

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



# OCTOBER 2020 FINANCIAL REPORT

**Contents**

KEY POINTS .....2

OVERVIEW .....2

OPERATING BALANCE .....4

CASH FLOW.....4

REVENUE.....5

    Recurrent Revenue .....6

        Import Duties.....6

        Hotel & Restaurant Tax .....6

        Customs Processing Fees:.....7

        Stamp Duty on land transactions: .....7

        Work Permits:.....8

        Fuel Tax:.....8

    Other Revenue.....8

    Non-Recurrent Revenue.....9

EXPENDITURE ..... 10

    Recurrent Expenditure ..... 10

    Other Recurrent Expenditure ..... 10

    Non-Recurrent Expenditure ..... 11

PUBLIC DEBT ..... 11

HUMAN RESOURCE MANAGEMENT..... 11

    Employees ..... 11

    Pensioners ..... 12

DEVELOPMENT FUND..... 12

NATIONAL WEALTH FUND..... 12

NATIONAL FORFEITURE FUND..... 12

FINANCIAL OUTLOOK ..... 13

## KEY POINTS

---

- ❖ *The monthly Financial Report for October 2020 shows the actual position against the expected profile based on the 2020-21 estimates as well as the prior year's outturn.*
- ❖ *The October 2020 results includes the impact of the Turks and Caicos Island's Government response to COVID-19.*
- ❖ *A withdrawal warrant was issued on 21<sup>st</sup> July, 2020, reducing planned expenditure for the financial year by \$17.9 million.*
- ❖ *The operating balance as at the end of October 2020 was a deficit of \$54.7 million against the profiled deficit of \$81.1 million which includes the \$25 million budget for cash assistance grants to individuals and businesses.*
- ❖ *The underlying cash balance as at 31<sup>st</sup> October 2020 was a reduction of \$58.7 million against the profiled reduction of \$62.9 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 23<sup>rd</sup> April, 2020 and came into effect on 30<sup>th</sup> April, 2020. Prior to the passage of the Estimates, Ministries, Departments and Agencies (MDAs) operated from a Provisional Warrant which was equal to one-third of the prior year's (2019-20) expenditure Estimates.

The 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 income and minimize business failures to prevent further economic damage. Due to the significant downturn in revenue collection, a withdrawal warrant was issued on 21<sup>st</sup> July, 2020, reducing planned expenditure for the financial year by \$17.9 million.

Included in the estimates were costs associated with the COVID-19 public health response and \$25.5 million in direct stimulus.

Fiscal actions have also 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 had delayed reopening but has resumed business early in the 3<sup>rd</sup> quarter.*
- *From the 21<sup>st</sup> September to 30<sup>th</sup> 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. Proper execution of these measures requires accurate accounting as well as timely and transparent disclosure.

