



Turks & Caicos Islands

2014-15 Second Quarter Financial Report

July to September 2014

Prepared by the Office of the Accountant General

October 21st, 2014

Information presented in this Second Quarter Financial Report is not audited

FOREWORD

The second quarter of FY2014/15 Financial Report (Unaudited) presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the second quarter of financial year 2014-15. 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

October 23, 2014

SUMMARY

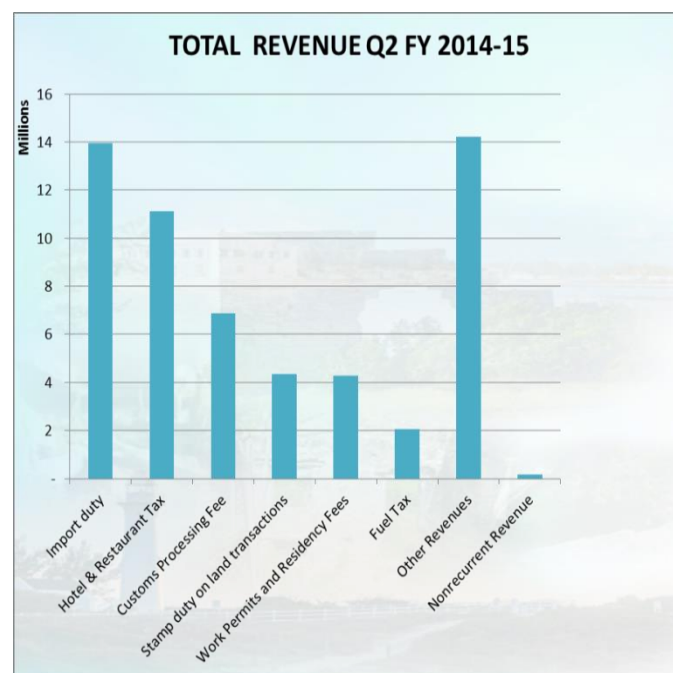
	Quarter 2 2014			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	56,834.1	46,822.3	41,261.3	10,011.8	21%	15,572.8	38%	122,384.2	103,972.6	93,676.2	18,411.6	18%	28,708.0	31%
Recurrent Expenditure	39,046.6	45,159.7	38,176.5	6,113.2	14%	(870.0)	(2%)	76,801.2	85,421.9	74,017.6	8,620.7	10%	(2,783.6)	(4%)
Net Recurrent Surplus/(Deficit)	17,787.5	1,662.6	3,084.7	16,124.9	970%	14,702.8	477%	45,582.9	18,550.6	19,658.5	27,032.3	146%	25,924.4	132%
Non-Recurrent Revenue	176.9	650.0	1,075.3	(473.1)	(73%)	(898.3)	(84%)	5,872.1	5,300.0	1,777.6	572.1	11%	4,094.5	230%
Non-Recurrent Expenditure	4,862.2	3,388.6	5,633.3	(1,473.6)	(43%)	771.1	14%	7,583.2	7,897.6	10,137.5	314.3	4%	2,554.3	25%
Operating Surplus/(Deficit)	13,102.3	(1,076.0)	(1,473.3)	14,178.3	(1318%)	14,575.6	(989%)	43,871.8	15,953.0	11,298.6	27,918.7	175%	32,573.1	288%

The unaudited result for the second quarter of the fiscal year showed an operating surplus of \$13.1 million, this result in a favourable variance of \$14.2 million over the budgeted deficit of \$1.1 million and \$14.6 million over last year's deficit of \$1.5 million.

Recurrent Revenue outturn for the quarter was \$56.8 million, which was 21% above the budgeted amount of \$46.8 million and 38% above last year's outturn of \$41.3 million, due to better than expected collections in all of the major revenue items.

Recurrent expenditure, which came in at \$39.0 million was 14% or \$6.1 million below budget estimates while being \$0.9 million or 2% above the outturn of \$38.2 million for the same quarter last year.

