

Turks & Caicos Islands



2013-14 Third Quarter **Financial Report**

October to December, 2013

For Financial year April 2013 to March 2014

Prepared by the Office of the Accountant General

January 23rd, 2013

Information presented in this Third Quarter Financial Report is not audited

December 31, 2013

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December 31, 2013

FOREWORD

This third quarter FY2013/14 Financial Report (Unaudited) presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the three months ending December 31, 2013. The report has been prepared in adherence to the Public Finance Management Ordinance 2012 (Section 46. 01) which requires that the Accountant General prepares and submits unaudited budget report within 28 days after the quarter end.

The preparation and publication of this report stem from Government's commitment to transparent reporting of the Turks and Caicos Islands Government's (TCIG) finances, contributing to the overall accountability arrangement and an improved quality of governance & decision making.

This enables the Government to monitor more closely the usage of public funds and the associated risks and challenges, so that where corrective measures may be needed to be undertaken, they can be done much earlier than later.

Likewise, the public, financial institutions and other stakeholders are able to monitor the finances of the Government to be assured that financial decisions are made in accordance with prudent financial management.

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Arnold Ainsley (Mr)

Accountant General

January 23, 2014

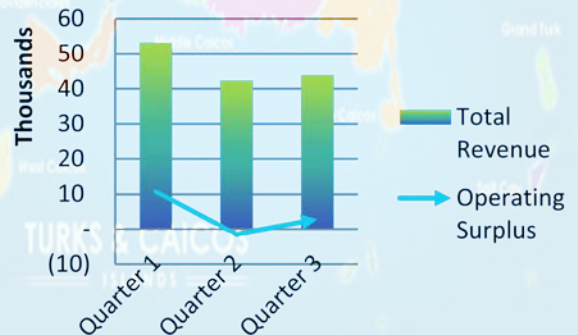
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HIGHLIGHTS QUARTER 3 FY2013-14

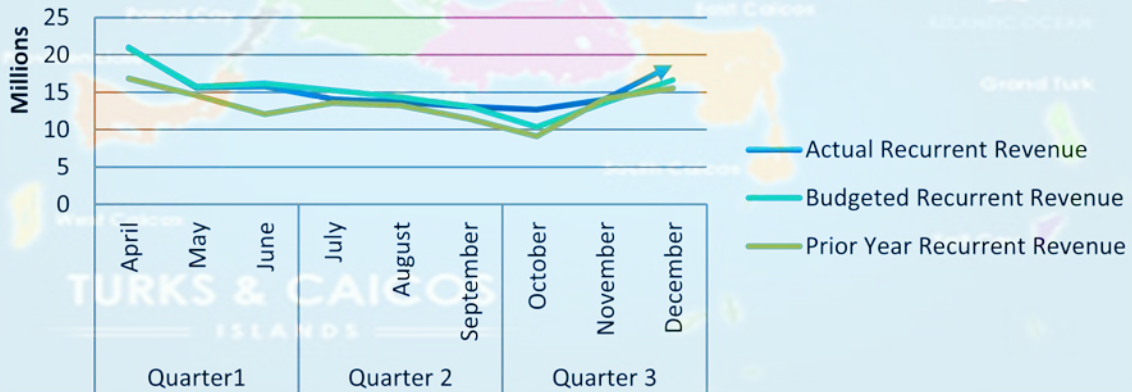
Total Recurrent Revenue & Expenditure by Quarter



