the Turks and Caicos Island's Government response to COVID-19.*
- ❖ *A withdrawal warrant was issued on July 21st, 2020, reducing planned expenditure for the financial year by \$17.9 million.*
- ❖ *The operating balance as at the end of August 2020 was a deficit of \$39.0 million against the profiled deficit of \$37.0 million which includes the \$25 million budget for cash assistance grants to individuals and businesses.*
- ❖ *The underlying cash balance for the month ending 31st August 2020 was a reduction of \$45.7 million against the profiled reduction of \$40.4 million.*

## OVERVIEW

The Estimates of Revenue and Expenditure for FY 2020-21 were approved in the House of Assembly on April 23, 2020 and came into effect on April 30, 2020. Prior to the passage of the Estimates MDAs operated from a Provisional Warrant which was equal to one-third of the 2019-20 expenditure estimates.

The Turks and Caicos Islands Government presented a deficit budget of approximately \$73 million as a response to the global COVID-19 pandemic. The budget deficit reflects the associated economic disruption, revenue fallout and the Government's economic policy response designed to support incomes and minimize business failures to prevent greater economic damage. Included in the estimates were costs associated with the COVID-19 public health response and \$25.5 million in direct stimulus.

Fiscal actions have been implemented on an enormous scale. Some of these measures included:

- *\$15 million in Cash Grants for Individuals in the tourism/hospitality sector who became unemployed or underemployed as a result of the COVID-19 pandemic. \$10 million in Cash Grants Allocated to Micro, Small and Medium Enterprises (MSME) Sector;*
- *\$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 has been deferred until 21st July 2020;*
- *As of 1st April, until 30th June 2020 (unless extended) the importation of construction materials were 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 of outstanding amounts for the municipal water and waiver of charges for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2020.*
- *The borders to allow for international travel reopened on 22<sup>nd</sup> July, 2020 and business activities have been restored. Our major hoteliers have delayed reopening and is expected to resume business early in the 3<sup>rd</sup> quarter.*

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 temporary shock and shall help prevent greater economic and fiscal damage in the long term. Proper execution of these measures requires accurate accounting as well as timely and transparent disclosure.

## OPERATING BALANCE

	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	10,965.5	22,220.4	29,386.6	(11,254.9)	(51%)	(18,421.1)	(63%)	65,196.2	93,461.8	138,381.3	(28,265.6)	(30%)	(73,185.2)	-53%
Recurrent Expenditure	22,111.1	22,368.3	17,551.4	257.2	1%	(4,559.8)	(26%)	103,274.3	126,822.2	95,639.8	23,547.9	19%	(7,634.5)	(8%)
<b>Net Recurrent Surplus</b>	<b>(11,145.6)</b>	<b>(147.9)</b>	<b>11,835.3</b>	<b>(10,997.7)</b>	<b>7436%</b>	<b>(22,980.9)</b>	<b>(194%)</b>	<b>(38,078.1)</b>	<b>(33,360.4)</b>	<b>42,741.5</b>	<b>(4,717.7)</b>	<b>14%</b>	<b>(80,819.6)</b>	<b>(189%)</b>
Non-Recurrent Revenue	.0	13.0	3.9	(13.0)	-	(3.9)	(100%)	197.3	220.4	125.6	(23.2)	-	71.7	57%
Non-Recurrent Expenditure	298.4	352.0	-	53.5	15%	(298.4)	#DIV/0!	1,126.4	3,841.6	827.4	2,715.2	71%	(299.0)	(36%)
<b>Net Operating Balance</b>	<b>(11,444.1)</b>	<b>(486.9)</b>	<b>11,839.1</b>	<b>(10,957.2)</b>	<b>2250%</b>	<b>(23,283.2)</b>	<b>(197%)</b>	<b>(39,007.2)</b>	<b>(36,981.6)</b>	<b>42,039.7</b>	<b>(2,025.7)</b>	<b>5%</b>	<b>(81,046.9)</b>	<b>(193%)</b>

The Consolidated Fund recorded a deficit of \$11.4 million in August, comparing unfavorably to the projected deficit of \$0.5 million. Year to date results were a deficit of \$39.0 million against a projected deficit of \$37.0 million.

