

Government of the Turks and Caicos Islands
Quarterly Financial Report (Unaudited)

July to September, 2013

For Financial year April 2013 to March 2104

*Prepared By: Office of the Accountant General
October 25, 2013*

Government of the Turks and Caicos Islands

Second Quarter Financial Report

1.0 Revenue & Expenditure - Consolidated Fund

	Quarter 2, FY2013-14			Year to Date, FY2013-14		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Recurrent Revenue	40,959.6	40,954.8	43,719.4	93,374.5	93,245.6	96,118.0
Recurrent Expenditure	37,481.0	42,482.8	37,096.9	74,017.6	83,249.5	73,430.6
Net Recurrent Surplus/(Deficit)	3,478.6	(1,528.0)	6,622.4	19,356.8	9,996.1	22,687.4
Non-Recurrent Revenue	1,377.0	2,000.0	13,150.0	2,079.3	2,400.7	17,150.0
Non-Recurrent Expenditure	6,328.9	4,283.5	6,094.9	10,137.5	8,567.0	10,184.0
Operating Surplus/(Deficit)	(1,473.3)	(3,811.5)	13,677.6	11,298.6	3,829.7	29,653.4

1.1 Quarter 2 (Jul-Sept 2013), FY2013-14: Operating Deficit of \$1.5 million

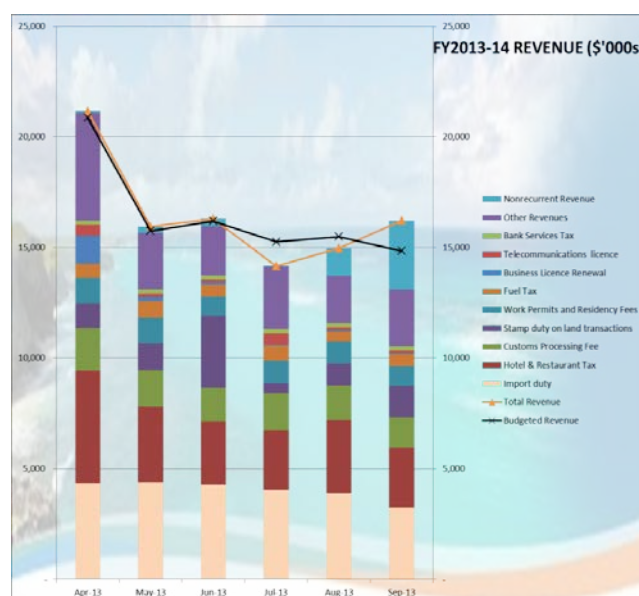
The net operating balance of the consolidated fund in the second quarter of FY2013-14 was a deficit of \$1.5 million, compared to a projected deficit of \$3.8 million and surplus of \$13.7 million in the same period the previous year.

Revenue Classification	Quarter 2,		
	Actual	Budget	Prior Year
	\$ 000's	\$ 000's	\$ 000's
Import duty	11,152	11,192	10,683
Hotel & Restaurant Tax	8,718	8,670	7,077
Customs Processing Fee	4,639	4,777	4,190
Work Permits and Residency Fees	2,908	2,708	2,819
Fuel Tax	1,682	1,808	1,305
Other Revenues	11,860	11,799	17,644
Total Recurrent Revenue	40,960	40,955	43,719
Nonrecurrent Revenue	1,377	2,000	13,150
Total Revenue	42,337	42,955	56,869

Total revenue outturn for the quarter was \$42.3 million, which was almost at par (though falling short by about 1%) with the projected revenue of \$42.9 million. However, the total revenue collected this quarter fell short by \$14.5 million or (25%) of the \$56.9 million collected last year, due mostly to large non-recurrent collections. Out of the total revenue of \$42.3 million collected during the second quarter of FY2013-14, about one quarter (26%) or \$11.2 million was derived from Import Duties whereas \$8.7 million (20%) came from Hotel & Restaurant Tax. While there were increases in some revenue streams, Customs Processing Fee and Fuel Taxes were both marginally below their respective projected amounts for the quarter by \$0.1 million.

In comparison with the same period the previous year, the Table adjacent depicts that the various revenue streams invariably performed better this quarter but the total revenue amount collected in the same period in the previous year was higher mainly due to non-recurrent revenues in the previous year.