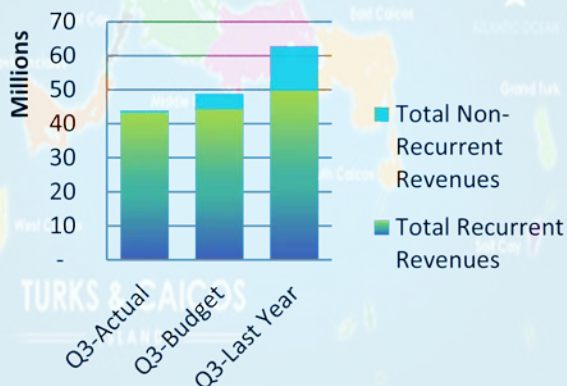
Total Revenue & Operating Surplus



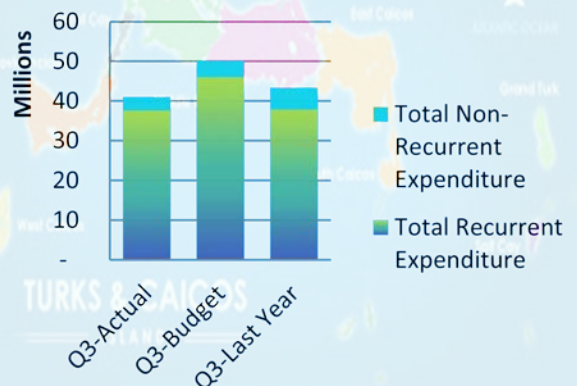
Recurrent Revenue by Quarter



Total Revenue



Total Expenditure



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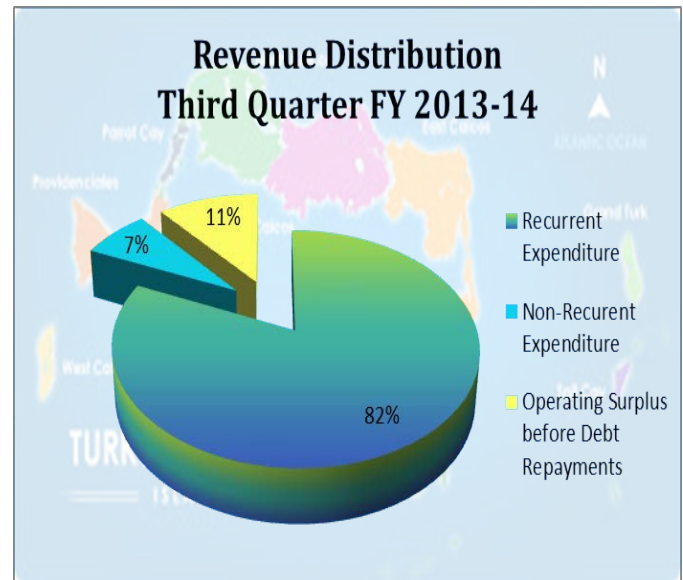
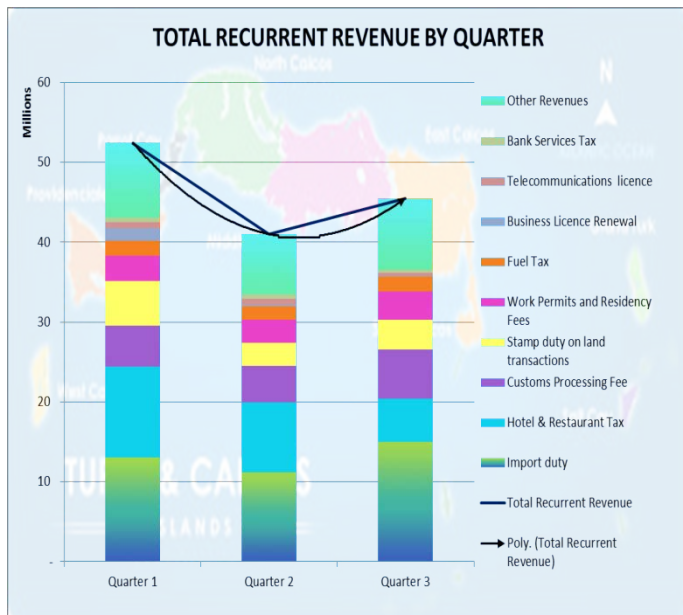
SUMMARY

The unaudited result of the first nine months of the fiscal year is an operating surplus of \$16.3 million which is a positive variance of \$12.4 million over the estimated surplus of \$3.9 million for the period. Year to date recurrent revenues came in with a positive variance of 1% relative to budget estimates and it was 7% above last year's results. Year to date recurrent expenditures are \$13.4 million or 11% lower than budget primarily resulting from savings in personnel cost and other operating expenses.