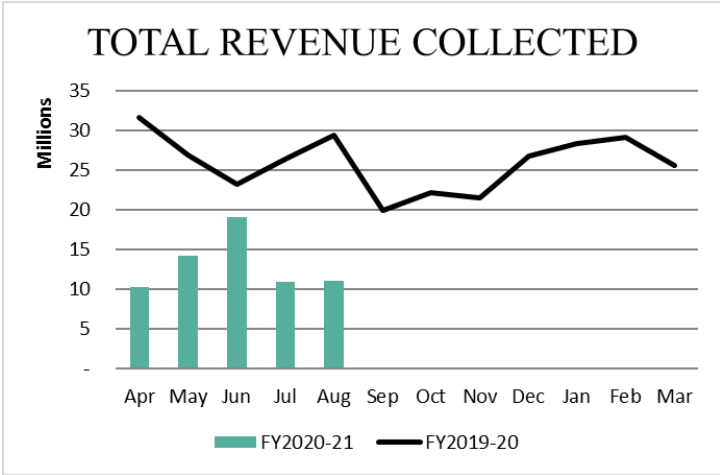
On a year-over-year basis, the Consolidated Fund saw a decrease when compared to August of the previous year by \$23.3 million. As noted, this significant underperformance is a direct result of the TCIG's response to COVID-19 which resulted in little to no economic activity.

## CASH FLOW

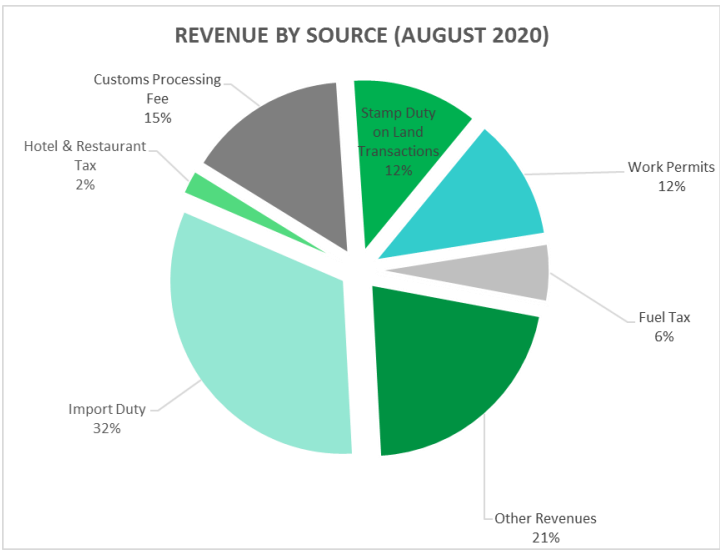
	Month			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
<b>Cash Flow from Operations</b>	<b>(11,444.1)</b>	<b>(486.9)</b>	<b>11,839.1</b>	<b>(10,957.2)</b>	<b>2250%</b>	<b>(23,283.2)</b>	<b>(197%)</b>	<b>(39,007.2)</b>	<b>(36,981.6)</b>	<b>42,039.7</b>	<b>(2,025.7)</b>	<b>5%</b>	<b>(81,046.9)</b>	<b>-193%</b>
<b>Less:</b>														
Capital Contributions	(2,751.6)	(3,626.8)	(4,450.4)	875.2	-	1,698.8	-	(10,350.3)	(6,181.8)	(11,685.2)	(4,168.5)	-	1,334.9	-
Debt Repayments	-	-	-	-	-	-	-	(1,105.8)	(1,105.8)	(5,194.3)	-	-	4,088.5	(79%)
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Inflows	-	-	-	-	-	-	-	183.6	-	183.6	183.6	-	-	-
Transfers from/(to) NWF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Working Capital	(5,442.0)	-	6,594.2	(5,442.0)	-	(12,036.2)	(183%)	4,584.4	-	2,740.4	4,584.4	-	1,844.0	67%
<b>Net Cash Flow</b>	<b>(19,637.7)</b>	<b>(4,113.7)</b>	<b>13,982.9</b>	<b>(15,524.0)</b>	<b>377%</b>	<b>(33,620.6)</b>	<b>(240%)</b>	<b>(45,695.4)</b>	<b>(44,269.2)</b>	<b>28,084.1</b>	<b>(1,426.2)</b>	<b>3%</b>	<b>(73,779.6)</b>	<b>(263%)</b>

The underlying cash balance as at the 31<sup>st</sup> August 2020 was a reduction of \$45.7 million, which was \$1.4 million behind the estimates whilst \$73.8 million below the prior year's outturn.