## OPERATING BALANCE

Net Operating Deficit: **Month \$9.5 million, Year to Date \$53.9 million**

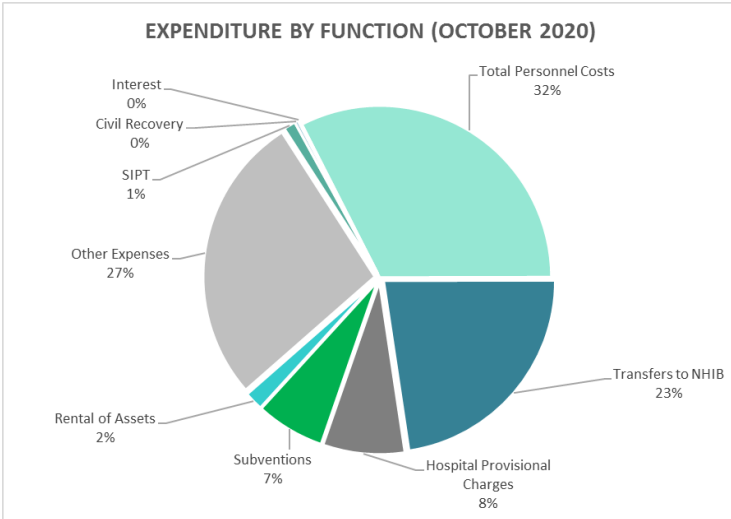
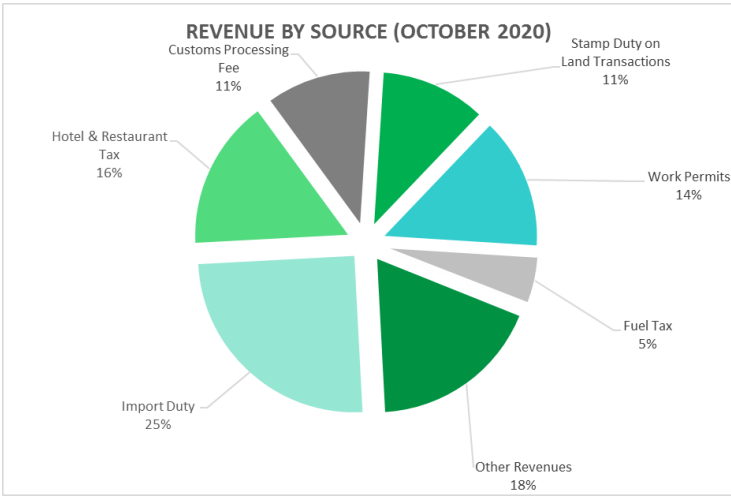
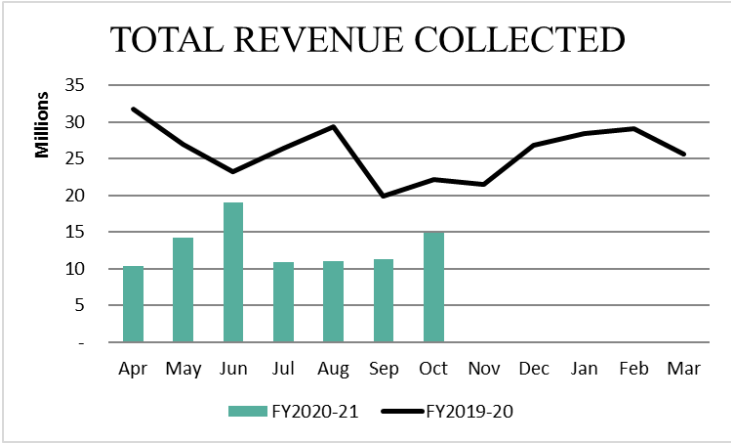
	Month			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	14,909.8	17,638.9	21,946.5	(2,729.1)	(15%)	(7,036.6)	(32%)	91,236.3	131,158.0	179,864.7	(39,921.7)	(30%)	(88,628.4)	-49%
Recurrent Expenditure	24,063.9	22,717.7	20,449.5	(1,346.2)	(6%)	(3,614.4)	(18%)	143,699.6	173,172.1	135,089.8	29,472.5	17%	(8,609.9)	(6%)
<b>Net Recurrent Surplus</b>	<b>(9,154.1)</b>	<b>(5,078.8)</b>	<b>1,497.0</b>	<b>(4,075.3)</b>	<b>80%</b>	<b>(10,651.1)</b>	<b>(711%)</b>	<b>(52,463.3)</b>	<b>(42,014.1)</b>	<b>44,774.9</b>	<b>(10,449.2)</b>	<b>25%</b>	<b>(97,238.3)</b>	<b>(217%)</b>
Non-Recurrent Revenue	22.3	135.0	199.9	(112.7)	-	(177.6)	(89%)	367.3	606.4	719.0	(239.2)	-	(351.7)	(49%)
Non-Recurrent Expenditure	392.3	283.1	416.5	(109.2)	(39%)	24.2	6%	1,797.0	6,124.7	1,243.9	4,327.7	71%	(553.1)	(44%)
<b>Net Operating Balance</b>	<b>(9,524.0)</b>	<b>(5,226.9)</b>	<b>1,280.3</b>	<b>(4,297.1)</b>	<b>82%</b>	<b>(10,804.4)</b>	<b>(844%)</b>	<b>(53,893.1)</b>	<b>(47,532.4)</b>	<b>44,250.0</b>	<b>(6,360.7)</b>	<b>13%</b>	<b>(98,143.0)</b>	<b>(222%)</b>

The month of October 2020 recorded an operating deficit of \$9.5 million which resulted in a year to date deficit of \$53.9 million. This outturn compared unfavorably to the projected deficit of \$5.2 million. On a year-over-year actual basis, the results at the end of October showed movement from a healthy surplus of \$44.3 million to a deficit of \$53.9 million, a reduction of \$98.1 million or 222%. 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 as a result of the impact on the tourism sector.