Non-recurrent Revenue was \$1.4 million for the second quarter, falling short of projection by about \$0.6 million or 30%.



Total amount expended in the second quarter was about \$43.8 million, with recurrent expenditure of \$37.5 million and non-recurrent expenditure of \$6.3 million.

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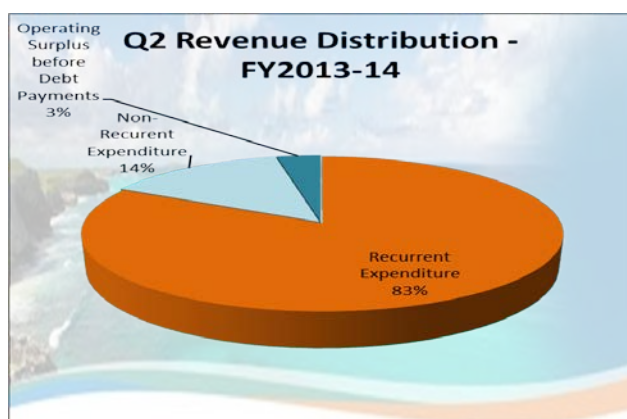
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Expenditure Classification	Quarter 2,		
	Actual	Budget	Prior Year
	\$ 000's	\$ 000's	\$ 000's
Personnel Costs	16,841	17,394	14,019
NHIB & Hospital Charges	11,058	10,391	11,006
Subventions	1,386	1,649	1,823
Rental of Assets	1,139	1,331	1,384
Utilities	957	961	954
Other Recurrent Expenditure	6,100	10,821	7,911
Total Recurrent Expenditure	37,481	42,548	37,097
Nonrecurrent Expenditure	6,329	4,219	6,095
Total Expenditure	43,810	46,766	43,192

This outturn for the quarter was about \$2.9 million or 6% lower than the budgeted amount of \$46.8 million. Personnel costs stood at \$16.8 million for the quarter and were \$0.6 million or 3% below the budgeted amount of \$17.4 million whereas NHIB & Hospital Charges were \$11.1 million for the quarter, being \$0.7 million or 6% above the budgeted amount of \$10.4 million. Personnel costs for the quarter, taking cognizance of the full effect of the 10% salary reinstatement, were 20% or \$2.8 million above the same period last financial year. Subventions in this quarter went down by \$0.4 million or 24% compared with the same period last financial year as a result of the restructuring taken place during FY 2011/12.

Non Recurrent Expenditure amounted to \$6.3 million in the second quarter, which primarily included civil recoveries and SIPT costs, in addition to interest payment of \$2.7 million on the Bonds due 2016.

The Chart below depicts the distribution of the total revenue collected in the second quarter into recurrent expenditure (83%), non-recurrent expenditure (14%), and the resulting operating surplus (3%).



1.2 Year to Date (Apr – Sept 2013): Operating Surplus of \$11.3 million.

The year to date operating surplus was \$11.3 million, compared to a projected surplus of \$3.8 million, a positive variance of \$7.5 million.

Revenue Classification	Year to Date		
	Actual	Budget	Prior Year
	\$ 000's	\$ 000's	\$ 000's
Import duty	24,145	24,185	22,227
Hotel & Restaurant Tax	20,111	20,063	17,863
Customs Processing Fee	9,722	9,860	8,623
Work Permits and Residency Fees	6,056	5,856	4,650
Fuel Tax	3,630	3,757	3,130
Other Revenues	29,710	29,525	39,624
Total Recurrent Revenue	93,374	93,246	96,118
Nonrecurrent Revenue	2,079	2,401	17,150
Total Revenue	95,454	95,646	113,268

Total year to date revenue collected in the six-month period April to September 2013 was \$95.5 million, compared to a budget of \$95.6 with the projections for the same period but \$17.8 million or 16% below that for the previous year, which was due primarily to non- recurrent.

Most revenue streams for the six months period were slightly ahead or on par with the projection, with the exception of customs processing fee and fuel tax; both of which being marginally below the budget.