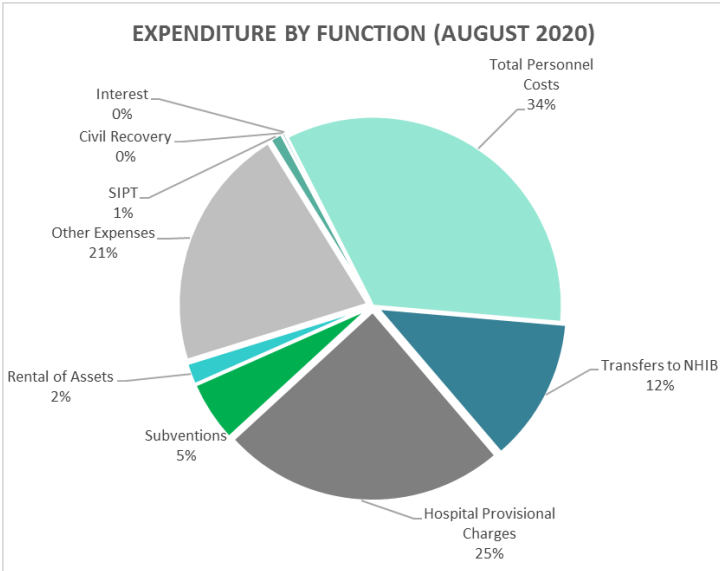
At the end of August, TCIG's total cash and cash equivalents stood at \$163.9 million. Of the \$163.9 million, \$89.1 million or 54% is restricted cash comprising the following: National Wealth Fund \$25.8 million, National Forfeiture Fund \$6.6 million, Development Fund \$26.2 million, TCI Bank (in liquidation) \$0.5 million and FCIB Term Deposit (maturing 31<sup>st</sup> October, 2020) \$30 million. Unrestricted cash stands at \$74.8 million or 46% of total cash.



Aggregate Revenue as at the end of August totaled \$65.4 million, \$13.3 million or 20% of which came from excess revenue returns from Statutory Bodies. This result was \$28.3 million (30%) behind projected revenue of \$93.7 million. On a year-over-year basis, Revenue was down \$73.1 million (53%) when compared to the results of the same period last year. This significant fallout in revenue is expected to continue at least until the end of the second quarter. The borders reopened on July 22nd at which point business activity was fully restored, however, tourism activities have been slow as many persons are averse to traveling given that virus infection levels are still on the rise both locally and in our main international markets. Equally, our major hoteliers delayed reopening to mid-October. It also should be noted that during this time of the year revenue begins trending downwards as it is the peak of the Atlantic hurricane season. Therefore, it remains uncertain whether revenue collections will begin to make any significant gains until the late fall/winter months.



Aggregate Expenditure as at the end of August was \$104.4 million, \$26.3 million (20%) below the projected amount whilst up \$7.9 million (8%) from the previous year's outturn. The significant variance to the budget is partially due to the full budget for stimulus grants to both individuals and businesses in the MSME sector, being expected to be fully expended at this point. While the process of reviewing applications for approval and payment begun during the month of May, it remains a work in progress (WIP). Overall, the underperformance against projected expenditure is expected to be somewhat absorbed in the ensuing month's as operational activity begins to slowly increase as nationwide lockdown orders have now been eased. Anticipated costs will include those related to mitigation measures put in place. A withdrawal warrant was issued on 21st July 21, 2020, reducing planned expenditure for the financial year by \$17.9 million.