## 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>(9,524.0)</b>	<b>(5,226.9)</b>	<b>1,280.3</b>	<b>(4,297.1)</b>	<b>82%</b>	<b>(10,804.4)</b>	<b>(844%)</b>	<b>(53,893.1)</b>	<b>(47,532.4)</b>	<b>44,250.0</b>	<b>(6,360.7)</b>	<b>13%</b>	<b>(98,143.0)</b>	<b>-222%</b>
<b>Less:</b>														
Capital Contributions	(2,333.6)	(3,626.2)	(1,813.8)	1,292.6	-	(519.8)	-	(14,469.1)	(13,434.9)	(13,893.5)	(1,034.2)	-	(575.5)	-
Debt Repayments	(805.1)	(805.1)	(863.8)	-	-	58.7	-	(1,910.9)	(1,969.6)	(6,058.1)	58.7	(3%)	4,147.2	(68%)
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Inflows	-	-	-	-	-	-	-	23.7	-	183.6	23.7	-	(159.9)	-
Transfers from/(to) NWF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Working Capital	2,417.8	-	1,485.2	2,417.8	-	932.6	63%	5,191.6	-	(1,975.8)	5,191.6	-	7,167.4	(363%)
<b>Net Cash Flow</b>	<b>(10,244.9)</b>	<b>(9,658.2)</b>	<b>87.9</b>	<b>(586.7)</b>	<b>6%</b>	<b>(10,332.8)</b>	<b>(11751%)</b>	<b>(65,057.8)</b>	<b>(62,936.8)</b>	<b>22,506.1</b>	<b>(2,120.9)</b>	<b>3%</b>	<b>(87,563.9)</b>	<b>(389%)</b>

The month of October saw a reduction in the underlying cash balance, inclusive of Development Fund expenditure, of \$10.2 million. This resulted in a year to date decline of \$65.1 million, which was \$2.1 million above the estimate of \$62.9 million. On a year over year basis, the outturn showed a \$87.6 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 \$114.7 million at the end of October 2020. Not included in the cash and cash equivalents balance is \$30 million which during this financial period was held in a fixed deposit arrangement.



Aggregate Revenue as at the end of October totaled \$91.6 million of which \$13.5 million or 15% came from Excess Revenue Returns from Statutory Bodies. This Revenue performance was \$40.2 million or 31% behind projected revenue of \$131.8 million. On a year-over-year basis, Revenue was down \$89 million (49%) 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 third quarter. The borders reopened on July 22nd at which point business activity was somewhat restored. Tourism activities have started to increase slowly but persons are still averse to traveling given that the virus continues to spread both locally and in our main international markets. Given recent announcements that a vaccine will soon be available, we hope to see increased tourist arrivals and the reopening of the Cruise Port in the last quarter of this financial year.

Aggregate Expenditure as at October was \$145.5 million, \$33.8 million or 19% below the projected amount whilst up \$9.2 million or 7% from the prior year. 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 not expected to be absorbed in the ensuing month's although operational activity has begun to slowly increase. Significant expenditure continues to be incurred in the health care sector and in the holding and repatriation of illegal immigrants

## REVENUE

Recurrent Revenue: **Month \$14.9 million, Year to Date \$91.2 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	3,731.4	5,706.5	6,936.9	(1,975.1)	(3,205.5)	20,568.4	34,701.4	43,819.0	(14,132.9)	(23,250.6)
Hotel & Restaurant Tax	2,357.7	1,380.7	1,638.6	977.0	719.1	4,802.2	15,223.3	42,768.3	(10,421.1)	(37,966.1)
Customs Processing Fee	1,652.0	2,685.9	3,398.2	(1,033.9)	(1,746.3)	10,562.8	15,863.0	20,734.5	(5,300.2)	(10,171.7)
Stamp Duty on Land Transactions	1,662.5	1,427.5	1,639.5	235.0	23.0	14,457.8	10,800.6	21,047.3	3,657.2	(6,589.5)
Work Permits	2,068.5	1,885.1	2,176.7	183.4	(108.2)	8,206.1	12,593.8	12,843.5	(4,387.7)	(4,637.4)
Fuel Tax	734.4	728.6	990.4	5.8	(256.0)	3,506.5	4,747.3	6,057.1	(1,240.8)	(2,550.6)
Other Revenues	2,703.4	3,824.7	5,166.1	(1,121.2)	(2,462.7)	29,132.4	37,228.7	32,594.9	(8,096.3)	(3,462.5)
<b>TOTAL RECURRENT REVENUE</b>	<b>14,909.8</b>	<b>17,638.9</b>	<b>21,946.5</b>	<b>(2,729.1)</b>	<b>(7,036.6)</b>	<b>91,236.3</b>	<b>131,158.0</b>	<b>179,864.7</b>	<b>(39,921.7)</b>	<b>(88,628.4)</b>