Expenditure Classification	Year to Date		
	Actual	Budget	Prior Year
	\$ 000's	\$ 000's	\$ 000's
Personnel Costs	32,213	34,749	27,848
NHIB & Hospital Charges	21,795	21,455	3,973
Subventions	2,654	3,273	472
Rental of Assets	2,460	2,660	384
Utilities	1,780	1,935	264
Other Recurrent Expenditure	13,116	19,308	40,489
Total Recurrent Expenditure	74,018	83,379	73,431
Nonrecurrent Expenditure	10,138	8,438	10,184
Total Expenditure	84,155	91,817	83,615

Year to date Recurrent Expenditure of \$74.0 million came in about 11% below budget estimates of \$83.4 million for the period and a slight 1% or \$0.6 million above results for the same period last year. This outturn was due to savings and budgetary control exerted over personnel costs and other operating expenses despite the 10% salary reinstatement being fully reflected this financial year.

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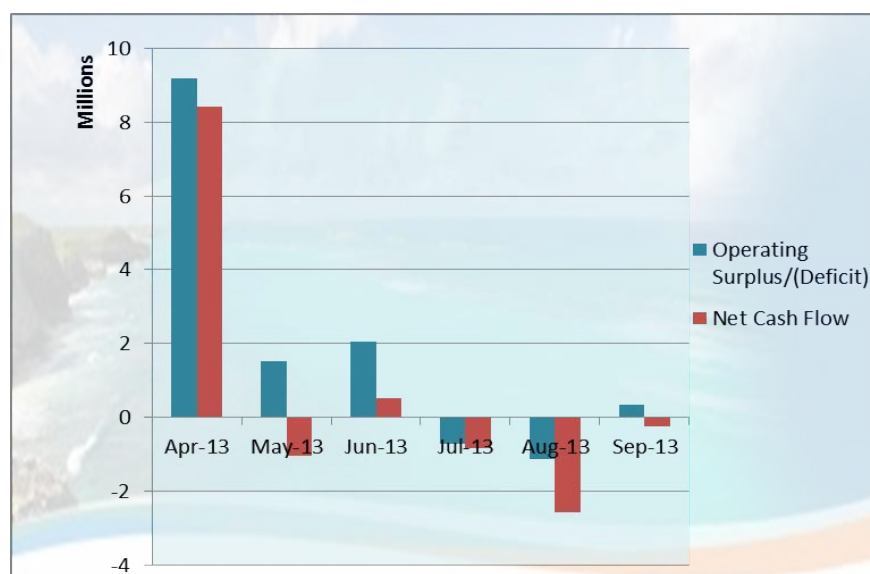
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2.0 Cash Flow Statement – Consolidated Fund

	Quarter 2			Year to Date		
	Actual \$ 000's	Budget \$ 000's	Prior Year \$ 000's	Actual \$ 000's	Budget \$ 000's	Prior Year \$ 000's
Cash Flow from Operations	(1,473.3)	(3,811.5)	13,677.6	11,298.6	3,829.7	29,653.4
Less:						
Capital Contributions	(2,549.8)	(3,326.9)	(1,464.3)	(4,556.3)	(5,370.4)	(4,696.8)
Debt Repayments	(1,565.3)	(1,565.3)	(7,658.1)	(3,897.1)	(3,897.2)	(8,903.9)
Bond Inflows	702.7	750.0	-	1,240.4	1,117.9	-
Herzog Payment	(501.0)	(501.0)	(167.0)	(1,002.0)	(1,002.0)	(1,002.0)
Transfers from/(to) NFF	-	-	(2,000.0)	1,166.2	-	(2,000.0)
Transfers to Sinking Fund	(44.0)	-	(7,433.5)	(2,668.4)	(2,668.4)	(7,433.5)
Net Payables	1,763.8	-	327.6	2,635.7	-	10,489.1
Net Cash Flow	(3,666.9)	(8,454.8)	(4,717.7)	4,217.2	(7,990.4)	16,106.2

The second quarter of FY2013-14 recorded a net cash flow deficit of \$3.7 million compared to a budgeted deficit of \$8.5 million and prior year deficit of \$4.7 million. The additional transfer to the Sinking Fund was interest earned on the amount in the bank during the period.

The year to date net cash flow was \$4.2 million, increasing the Consolidated Fund Cash Balance by the same amount. The year to date net cash flow compares favorably with the projected cash flow deficit for the period of \$8.0 million and prior year surplus of \$16.1 million. Previous year cash surplus was due primarily to some large non-recurrent revenues.



The adjacent chart presents a pictorial analysis of the actual operating surplus/(deficit) against the net cash flows over the first six months of FY2013-14.