## REVENUE

Recurrent Revenue: *Month \$11.0 million, Year to Date \$65.2 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	3,542.7	5,996.7	6,075.7	(2,454.0)	(2,533.0)	13,641.5	23,937.1	32,165.3	(10,295.6)	(18,523.8)
Hotel & Restaurant Tax	253.1	5,007.0	6,778.2	(4,753.9)	(6,525.1)	1,165.5	10,033.3	36,203.7	(8,867.8)	(35,038.2)
Customs Processing Fee	1,662.0	2,799.1	2,757.2	(1,137.1)	(1,095.2)	7,127.9	10,604.0	15,035.2	(3,476.2)	(7,907.3)
Stamp Duty on Land Transactions	1,317.3	1,878.5	6,721.9	(561.2)	(5,404.6)	12,475.2	7,588.8	17,469.6	4,886.4	(4,994.4)
Work Permits	1,266.1	1,885.1	1,750.3	(619.0)	(484.2)	4,368.2	8,823.6	9,031.7	(4,455.4)	(4,663.5)
Fuel Tax	596.1	702.7	734.0	(106.6)	(137.9)	2,453.7	3,277.0	4,576.9	(823.3)	(2,123.1)
Other Revenues	2,328.3	3,951.3	4,569.3	(1,623.1)	(2,241.1)	23,964.1	29,198.0	23,898.9	(5,233.9)	65.2
<b>TOTAL RECURRENT REVENUE</b>	<b>10,965.5</b>	<b>22,220.4</b>	<b>29,386.6</b>	<b>(11,254.9)</b>	<b>(18,421.1)</b>	<b>65,196.2</b>	<b>93,461.8</b>	<b>138,381.3</b>	<b>(28,265.6)</b>	<b>(73,185.2)</b>

Recurrent Revenue for the month of August totaled \$11.0 million, which was \$11.3 million (50%) below projected revenue. On a year-over-year basis, Revenue for August was down \$18.4 million (63%) when compared to the results of the same period last year.

*The major Revenue Heads are summarised as follows:*

### Import Duties

Import Duties collected for the month of August totaled \$3.5 million. This result was down by \$2.5 million (42%) from projected receipts and in comparison, to the prior year's receipts, saw a decline of \$2.5 million. Year to date outturn was \$13.6 million, 43% below the estimates whilst 58% below the prior year's outturn. Several factors have contributed to this decline to include: closure of ports of entry and the imposition of social distancing requirements as well as a curfew on all islands in response to the COVID-19 pandemic. The need for imported goods remains relatively low as tourist related consumption is at a minimum with most hotels still remaining closed. 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 1<sup>st</sup> April until 31<sup>st</sup> May for bread basket of goods and 30 June 2020 (unless extended) for construction materials. Total duties foregone as a result of this measure was \$1.9 million.

While receipts from Import Duties performed less than optimal during the first five months of the financial year, we expect to see gradual improvement as the borders have reopened, and economic activity is beginning to slowly increase.

### Hotel & Restaurant Tax

Hotel & Restaurant Tax receipts for August amounted to \$0.3 million against prior year receipts of \$6.8 million, a decline of 96%. Year to date collections were \$35.0 million below the prior year's results. It 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 is 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 has been deferred until 21st July 2020.

Hotel & Restaurant Tax and Import Duties usually accounts for greater than 50% of TCIG's Revenue. There remains more uncertainty as to the overall impact of the COVID-19 pandemic on this revenue stream.

S&P expects that tourism in the Caribbean will probably decline by 60-70% from April to December when compared with last year. The World Tourism Organization (UNWTO) predicts a 20%–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 the month of August totaled \$1.7 million, which is 41% below the projected amount and down by 40% from the prior year's outturn. Year to date receipts totaled \$7.1 million being 33% behind the estimates and down by 53% 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 \$0.7 million.

