



*Turks & Caicos Islands*

# **2014-15 Third Quarter Financial Report**

**October to December 2014**

*Prepared by the Office of the Accountant General*

*January 23<sup>th</sup>, 2014*

*Information presented in this Third Quarter Financial Report is not audited*

## *FOREWORD*

The third 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 third 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**

January 23, 2014

## SUMMARY

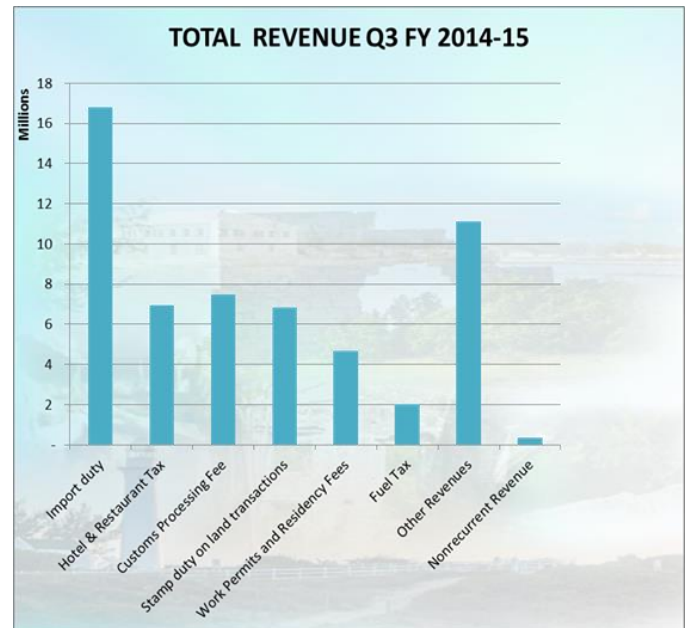
	Quarter 3 2014			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	55,916.1	48,800.9	45,441.9	7,115.1	15%	10,474.2	23%	178,300.2	152,773.5	139,118.1	25,526.8	17%	39,182.2	28%
Recurrent Expenditure	37,460.4	41,227.7	39,188.0	3,767.3	9%	1,727.6	4%	114,261.6	126,649.6	113,205.6	12,388.0	10%	(1,056.0)	(1%)
<b>Net Recurrent Surplus/(Deficit)</b>	<b>18,455.7</b>	<b>7,573.3</b>	<b>6,253.9</b>	<b>10,882.4</b>	<b>144%</b>	<b>12,201.8</b>	<b>195%</b>	<b>64,038.6</b>	<b>26,123.9</b>	<b>25,912.4</b>	<b>37,914.7</b>	<b>145%</b>	<b>38,126.2</b>	<b>147%</b>
Non-Recurrent Revenue	359.0	650.0	617.8	(291.0)	(45%)	(258.9)	(42%)	6,231.1	5,950.0	2,395.5	281.1	5%	3,835.6	160%
Non-Recurrent Expenditure	2,074.0	2,995.0	1,826.9	921.1	31%	(247.1)	(14%)	9,657.2	10,892.6	11,964.4	1,235.4	11%	2,307.2	19%
<b>Operating Surplus/(Deficit)</b>	<b>16,740.7</b>	<b>5,228.2</b>	<b>5,044.9</b>	<b>11,512.5</b>	<b>220%</b>	<b>11,695.8</b>	<b>232%</b>	<b>60,612.5</b>	<b>21,181.3</b>	<b>16,343.5</b>	<b>39,431.2</b>	<b>186%</b>	<b>44,268.9</b>	<b>271%</b>

The unaudited result for the third quarter of the fiscal year showed an operating surplus of \$16.7 million, this result in a favourable variance of \$11.5 million over the budgeted surplus of \$5.2 million and \$11.7 million over last year's surplus of \$5.0 million.

Recurrent Revenue outturn for the quarter was \$55.9 million, which was 15% above the budgeted amount of \$48.8 million and 23% above last year's outturn of \$45.4 million, due to better than expected collections in all of the major revenue items.

Recurrent expenditure, which came in at \$37.5 million was 9% or \$3.8 million below budget estimates while being \$1.7 million or 4% below the outturn of \$39.2 million for the same quarter last year.