This result shows that there were net cash flow deficits in May 2013, July 2013, August 2013 and September 2013 but overall there was a net cash flow surplus of \$4.2 million over the six-month period of April – September 2013.

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3.0 Outstanding Public Debt

The Turks and Caicos Government's outstanding debt as of September 30, 2013 is \$212.0 million.

Total debt repayments for the second quarter totaled \$2.1 million and year to date was \$4.9 million.

The half yearly bond interest payment on the \$170 million RBTT Bonds was made during the month of August 2013, in the amount of \$2.7 million.

Debt Type	Opening Balances		Quarter 2, FY2013-14	
	1-Apr-13	1-Jul-13	Principal Repayment	Outstanding Principal
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
RBTT Bonds 2016 - Guaranteed	170,000.0	170,000.0	-	170,000.0
Scotia Bank Loan 2016 - Guaranteed	9,000.0	9,000.0	-	9,000.0
Other TCIG Bank Loans - Unsecured	23,816.1	22,199.4	1,324.3	20,875.1
TCInvest Loans - Unsecured	12,254.1	11,538.9	241.0	11,298.0
Total Bonds & Loans	215,070.3	212,738.4	1,565.3	211,173.1
Other Debt	1,832.8	1,331.8	501.0	830.8
Total Outstanding Public Debt	216,903.0	214,070.1	2,066.3	212,003.9

The guaranteed loans are secured by a United Kingdom/DFID guarantee in the amount of \$260 million.

All loan principal and interest payments are up to date as of September 30, 2013.

4.0 Sinking Fund

The Sinking Fund balance as at end September 2013 stood at \$43.7 million, with interest income of \$44,007 generated in the second quarter of FY2013-14. Net public debt at the end of September 2013 is therefore about \$168.3 million when the Sinking Fund is taken into consideration.

5.0 National Forfeiture fund

The National Forfeiture Fund balance at the end of September 2013 was \$5.1 million. This balance will however be reduced in October 2013, due to a transfer of about \$0.8 million to the Development Fund, to cover the costs of acquiring new police vehicles. Any balances over \$2m at the end of the financial year will be transferred to the Consolidated Fund in accordance with the Proceeds of Crime Ordinance.

6.0 Development Fund

Development Fund	Quarter 2			Year to Date		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Capital Contributions	2,549.8	3,326.9	1,464.3	4,556.3	5,370.4	4,696.8
Capital Expenditure	2,549.8	3,326.9	1,183.9	4,556.3	5,370.4	3,201.2
Net Capital Surplus/(Deficit)	-	-	280.5	-	-	1,495.6

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The total amount spent on capital projects in the second quarter of FY2013-14 was \$2.5 million, which was funded by capital contributions totaling \$2.5 million provided by the Consolidated Fund. The capital expenditure of \$2.5 million in the second quarter was \$0.8 million or about 23% below the budget and \$1.1 million more than the same period last year.

The total capital expenditure for the first six months of FY2013-14 stood at \$4.6 million, which was \$0.8 million below the budget of \$5.4 million and \$1.4 million ahead of the amount spent for the same period last financial year.

7.0 Financial Outlook

TCIG remain committed to achieving a fiscal surplus in the financial year ending March 31, 2014, even though it may be less than originally projected. The above analysis presents the financial performance results of TCIG for the first half of financial year 2013-14, reporting an operating surplus of \$14.3 million and resulting net cash flow of \$7.2 million after capital contributions and debt repayments.

While the outturn YTD is just ahead of expectation for the first six month, it is forecast that this position may not continue for the remaining half of the year.

The major challenges include the unexpected delays in the introduction of some of the new tax measures and in some cases whether they will be sufficient to compensate for revenue loss due to delays or the introduction of the replacement taxes that included in the approved budget.

It is imperative for fiscal targets for the financial year 2013-14, TCIG to be achieved that there will need to be no further delays on implementation of the planned and announced new taxes and a continuance of improving compliance and revenue collections. No additional taxes are planned to be forthcoming in the remainder of the financial year over those already announced.

A supplementary appropriation is being prepared for consideration by the House of Assembly for the emergence of additional historic liabilities, increased costs associated with repatriation of larger than anticipated illegal immigrants and additional funds required for healthcare.

The government will be utilizing the savings accrued to date to partially fund the additional costs however there will be a need to continue and in some cases intensify cost control measures in all ministries and departments of government.