#### Stamp Duty on Land Transactions:

Stamp Duty collected during the month of August, totaled \$1.3 million which was approximately, \$0.6 million below the estimates and down \$5.4 million (80%) from the prior year's outturn. This resulted in year to date collections totaling \$12.5 million which was \$4.9 million above estimates whilst down \$5.0 million from the prior year's results. This significant outturn is as a result of the government's measures to combat the economic fallout as a result of the COVID-19 pandemic which saw a 50% reduction in stamp duty payable on real estate transactions from the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020).

#### Work Permits:

Receipts from Work Permits totaled \$4.4 million for the year to date, \$1.3 million of which was collected during the month of August. These results were \$4.4 million below the estimates and down \$4.7 million from the prior year's outturn. 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 August were \$0.6 million, a decline of 19% from the prior year's outturn and down by 15% from the projected receipts. Year to date results totaled \$2.5 million, down by 25% from the estimates and 46% 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. Also, the decline in oil demand, particularly in the transportation sector due to the suspension of domestic and international travels, business closures, and the lockdowns and quarantines all which have significantly shrunk the demand for oil.

Other Revenue: *Month \$2.3 Million, Year to date \$24.0 million*

OTHER REVENUE In USD thousands of dollars	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	332.4	107.0	101.3	225.4	231.0	1,623.3	1,283.1	1,627.8	340.2	(4.5)
Communication Tax	343.9	359.8	399.7	(15.8)	(55.8)	1,628.4	1,612.8	1,966.0	15.6	(337.6)
Gaming Machine Tax	16.6	336.2	219.7	(319.6)	(203.0)	16.6	1,681.4	1,600.2	(1,664.8)	(1,583.6)
Seaport Departure Tax	-	284.7	711.2	(284.7)	(711.2)	73.1	643.5	2,047.2	(570.3)	(1,974.1)
Telecommunication Licences	323.6	341.6	339.9	(18.0)	(16.3)	906.8	1,705.2	1,696.4	(798.5)	(789.7)
Overtime Costs Recovered	46.6	195.4	237.0	(148.8)	(190.4)	447.8	652.6	1,475.3	(204.8)	(1,027.5)
Vehicle Licence Renewals	150.3	196.1	175.6	(45.8)	(25.3)	803.6	1,173.3	977.2	(369.7)	(173.6)
Permanent Residency Fees	191.5	195.0	87.9	(3.5)	103.6	575.3	836.6	702.8	(261.3)	(127.6)
Excess Revenue	-	250.0	329.8	(250.0)	(329.8)	13,332.5	12,084.2	2,052.0	1,248.3	11,280.5
Other Revenues	923.4	1,685.5	1,967.3	(762.2)	(1,043.9)	4,556.8	7,525.4	9,753.9	(2,968.6)	(5,197.2)
<b>TOTAL OTHER REVENUE</b>	<b>2,328.3</b>	<b>3,951.3</b>	<b>4,569.3</b>	<b>(1,623.1)</b>	<b>(2,241.1)</b>	<b>23,964.1</b>	<b>29,198.0</b>	<b>23,898.9</b>	<b>(5,233.9)</b>	<b>65.2</b>

Other Revenues for August totaled \$2.3 million. This brought the year to date outturn to a total of \$24.0 million, against a budget of \$29.2 million, a shortfall of \$5.2 million whilst being on par with the prior year's outturn. The year to date total consists of \$13.3 million in Excess Revenue paid in by Statutory Bodies making up 20% of the Total Revenue collected by TCIG to date.

Non-Recurrent Revenue: *Year to date \$0.2 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	-	3.0	3.9	(3.0)	(3.9)	148.0	107.0	109.0	41.0	39.0
Revenue From Grants	0.0	10.0	-	(10.0)	0.0	49.3	113.4	16.6	(64.2)	32.7
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-RECURRENT REVENUE</b>	<b>0.0</b>	<b>13.0</b>	<b>3.9</b>	<b>(13.0)</b>	<b>(3.9)</b>	<b>197.3</b>	<b>220.4</b>	<b>125.6</b>	<b>(23.2)</b>	<b>71.7</b>

Non-recurrent receipts for the year to date were negligible and consisting primarily of \$0.1 million in land sales during the month of June and small grants and donations received from UNICEF and a private sector firm to assist the Ministry of Education.