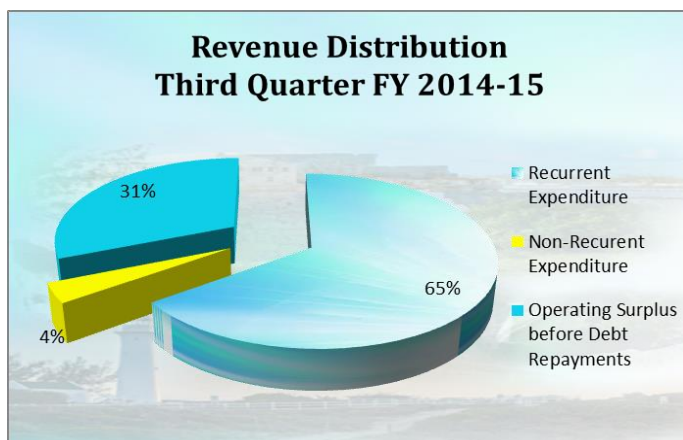
Non-recurrent expenditure of \$2.1 million came in 31% or \$0.9 million above budget while being above last year's outturn by 14% or \$0.2 million.



Year to date results showed an operating surplus of \$60.6 million, this result in a positive variance of \$39.4 million over the budgeted surplus of \$21.2 million and \$44.3 million over last year's surplus of \$16.3 million.

Year to date Recurrent Revenue outturn was \$178.3 million, which was \$25.5 million or 17% above the budgeted outturn of \$152.8 and \$39.2 million or 28% above the results of the same quarter last year.

Year to date Recurrent Expenditure outturn totaled \$114.3 million, which resulted in a favorable variance of \$12.4 million or 10% when compared to budgeted outturn of \$126.6 million while being a marginal 1% above results of the same period last year.



## REVENUE & EXPENDITURE

### Revenue & Expenditure - October to December 2014

Revenue outturn for the Third Quarter - \$56.3 million.

Revenue	Quarter 3		
	Actual	Budget	Prior Year
Import duty	16,799	14,973	14,982
Hotel & Restaurant Tax	6,961	6,758	5,425
Customs Processing Fee	7,492	7,312	6,139
Stamp duty on land transactions	6,833	4,500	3,710
Work Permits and Residency Fees	4,692	3,488	3,516
Fuel Tax	2,033	1,913	1,847
Other Revenues	11,105	9,858	9,822
<b>Total Recurrent Revenue</b>	<b>55,916</b>	<b>48,801</b>	<b>45,442</b>
Nonrecurrent Revenue	359	650	618
<b>Total Revenue</b>	<b>56,275</b>	<b>49,451</b>	<b>46,060</b>

The six major Revenue heads accounted for over 75% of revenue collected for the quarter.

30% or \$16.8 million of the total collected during the third quarter was derived from Import Duties which came in 16% above the budgeted outturn. Customs Processing Fee accounted for 13% of revenues coming in at \$7.5 million, while \$7.0 million from Hotel & Restaurant Tax, \$6.8 million from Stamp Duty on Land Transactions and \$4.7 from Work Permits & Residency Fees together accounted for 33% of revenue.

Expenditure	Quarter 3		
	Actual	Budget	Prior Year
Personnel Costs	16,527	18,020	16,264
Transfers to NHIB	4,794	4,796	4,554
Hospital Provisional Charges	4,519	4,617	5,465
Subventions	1,311	1,600	1,672
Rental of Assets	1,209	1,395	1,153
Other Recurrent Expenditure	9,101	10,800	10,080
<b>Total Recurrent Expenditure</b>	<b>37,460</b>	<b>41,228</b>	<b>39,188</b>
Nonrecurrent Expenditure	2,074	2,995	1,827
<b>Total Expenditure</b>	<b>39,534</b>	<b>44,223</b>	<b>41,015</b>

Total Expenditure for the Third Quarter \$39.5 million.

Personnel costs, which accounted for 42% of total expenditure stood at \$16.5 million for the quarter which was 8% below the budgeted amount, due mainly to delays in recruitment, while being a marginal 2% above last year's outturn. Transfers to NHIB and Hospital Provisional Charges together accounted for a further 24% of total expenditure.

### Revenue & Expenditure – Year to Date

Year to Date Revenue outturn - \$184.5 million.