	Quarter 3 2013			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	45,441.5	44,191.7	41,382.6	1,249.9	3%	4,058.9	10%	139,117.7	137,437.3	130,452.1	1,680.4	1%	8,665.6	7%
Recurrent Expenditure	37,632.8	46,007.6	37,825.9	8,374.9	18%	193.2	1%	111,650.4	125,063.0	106,229.2	13,412.6	11%	(5,421.2)	(5%)
Net Recurrent Surplus/(Deficit)	7,808.8	(1,816.0)	3,556.7	9,624.7	-530%	4,252.1	120%	27,467.3	12,374.3	24,222.9	15,093.0	122%	3,244.4	13%
Non-Recurrent Revenue	617.8	4,628.4	21,473.7	(4,010.6)	(87%)	(20,855.9)	(97%)	2,395.5	4,400.7	45,672.1	(2,005.2)	-46%	(43,276.7)	(95%)
Non-Recurrent Expenditure	3,380.3	4,283.5	5,535.9	903.2	21%	2,155.7	39%	13,517.8	12,850.5	20,747.2	(667.3)	(5%)	7,229.5	35%
Operating Surplus/(Deficit)	5,046.3	(1,471.0)	19,494.4	6,517.4	-443%	(14,448.1)	(74%)	16,345.0	3,924.5	49,147.8	12,420.5	316%	(32,802.8)	(67%)

The net operating balance of the consolidated fund was a surplus of \$5.0 million for the third quarter, compared to an estimated deficit of \$1.5 million and surplus of \$19.5 million in the same quarter last year.

Recurrent Revenue outturn for the quarter was 3% above budget estimates. As there were significant increases in nearly all revenue streams when compared to results of last year, total recurrent revenues for the quarter came in 10% above last year's results.



Nonrecurrent revenue was however \$20.9 million or 97% below last year's results due to large one-off receipts, such as civil recoveries, land sales and revenue from grants.

Recurrent expenditure which came in at \$37.6 million was \$8.4 million or 18% lower than budget estimates and \$0.2 million or 1% below last year's results.

Nonrecurrent expenditure of \$3.4 million was about 21% below the budget and 39% below last year's results.

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REVENUE & EXPENDITURE**Third Quarter Results - October to December 2013**

Revenue	Quarter 3		
	Actual	Budget	Prior Year
Import duty	14,982	13,084	13,820
Hotel & Restaurant Tax	5,425	5,330	4,578
Customs Processing Fee	6,139	4,798	5,376
Stamp duty on land transactions	3,710	4,896	5,722
Work Permits and Residency Fees	3,516	2,892	3,348
Other Revenues	11,669	13,192	8,539
Total Recurrent Revenue	45,442	44,192	41,383
Nonrecurrent Revenue	618	4,628	21,474
Total Revenue	46,059	48,820	62,856

Total Recurrent Revenue outturn for the quarter was \$45.4 million. Of the total collected during the third quarter of FY2013-14, one third 33% or \$15.0 million was derived from Import Duties, while \$5.4 million from Hotel & Restaurant Tax and \$6.1 million from Customs Processing Fee, together accounted for 25% of recurrent revenues.

Non recurrent revenues were \$0.6 million for the third quarter, falling short of budgeted amounts by 87% or \$4.0 million.

Expenditure	Quarter 3		
	Actual	Budget	Prior Year
Personnel Costs	16,264	17,419	13,888
Hospital Provisional Charges	5,465	5,824	6,474
Transfers to NHIB	4,554	4,568	4,537
Maintenance Expenses	1,586	1,449	1,837
Subventions	1,672	1,624	1,352
Rental of Assets	1,153	1,331	1,260
Other Recurrent Expenditure	6,939	13,794	8,479
Total Recurrent Expenditure	37,633	46,008	37,826
Nonrecurrent Expenditure	3,380	4,283	5,536
Total Expenditure	41,013	50,291	43,362

Recurrent expenditure outturn for the quarter was \$37.6 million, which was \$8.4 million or 18% lower than the budget estimates and \$0.2 million or 1% below last year's results.

Personnel costs stood at \$16.3 million for the quarter and were \$1.2 million or 7% below the budgeted amount of \$17.4 million and 17% or \$2.4 million above the same period last financial year.

Non Recurrent Expenditure amounted to \$3.4 million in the third quarter, which primarily included civil recoveries and SIPT costs.