## EXPENDITURE

Recurrent Expenditure: *Month \$22.1 million, Year to Date \$103.3 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	7,590.1	9,478.3	7,538.5	1,888.2	(51.6)	38,781.5	39,006.2	38,473.5	224.7	(308.0)
Transfers to NHIB	2,771.2	2,771.2	2,771.2	-	-	13,856.0	13,856.0	13,856.0	-	-
Hospital Provisional Charges	5,477.1	1,772.0	1,695.6	(3,705.1)	(3,781.4)	12,005.0	9,736.9	9,459.7	(2,268.0)	(2,545.3)
Subventions	1,166.6	1,412.7	662.2	246.1	(504.3)	6,494.3	3,863.2	6,707.4	(2,631.1)	213.1
Rental of Assets	409.8	453.0	397.0	43.2	(12.8)	2,202.8	2,227.0	2,079.3	24.2	(123.5)
Other Expenses	4,696.4	6,481.2	4,486.8	1,784.8	(209.6)	29,934.6	58,132.8	25,063.9	28,198.2	(4,870.7)
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>22,111.1</b>	<b>22,368.3</b>	<b>17,551.4</b>	<b>257.2</b>	<b>(4,559.8)</b>	<b>103,274.3</b>	<b>126,822.2</b>	<b>95,639.8</b>	<b>23,547.9</b>	<b>(7,634.5)</b>

Recurrent expenditure for the month of August totaled \$22.1 million and was a marginal \$0.3 million (1%) below the estimate whilst \$4.6 million above the expenditure in August 2019. Year to date expenditure totaled \$103.3 million which was \$23.5 million behind the budget whilst up \$7.6 million from the prior year's outturn. The underspend in comparison to budget was mainly seen in other expenses where, the \$25 million budget for stimulus payments to individuals and businesses within the MSME sector was captured with only \$8.9 million being paid out to date.

Other Recurrent Expenditure: *\$4.7 million, Year to date \$29.9 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	1,203.2	1,203.9	977.5	0.7	(225.7)	4,108.7	5,215.5	5,436.9	1,106.9	1,328.2
Maintenance Expenses	678.1	901.0	639.8	222.8	(38.3)	3,831.0	5,123.4	3,357.8	1,292.4	(473.2)
Professional and Consultancy Services	79.6	412.3	308.8	332.6	229.2	1,158.3	2,085.6	1,125.9	927.3	(32.4)
Grants and Contributions	1,218.4	1,250.3	722.3	31.8	(496.2)	10,548.0	28,593.5	2,611.1	18,045.5	(7,936.9)
Utilities	194.4	468.0	284.2	273.5	89.8	1,434.8	2,144.8	1,827.5	710.0	392.7
Other Recurrent Expenditure	1,322.6	2,245.9	1,554.2	923.3	231.6	8,853.9	14,970.0	10,704.8	6,116.0	1,850.9
<b>TOTAL OTHER RECURRENT EXPENDITURE</b>	<b>4,696.4</b>	<b>6,481.2</b>	<b>4,486.8</b>	<b>1,784.8</b>	<b>(209.6)</b>	<b>29,934.6</b>	<b>58,132.8</b>	<b>25,063.9</b>	<b>28,198.2</b>	<b>(4,870.7)</b>

The expenditure for the month reflected inescapable spending. The major variance year to date, was seen in Grants and Contributions which had an outturn of \$10.5 million against a budget of \$28.6 million. This variance is due to payments for cash assistance for individuals who work in the hospitality sector and for business within the MSME sector continuing to be processed while the full budget was projected to be spent during the month of May.

Whilst we are likely to see slight increases in the following month's outturn, the level of under expenditure against estimates is expected to continue until the end of the second quarter as business operations are beginning to normalize from the reopening of the country.