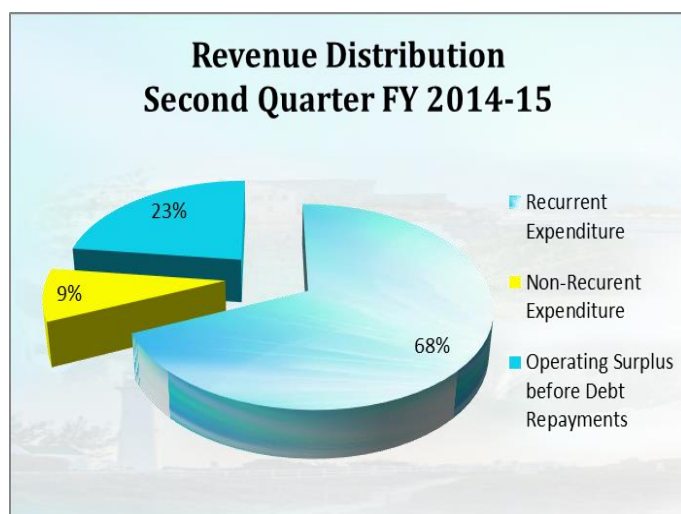
Non-recurrent expenditure of \$4.8 million came in 43% or \$1.5 million above budget while being below last year's outturn by 14% or \$0.8 million.



Year to date results showed an operating surplus of \$43.9 million, this result in a positive variance of \$27.9 million over the budgeted surplus of \$16.0 million and \$32.6 million over last year's surplus of \$11.3 million.

Year to date Recurrent Revenue outturn was \$122.4 million, which was \$18.4 million or 18% above the budgeted outturn of \$93.7 and \$28.7 million or 31% above the results of the same quarter last year.

Year to date Recurrent Expenditure outturn totaled \$76.8 million, which resulted in a favorable variance of \$8.6 million or 10% when compared to budgeted outturn of \$85.4 million and \$2.8 million or 4% above the results of the same quarter last year.



REVENUE & EXPENDITURE

Revenue & Expenditure - July to September 2014

Revenue outturn for the Second Quarter - \$57.0 million.

Revenue	Quarter 2		
	Actual	Budget	Prior Year
Import duty	13,953	11,694	11,152
Hotel & Restaurant Tax	11,115	7,886	8,718
Customs Processing Fee	6,888	6,502	4,639
Stamp duty on land transactions	4,350	4,500	2,858
Work Permits and Residency Fees	4,270	3,488	2,908
Fuel Tax	2,040	1,863	1,682
Other Revenues	14,218	10,971	9,304
Total Recurrent Revenue	56,834	46,904	41,261
Nonrecurrent Revenue	177	650	1,075
Total Revenue	57,011	47,554	42,337

One fourth or \$14.0 million of the total collected during the second quarter of FY2014-15 was derived from Import Duties which came in a significant 19% above the budgeted outturn.

Hotel and Restaurant tax also made up 20% of recurrent revenues coming in at \$11.1 million, while \$6.9 million from Customs Processing Fee, \$4.4 million from Stamp Duty on Land Transactions and \$4.3 from Work Permits & Residency Fees together accounted for 31% of recurrent revenues.

Expenditure	Quarter 2		
	Actual	Budget	Prior Year
Personnel Costs	16,656	17,833	16,841
Transfers to NHIB	4,803	4,964	3,829
Hospital Provisional Charges	4,899	5,737	7,230
Subventions	2,392	2,347	1,386
Rental of Assets	1,174	1,336	1,139
Other Recurrent Expenditure	9,124	12,942	7,752
Total Recurrent Expenditure	39,047	45,160	38,177
Nonrecurrent Expenditure	4,862	3,389	5,633
Total Expenditure	43,909	48,548	43,810

Total Expenditure for the quarter was \$43.9 million.

Personnel costs, which accounted for 36% of total expenditure stood at \$16.7 million for the quarter which was 7% below the budgeted, due mainly to delays in recruitment, while being a marginal 1% below last year's outturn. Transfers to NHIB and Hospital Provisional Charges together accounted for 22% of total expenditure.