Recurrent Revenue for the month of October totaled \$14.9 million, which was \$2.7 million (15%) below projected revenue. On a year-over-year basis, Revenue was down \$88.7 million (49%) 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 October totaled \$3.7 million. This result was down by \$2 million (35%) from projected receipts and in comparison to the prior year's receipts a decline of \$3.2 million. Year to date outturn totaled \$20.6 million accounting for 22% of Total Recurrent Revenues. This was 41% below the estimates and 53% 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. Total duties foregone as a result of this measure was \$2.2 million.

While receipts from Import Duties performed less than optimal during the first six 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 the month of October totaled \$2.4 million. This brought the year to date total to \$4.8 million against prior year receipts of \$42.8 million, a decline of 89%, mainly due to the fact that the Tourism

Industry has been the hardest hit during this COVID-19 pandemic. However, the revenue collected from this revenue source in October 2020 was equal to the cumulative collected for the previous six months. This 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 \$2.7 million 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 21<sup>st</sup> 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 21<sup>st</sup> May 2020 and 21<sup>st</sup> June 2020, in accordance with section 13 (1) of the HRTT was deferred until 21<sup>st</sup> July 2020.

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, 2020 when compared with last year. The World Tourism Organization (UNWTO) predicts 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 October totaled \$1.7 million bringing the year to date total to \$10.6 million, which was 33% behind the Estimates and down by 49% 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 October, totaled \$1.7 million which was \$0.2 million above the estimates and up \$0.02 million from the prior year's outturn. This resulted in year to date collections totaling \$14.5 million and comprising 16% of Total Recurrent Revenue. This revenue stream was \$3.7 million ahead of the estimates whilst down \$6.6 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 from the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020). Another tiered offering on reduction in stamp duty payable was allowed from the 21<sup>st</sup> September to 30<sup>th</sup> 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. This measure stimulated activity in the real estate, legal, valuation and construction sector and earned \$2.6 million in just one month between 21<sup>st</sup> September and 20<sup>th</sup> October, 2020.

### Work Permits:

Receipts from Work Permits totaled \$8.2 million for the year to date, \$2.1 million of which was collected during the month of October. These results were \$4.4 million below the estimates and down \$4.6 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 October were \$0.7 million, a decline of 26% from the prior year's outturn but up 1% from the projected receipts. Year to date results totaling \$3.5 million was down 26% from the estimates and 42% 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 \$2.7 million, Year to date \$29.1 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	84.9	57.3	58.2	27.6	26.7	1,845.0	1,394.2	1,737.6	450.8	107.4
Communication Tax	346.2	329.9	397.5	16.3	(51.3)	2,324.5	2,305.3	2,766.4	19.2	(441.8)
Gaming Machine Tax	428.6	318.6	445.4	109.9	(16.8)	490.6	2,302.7	2,344.3	(1,812.1)	(1,853.6)
Seaport Departure Tax	-	386.4	346.5	(386.4)	(346.5)	73.1	1,425.7	2,393.7	(1,352.6)	(2,320.5)
Telecommunication Licences	232.3	345.6	312.8	(113.3)	(80.5)	1,322.4	2,417.8	2,374.4	(1,095.4)	(1,051.9)
Overtime Costs Recovered	79.1	156.7	245.0	(77.6)	(165.9)	582.8	973.4	1,962.8	(390.6)	(1,380.1)
Vehicle Licence Renewals	261.8	146.4	332.1	115.4	(70.2)	1,310.3	1,651.8	1,505.3	(341.4)	(195.0)
Permanent Residency Fees	170.4	185.0	118.4	(14.7)	52.0	810.7	1,186.6	1,155.7	(375.9)	(345.0)
Excess Revenue	1.5	250.0	359.9	(248.5)	(358.4)	13,534.0	12,584.2	2,414.8	949.9	11,119.2
Other Revenues	1,098.6	1,648.7	2,550.4	(550.1)	(1,451.8)	6,838.9	10,987.0	13,940.0	(4,148.1)	(7,101.1)
<b>TOTAL OTHER REVENUE</b>	<b>2,703.4</b>	<b>3,824.7</b>	<b>5,166.1</b>	<b>(1,121.2)</b>	<b>(2,462.7)</b>	<b>29,132.4</b>	<b>37,228.7</b>	<b>32,594.9</b>	<b>(8,096.3)</b>	<b>(3,462.5)</b>