Year to Date Results – April to December 2013

Revenue	Year to Date		
	Actual	Budget	Prior Year
Import duty	39,128	37,269	36,048
Hotel & Restaurant Tax	25,536	25,393	22,441
Customs Processing Fee	15,861	14,658	13,999
Stamp duty on land transactions	12,176	12,445	10,364
Work Permits and Residency Fees	9,572	8,747	7,998
Other Revenues	36,845	38,925	39,603
Total Recurrent Revenue	139,118	137,437	130,452
Nonrecurrent Revenue	2,395	4,401	45,672
Total Revenue	141,513	141,838	176,124

Total Revenue for the year to date amounted to \$141.5 million, which was \$0.3 million below budget and \$34.6 million below last year's results, due to nonrecurrent receipts the previous year.

Recurrent revenue for the nine months was \$139.1 million, compared to a budget of \$137.4 and prior year figure of \$ 130.5 million.

Year to Date Non Recurrent revenues are \$2.0 million or 46% below budget and a significant \$43.3 million or 95% below last year's results, due to number of large one-off receipts.

Expenditure	Year to Date		
	Actual	Budget	Prior Year
Personnel Costs	48,477	52,167	41,735
Hospital Provisional Charges	17,373	18,144	18,445
Transfers to NHIB	14,441	13,703	13,610
Maintenance Expenses	4,700	5,286	4,374
Subventions	4,326	4,898	4,946
Rental of Assets	3,613	3,990	4,097
Other Recurrent Expenditure	18,721	26,875	19,022
Total Recurrent Expenditure	111,650	125,063	106,229
Nonrecurrent Expenditure	13,518	12,850	20,747
Total Expenditure	125,168	137,913	126,976

Total expenditure to date was \$125.2 million, \$12.7 million below budget and \$1.8 million below last year's results.

Year to date recurrent expenditure outturn was 11% lower than the budget estimates of \$125.1 million and 5% above last year's results of \$106.2 million.

Non-recurrent expenditure, year to date, came in at \$0.7 million or 5% more than the budgeted amount of 12.9 million but \$7.2 million or 35% less than last year's results.

December 31, 2013

CASH FLOW

	Quarter 3 2013			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	5,046.3	(1,471.0)	19,494.4	6,517.4	-443%	(14,448.1)	(74%)	16,345.0	3,924.5	49,147.8	12,420.5	316%	(32,802.8)	(67%)
Less:														
Capital Contributions	(1,561.2)	(4,194.2)	(2,543.0)	2,633.0	(63%)	981.8	37%	(6,117.5)	(12,582.6)	(5,744.2)	6,465.1	(51%)	(373.3)	(6%)
Debt Repayments	(2,011.6)	(2,361.2)	(1,579.6)	349.6	(15%)	(432.0)	(124%)	(5,908.8)	(6,006.1)	(10,483.6)	97.3	(2%)	4,574.8	4703%
Bond Inflows	886.3	750.0	900.0	136.3	18%	(13.7)	(10%)	2,126.7	1,866.9	900.0	259.8	14%	1,226.7	472%
Herzog Payment	(501.0)	(501.0)	(501.0)	-	-	-	0%	(1,503.0)	(1,503.0)	(1,503)	-	-	-	0%
Transfers from/(to) NFF	815.0	-	-	815.0	-	-	-	2,096.0	1,280.9	-	815.0	-	2,096.0	100%
Transfers to Sinking Fund	(29.2)	-	-	(29.2)	-	(29.2)	-	(2,697.6)	(6,698.4)	(15,563.5)	4,000.8	-	12,866.0	322%
Net Workin Capital	(390.6)	-	(1,047.3)	(390.6)	-	656.7	-63%	2,245.1	-	(1,487.3)	2,245.1	-	3,732.4	-251%
Net Cash Flow	2,254.1	(7,777.5)	14,723.6	10,031.6	(129%)	(12,469.5)	(85%)	6,585.9	(19,717.7)	15,266.3	26,303.6	(133%)	(8,680.3)	(33%)

The third quarter of FY2013-14 recorded a net cash flow surplus of \$2.3 million relative to a budgeted deficit of \$7.8 million and prior year surplus of \$14.7 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 \$6.6 million surplus, 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 \$19.7 million but was below the prior year surplus of \$15.3 million; due primarily to non-recurrent revenues.