Non Recurrent expenditure totaled \$4.9 million for the quarter which was 43% or \$1.5 million above budget.

Revenue & Expenditure – Year to Date

Year to Date Revenue outturn - \$128.3 million.

Revenue	Year to Date		
	Actual	Budget	Prior Year
Import duty	28,728	24,886	24,145
Hotel & Restaurant Tax	26,120	22,793	20,111
Customs Processing Fee	14,136	12,506	9,722
Stamp duty on land transactions	12,026	9,000	8,466
Work Permits and Residency Fees	8,762	6,975	6,056
Fuel Tax	4,276	4,149	3,630
Other Revenues	28,336	23,663	21,546
Total Recurrent Revenue	122,384	103,973	93,676
Nonrecurrent Revenue	5,872	5,300	1,778
Total Revenue	128,256	109,273	95,454

Total revenue to date showed a favourable variance \$18.9 million or 17% when compared to the budgeted outturn of \$109.3 million and a favourable variance of \$32.8 million or 34% when compared to the results of the same period last year.

The significant variances are primarily due to an unexpected recurrent revenue performance, all of which are above both budgeted outturn and that of last year.

Expenditure	Year to Date		
	Actual	Budget	Prior Year
Personnel Costs	33,419	34,641	32,213
Transfers to NHIB	9,785	10,263	9,887
Hospital Provisional Charges	11,480	11,729	11,908
Subventions	4,189	3,977	2,654
Rental of Assets	2,288	2,644	2,460
Other Recurrent Expenditure	15,638	22,167	14,896
Total Recurrent Expenditure	76,801	85,422	74,018
Nonrecurrent Expenditure	7,583	7,898	10,138
Total Expenditure	84,384	93,320	84,155

Year to date Expenditure outturn - \$84.4 million.

Year to date expenditure outturn was \$8.9 million or 10% below the budgeted outturn of \$93.3 million and \$0.2 million below the results of the same period last year.

Non-recurrent expenditure to date totaled \$7.6 million which was 4% below the budgeted outturn of \$7.9 million and 25% or \$2.6 million below last year's outturn.

CASH FLOW

	Quarter 2 2014			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	13,102.3	(1,076.0)	(1,473.3)	14,178.3	-1318%	14,575.6	(989%)	43,871.8	15,953.0	11,298.6	27,918.7	175%	32,573.1	288%
Less:														
Capital Contributions	(843.2)	(2,585.7)	(2,549.8)	1,742.5	(67%)	1,706.6	(67%)	(1,983.8)	(3,726.3)	(4,556.3)	1,742.5	(88%)	2,572.5	(56%)
Debt Repayments	(11,306.7)	(1,655.3)	(1,565.3)	(9,651.4)	583%	(9,741.5)	622%	(13,638.0)	(3,986.6)	(4,105.5)	(9,651.4)	71%	(9,532.6)	232%
Bond Inflows	160.5	160.5	702.7	-	-	(542.2)	(77%)	397.7	397.7	1,240.4	-	-	(842.7)	(68%)
Herzog Payment	-	-	(501.0)	-	-	501.0	(100%)	-	-	(1,002.0)	-	-	1,002.0	(100%)
Transfers from/(to) NFF	-	-	-	-	-	-	-	-	-	(114.8)	-	-	114.8	(100%)
Transfers to Sinking Fund	(6,805.8)	(65.7)	(44.0)	(6,740.1)	10265%	(6,761.8)	15365%	(10,845.8)	(4,105.7)	(2,668.4)	(6,740.1)	62%	(8,177.5)	306%
Transfers from Sinking Fund	9,000.0	-	-	9,000.0	-	9,000.0	-	9,000.0	-	-	9,000.0	100%	9,000.0	-
Net Working Capital	2,579.0	-	724.2	2,579.0	-	1,854.8	-	6,432.2	-	(2,635.7)	6,432.2	100%	9,067.9	(344%)
Net Cash Flow	5,886.1	(5,222.2)	(4,706.5)	11,108.3	(213%)	10,592.6	(225%)	33,234.0	4,532.1	(2,543.5)	28,701.9	633%	35,777.5	(1407%)