Other Revenues for October totaled \$2.7 million. This brought the year to date outturn to a total of \$29.1 million against a budget of \$37.2 million resulting in a shortfall of \$8.1 million whilst being down \$3.5 million from the prior year's outturn. The year to date total consists of \$13.5 million in Excess Revenue Returns from Statutory Bodies making up 46% of the Total Other Revenue collected by TCIG to date.

**Non-Recurrent Revenue: Month \$0.02 million, Year to date \$0.4 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	22.3	95.0	95.3	(72.7)	(73.0)	261.0	418.0	420.3	(157.0)	(159.2)
Revenue From Grants	0.0	40.0	104.6	(40.0)	(104.6)	106.2	188.4	298.7	(82.2)	(192.4)
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-RECURRENT REVENUE</b>	<b>22.3</b>	<b>135.0</b>	<b>199.9</b>	<b>(112.7)</b>	<b>(177.6)</b>	<b>367.3</b>	<b>606.4</b>	<b>719.0</b>	<b>(239.2)</b>	<b>(351.7)</b>

Non-recurrent receipts for the year to date of \$0.4 million were negligible and consisting primarily of \$0.3 million in land sales as well as small grants and donations received from UNICEF and a private sector firm to assist the Ministry of Education.

## EXPENDITURE

Recurrent Expenditure: **Month \$24.1 million, Year to Date \$143.7 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	7,939.8	9,494.3	7,865.8	1,554.5	(74.0)	53,868.4	57,973.1	53,898.5	4,104.7	30.1
Transfers to NHIB	5,542.4	2,771.2	2,771.2	(2,771.2)	(2,771.2)	19,398.4	19,398.4	19,398.4	-	-
Hospital Provisional Charges	1,880.2	1,772.0	1,695.6	(108.2)	(184.6)	15,856.2	13,280.8	12,850.9	(2,575.4)	(3,005.3)
Subventions	1,586.8	1,709.6	1,841.3	122.8	254.6	9,051.7	6,813.2	9,620.7	(2,238.5)	568.9
Rental of Assets	428.1	452.5	395.3	24.4	(32.8)	3,041.5	3,111.9	2,934.1	70.4	(107.4)
Other Expenses	6,686.7	6,518.2	5,880.2	(168.5)	(806.5)	42,483.4	72,594.7	36,387.2	30,111.3	(6,096.2)
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>24,063.9</b>	<b>22,717.7</b>	<b>20,449.5</b>	<b>(1,346.2)</b>	<b>(3,614.4)</b>	<b>143,699.6</b>	<b>173,172.1</b>	<b>135,089.8</b>	<b>29,472.5</b>	<b>(8,609.9)</b>

Recurrent expenditure for the month of October totaling \$24.1 million was \$1.3 million or 6% below the estimate but \$3.6 million ahead of the expenditure for October 2019. Year to date expenditure of \$143.7 million was \$29.5 million behind the budget whilst up \$8.6 million from the prior year's outturn. Of this total, personnel cost accounted for 38% totaling \$53.9 million. Total Personnel Cost was \$10 million or 16% less than budget while \$0.6 million ahead of the prior year's results.