Recurrent payments for Inter-Health Canada, National Health Insurance Board, Herzog and debt servicing payments were made during the quarter, as scheduled. The cash flow forecast for ensuing months indicates that cash flow should remain positive and there should not be a need to draw on the credit facility.

OUTSTANDING PUBLIC DEBT

The Turks and Caicos Government's outstanding debt as of December 31, 2013 is \$209.5 million. Total debt repayments for the third quarter totaled \$2.5 million and year to date was \$7.4 million.

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 December 31, 2013.

Debt Type	Opening	Quarter 3 2013	
	01-Apr-13	Principal Repayment	Outstanding Principal
	\$ 000's	\$ 000's	\$ 000's
RBTT Bonds 2016 - Guaranteed	170,000.0	-	170,000.0
Scotia Bank Loan 2016 - Guaranteed	9,000.0	-	9,000.0
Other TCIG Bank Loans - Unsecured	23,816.1	(4,483.9)	19,332.2
TCInvest Loans - Unsecured	12,254.1	(1,424.9)	10,829.2
Total Bonds & Loans	215,070.3	(5,908.8)	209,161.5
Other Debt	1,832.8	(1,503.0)	329.8
Total Outstanding Public Debt	216,903.0	(7,411.8)	209,491.2

SINKING FUND

The Sinking Fund balance as at end December 2013 stood at \$43.7 million, with interest income of \$29,203 generated in the third quarter of FY2013-14. Net public debt at the end of December 2013 is therefore about \$165.8 million when the Sinking Fund is taken into consideration.

NATIONAL FORFEITURE FUND

The National Forfeiture Fund balance at the end of December 2013 stood at \$4.3 million. 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.

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DEVELOPMENT FUND

Development Fund	Quarter 3 2013			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		
Capital Contributions	1,561.2	4,194.2	2,543.0	(2,633.0)	(63%)	(981.8)	(39%)	6,117.5	12,582.6	5,744.2	(6,465.1)	(2%)	373.3	6%
Capital Expenditure	(1,561.2)	(3,432.2)	(2,543.0)	(1,871.0)	120%	(981.8)	63%	(6,117.5)	(11,267.2)	(5,744.2)	(5,149.7)	84%	373.3	(6%)
Net Capital Surplus/(Deficit)	-	762.0	-	(762.0)	-	-	-	-	1,315.4	-	(1,315.4)	-	-	-

The total amount spent on capital projects in the third quarter of FY2013-14 was \$1.6 million, which was funded by capital contributions totaling \$1.6 million provided by the Consolidated Fund. The capital expenditure of \$1.6 million in the third quarter was \$1.9 million below the budget and \$1.0 million less than the amount spent in the same period last year.

The total capital expenditure for the nine months to December stood at \$6.1 million, which was \$5.1 million below the budget of \$11.3 million and \$0.4 million ahead of the amount spent for the same period last financial year. Major capital projects so far included the Construction of a new block for both the H J Robinson High School and the Ona Glinton Primary School, while the repairs to the causeway bridge are ongoing, with \$1.4 million spent to date.

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 Year to date recurrent revenue outturn was very favorable coming in above both budget and forecast amounts. Some contributors to this were the increase in the rate of customs processing fee from 6% to 7.5% and also the increase in fuel tax from 75 cents to 85 cents per gallon. It is therefore expected that recurrent revenues will meet the budget estimates.

Savings in recurrent expenditure, especially in the area of personnel cost are expected to continue to the end of the year. However, a supplementary appropriation has been approved by the House of Assembly and executed, for the emergence of additional historic liabilities, increased costs associated with repatriation of larger than anticipated illegal immigrants and additional funds required for healthcare. Ministries are being encouraged to vire funds from areas of savings where they can, nonetheless, it is expected that a final supplementary appropriation will be required in the last quarter of the year.

There are considerable under expenditure in the development fund which had an original budget of \$16.7 million and after the first nine months of the fiscal year, only \$6.1 million has been spent. Therefore, the government will need to make a decision on how to utilize these funds beyond the final supplement.

To meet fiscal surplus targets there is a need to continue and in some cases intensify cost control measures in all ministries and departments of government, while ensuring that current accounts payable are paid on a timely basis.