The second quarter of FY2014-15 recorded a positive net cash flow of \$5.9 million. These results compare very favorably with the projected net cash flow deficit of \$5.2 million and the results for the same period last year which was a net cash outflow of \$4.7 million. Year to date Net Cash flow stands at \$33.2 million results in a favourable variance of \$28.7 million over the projected amount of \$4.5 million.

To enhance the government's treasury management, an amount of \$26.1 million is currently placed in an on-call money market account at Scotiabank (Turks and Caicos), which is earning interest at a rate of 0.4% per annum. The net cash flow forecast for ensuing months remain positive, therefore there should not be a need to draw on the credit facility.

OUTSTANDING PUBLIC DEBT

Debt Type	Opening	September 30, 2014	
	01-Apr-14	Principal Repayment	Outstanding Principal
	\$ 000's	\$ 000's	\$ 000's
RBTB Bonds 2016 - Guaranteed	170,000.0	-	170,000.0
Scotia Bank Loan 2016 - Guaranteed	9,000.0	(9,000.0)	.0
Other TCIG Bank Loans - Unsecured	17,971.7	(3,653.7)	14,318.0
TCInvest Loans - Unsecured	10,596.4	(984.4)	9,612.1
Total Outstanding Public Debt	207,568.1	(13,638.0)	193,930.1

The Turks and Caicos Government's outstanding debt as of September 30, 2014 is \$193.9 million, as shown in the adjacent table. During the quarter the \$9.0 million term loan facility with ScotiaBank, which was due for repayment in February 2016, was repaid in full, resulting in total debt repayments for the year to date being \$13.6 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 September 30, 2014.

SINKING FUND

The Sinking Fund balance as at end September 2014 stood at \$60.0 million, which is now invested in a term deposit at Scotiabank (Turks and Caicos) at a rate of 1% per annum. Net public debt outstanding at the end of September 2014 is therefore about \$133.9 million, when the Sinking Fund is taken into consideration.

NATIONAL FORFEITURE FUND

The National Forfeiture Fund had a balance of \$2.0 million at the end of September 2014. No funds were collected through the SIPT recovery process for the first two quarters of the year.

DEVELOPMENT FUND

The total amount spent on capital projects in the second quarter of FY2014-15 was \$0.8 million. Year to date capital expenditure was \$2.0 which was funded by capital contributions totaling \$2.0 million provided by the Consolidated Fund. This outturn came in 47% below the budgeted outturn of \$3.7 million and 56% below last year's amount of \$4.6 million.

FINANCIAL OUTLOOK

The performance in the second quarter continues to depict a promising result for the financial year as a whole. As anticipated, there has been some improvement in the performance of expenditure when compared to last year's results, while revenue performance has exceeded expectations. The unaudited financial analysis presents a fiscal surplus of US \$43.9 million generated by the Government from its operations during its half year ending 30th September 2014 and net cash inflow of \$33.2 million.

Recurrent revenue outturn for the quarter has been impressive coming in well above last year's outturn. Recurrent expenditure for the quarter were also favorable, at 14% below budget estimates. This is as a result of enhanced compliance measures and continued reinforcement of the both Public Finance Management and the Public Procurement Ordinances.

The Government is in the process of preparing a request for a supplementary appropriation to cover the costs associated with the dealing the Ebola outbreak and realign the overall expenditure priorities to ensure continued prudent spending and the appropriate allocation of financial resources.

The Government remains committed to prudent fiscal management, ensuring improvements in revenue collection and that expenditure control measures continue to enhance its financial performance.

It is expected that anticipate that early fall months may present some revenues challenges but a major effort is being made to further improve compliance in revenue collection, while at the same time providing value for money, more efficient and effective public services.