Other Recurrent Expenditure: **Month \$6.7 million, Year to date \$42.5 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	913.0	1,371.0	1,017.1	458.1	104.2	6,213.0	8,021.5	7,199.4	1,808.5	986.4
Maintenance Expenses	1,261.2	809.1	882.3	(452.1)	(378.9)	6,535.8	6,697.8	5,259.4	161.9	(1,276.4)
Professional and Consultancy Services	431.4	861.4	281.1	430.0	(150.3)	1,777.1	3,305.3	1,544.3	1,528.2	(232.8)
Grants and Contributions	1,367.2	583.2	1,144.8	(783.9)	(222.4)	12,833.7	30,038.3	4,436.8	17,204.6	(8,396.9)
Utilities	184.9	436.3	325.5	251.4	140.6	1,774.6	3,037.1	2,529.9	1,262.5	755.3
Other Recurrent Expenditure	2,529.0	2,457.1	2,229.4	(72.0)	(299.6)	13,349.2	21,494.7	15,417.4	8,145.5	2,068.2
<b>TOTAL OTHER RECURRENT EXPENDITURE</b>	<b>6,686.7</b>	<b>6,518.2</b>	<b>5,880.2</b>	<b>(168.5)</b>	<b>(806.5)</b>	<b>42,483.4</b>	<b>72,594.7</b>	<b>36,387.2</b>	<b>30,111.3</b>	<b>(6,096.2)</b>

The expenditure for the month reflects unavoidable regular expenses such as utilities and maintenance. The major variance year to date, was seen in Grants and Contributions which had a year to date outturn of \$12.8 million against a budget of \$30 million. This variance is due to payments for cash assistance for individuals who work in the hospitality sector and for businesses within the MSME sector continuing to be processed while the full budget was projected to be spent earlier in the financial year. A second round of stimulus payments also began in September and continued in this month.

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

### Non-Recurrent Expenditure: *Month \$0.4 million, Year to date \$1.8 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	271.9	262.3	320.0	(9.6)	48.1	1,224.5	1,283.9	958.5	59.4	(265.9)
Civil Recovery	82.4	-	2.1	(82.4)	(80.3)	456.9	256.4	20.8	(200.6)	(436.2)
Contingency	-	-	-	-	-	-	4,438.3	-	4,438.3	-
Interest	38.0	20.8	94.4	(17.1)	56.4	115.6	146.2	264.6	30.5	148.9
<b>TOTAL NON-RECURRENT EXPENDITURE</b>	<b>392.3</b>	<b>283.1</b>	<b>416.5</b>	<b>(109.2)</b>	<b>24.2</b>	<b>1,797.0</b>	<b>6,124.7</b>	<b>1,243.9</b>	<b>4,327.7</b>	<b>(553.1)</b>

Non-Recurrent Expenditure results for the year to date of \$1.8 million, consisted primarily of \$1.2 million in payments to SIPT and \$0.5 million in payments for Civil Recoveries. This total was \$4.3 million below the estimates, primarily due to a \$4.4 million provision for contingency spending reflected in the estimates, whilst being \$0.5 million ahead of the prior year's outturn.

## PUBLIC DEBT

Public Debt	Opening	October 31, 2020	
	01-Apr-20	Principal Repayment	Outstanding Principal
	\$ 000's	\$ 000's	\$ 000's
TCIG Loans - Unsecured	3,021.4	(1,910.9)	1,110.5
<b>Total Outstanding Public Debt</b>	<b>3,021.4</b>	<b>(1,910.9)</b>	<b>1,110.5</b>

Outstanding debt as at 31<sup>st</sup> October, 2020 was \$1.1 million. Total principal debt repayment for the year was \$1.9 million while total finance costs for the year were \$0.1 million. There were no new borrowings during the financial year, neither were there any drawdowns of previously approved borrowings. Government is

currently looking at borrowing options and we expect to see an increase in public debt in the short term to medium term.

## HUMAN RESOURCE MANAGEMENT

### Employees

There were 1,463 people employed by TCIG at the end of October 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 October 2020 were 294.

## 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 to \$14.5 million. This amount however relates mainly to capital projects approved in the previous financial year.

Major components of the amount spent in this FY are as follows: \$8.4 million was spent on the construction, renovation & upgrading of Government's buildings, of which \$4.4 million was spent on schools throughout the islands, \$2.0 million on road development, \$1.1 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 driving capital expenditure will be a key focus for the Government as this financial year progresses.

## NATIONAL WEALTH FUND (NWF)

The balance of the National Wealth Fund as at 31<sup>st</sup> October, 2020 stood at \$25.9 million.

## NATIONAL FORFEITURE FUND (NFF)

The National Forfeiture Fund had a balance of \$6.4 million as at 31<sup>st</sup> October, 2020.

## 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 partially 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 mind-sets of people and businesses alike. 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 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.