## Non-Recurrent Expenditure: Year to date \$1.1 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	-	-	-	-	-	-	-	0.1	-	0.1
SIPT	229.5	218.7	-	(10.8)	(229.5)	741.0	1,021.6	638.5	280.6	(102.6)
Civil Recovery	69.0	133.3	-	64.4	(69.0)	307.7	256.4	18.7	(51.4)	(289.0)
Contingency	-	-	-	-	-	-	2,438.3	-	2,438.3	-
Interest	-	-	-	-	-	77.7	125.3	170.2	47.7	92.5
<b>TOTAL NON-RECURRENT</b>	<b>298.4</b>	<b>352.0</b>	<b>-</b>	<b>53.5</b>	<b>(298.4)</b>	<b>1,126.4</b>	<b>3,841.6</b>	<b>827.4</b>	<b>2,715.2</b>	<b>(299.0)</b>

Non-Recurrent Expenditure results for the year to date of \$1.1 million, consisted primarily of \$0.7 million in payments to SIPT and \$0.3 in payments for Civil Recoveries. This total was \$2.7 million below the estimates, primarily due to a \$2.4 million provision for contingency spending reflected in the estimates, whilst \$0.3 million above the prior year's outturn.

## PUBLIC DEBT

Public Debt	Opening 01-Apr-20	August 31, 2020	
		Principal Repayment	Outstanding Principal
Debt Type	\$ 000's	\$ 000's	\$ 000's
TCIG Loans - Unsecured	3,021.4	(834.1)	2,187.3
<b>Total Outstanding Public Debt</b>	<b>3,021.4</b>	<b>(834.1)</b>	<b>2,187.3</b>

Total repayment for the year to date was \$0.8 million, which reduced Loans and Bonds from a total of \$3.0 million as at 1<sup>st</sup> April, 2020, to \$2.2 million currently. Debt servicing cost associated with this repayment totaled \$0.07 million.

## HUMAN RESOURCE MANAGEMENT

### Employees

There were 1,470 people employed by TCIG at the end of August 2020 (exclusive of the Royal Turks and Caicos Police Force) with 307 vacancies existing throughout the civil service.

### Pensioners

The total number of Pensioners at the end of August 2020 were 293.

## DEVELOPMENT FUND.

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.

Expenditure on capital projects thus far for the fiscal year totaled \$10.4 million, relating mainly to capital projects approved in the previous financial year. Particularly, \$5.3 million spent on the construction and renovation of buildings, \$1.6 million on the construction/ repair of roadways, \$1.0 million on the National Physical development plan and \$0.6 million spent on the purchase of transportation equipment.

Spending on capital projects is expected to increase within the ensuing months as the procurement plan for the current financial year was recently published and tendering for projects listed in the current development budget has commenced. Driving capital expenditure will be a key focus for the Government as this financial year progresses.

## NATIONAL WEALTH FUND.

The balance of the National Wealth Fund as at 31<sup>st</sup> August, 2020 stood at \$25.8 million.

## NATIONAL FORFEITURE FUND.

The National Forfeiture Fund has a balance of \$6.6 million as at 31<sup>st</sup> August, 2020.

## FINANCIAL OUTLOOK

The Turks and Caicos Islands have experienced a drastic reduction in revenue intake whilst incurring sustained large-scale expenditure namely, 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 fully reopened and a gradual uptick in both revenue generation and government spending is expected. However, it is also highly probable that the economic fallout we are now experiencing will change the mindsets of people and businesses alike. Although restrictions are 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.

Estimating the impact of COVID-19 and the continual uncertainties therein will continue to affect TCIG's 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. The possibility of establishing overdraft facilities and/or longer-term credit arrangements with financial institutions is and may continue to be explored to bridge any cash short falls as they arise.

TCIG's current priorities are clear and these are firstly, to ensure financing is available to equip the health sector with the necessary tools to address and mitigate the risks associated with the pandemic. Secondly, to continue to protect the vulnerable borders. Thirdly, to provide support to those individuals, households and businesses which were severely affected. These efforts are geared to help avoid permanent damage to prospects for sustainable and inclusive growth.

The full extent of the impact of COVID-19 and related response measures on the Turks and Caicos economy remains uncertain. However, we must consider the economic outlook if the world economy is weaker and takes longer to recover. The basic fiscal implications are clear and TCIG will need to preserve capacity for our recovery stage so as to avoid irreversible damage to our economy's growth.

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.