Revenue	Year to Date		
	Actual	Budget	Prior Year
Import duty	45,528	39,859	39,128
Hotel & Restaurant Tax	33,081	29,551	25,536
Customs Processing Fee	21,628	19,818	15,861
Stamp duty on land transactions	18,858	13,500	12,176
Work Permits and Residency Fees	13,453	10,463	9,572
Fuel Tax	6,310	6,061	5,477
Other Revenues	39,442	33,521	31,368
<b>Total Recurrent Revenue</b>	<b>178,300</b>	<b>152,773</b>	<b>139,118</b>
Nonrecurrent Revenue	6,231	5,950	2,395
<b>Total Revenue</b>	<b>184,531</b>	<b>158,723</b>	<b>141,514</b>

Total revenue to date showed a favourable variance \$20.9 million or 13% when compared to the budgeted outturn of \$158.7 million and a favourable variance of \$43.0 million or 30% when compared to the results of the same period last year.

All of the major revenue heads are well on their way to exceeding their budgeted figures for the year with the exception of Stamp Duties which has already surpassed its budgeted amount of \$18.0 million

Expenditure	Year to Date		
	Actual	Budget	Prior Year
Personnel Costs	49,947	52,661	48,477
Transfers to NHIB	14,579	15,059	14,441
Hospital Provisional Charges	15,999	16,346	17,373
Subventions	5,500	5,578	4,326
Rental of Assets	3,497	4,038	3,613
Other Recurrent Expenditure	24,739	32,967	24,976
<b>Total Recurrent Expenditure</b>	<b>114,262</b>	<b>126,650</b>	<b>113,206</b>
Nonrecurrent Expenditure	9,657	10,893	11,964
<b>Total Expenditure</b>	<b>123,919</b>	<b>137,542</b>	<b>125,170</b>

Year to date Expenditure outturn - \$123.9 million.

Year to date expenditure outturn was \$13.6 million or 10% below the budgeted outturn of \$137.5 million and \$1.3 million above the results of the same period last year.

Non-recurrent expenditure to date totaled \$9.7 million which was 11% below the budgeted outturn of \$10.9 million and 19% or \$2.3 million below last year's outturn.

## CASH FLOW

	Quarter 3 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	16,740.7	5,228.2	5,044.9	11,512.5	220%	11,695.8	232%	60,612.5	21,181.3	16,343.5	39,431.2	186%	44,268.9	271%
Less:														
Capital Contributions	(1,866.7)	(5,637.7)	(1,561.2)	3,771.0	(67%)	(305.6)	20%	(3,850.5)	(9,364.0)	(6,117.5)	5,513.5	(143%)	2,266.9	(37%)
Debt Repayments	(1,396.4)	(1,911.9)	(2,011.6)	515.5	(27%)	615.3	(31%)	(15,034.4)	(5,898.5)	(6,117.1)	(9,135.9)	61%	(8,917.3)	146%
Bond Inflows	183.6	183.6	886.3	(.0)	(0%)	(702.7)	(79%)	581.3	581.3	2,126.7	(.0)	(0%)	(1,545.5)	(73%)
Herzog Payment	-	-	(501.0)	-	-	501.0	(100%)	-	-	(1,503.0)	-	-	1,503.0	(100%)
Transfers from/(to) NFF	-	-	2,414.5	-	-	(2,414.5)	-	-	-	2,299.8	-	-	(2,299.8)	(100%)
Transfers to Sinking Fund	(.0)	6,740.1	(29.2)	(6,740.1)	(100%)	29.2	(100%)	(10,845.8)	(4,105.7)	(2,697.6)	(6,740.1)	62%	(8,148.3)	302%
Transfers from Sinking Fund	-	-	-	-	-	-	-	9,000.0	-	-	9,000.0	100%	9,000.0	-
Net Working Capital	2,579.0	-	5,498.1	2,579.0	-	(2,919.1)	-	4,663.5	-	2,862.4	4,663.5	100%	1,801.0	63%
<b>Net Cash Flow</b>	<b>16,240.2</b>	<b>4,602.4</b>	<b>9,740.8</b>	<b>11,637.8</b>	<b>253%</b>	<b>6,499.3</b>	<b>67%</b>	<b>45,126.5</b>	<b>2,394.3</b>	<b>7,197.3</b>	<b>42,732.2</b>	<b>1785%</b>	<b>37,929.2</b>	<b>527%</b>

The third quarter of FY2014-15 recorded a positive net cash flow of \$16.2 million. These results compare very favorably with the projected net cash flow of \$4.6 million and the results for the same period last year which was \$9.7 million. Year to date Net Cash flow stands at \$45.1 million which results in a favourable variance of \$42.7 million over the projected amount of \$2.4 million.

To enhance the government's treasury management, an amount of \$40.0 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	December 31, 2014	
	01-Apr-14	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)	.0
Other TCIG Bank Loans - Unsecured	17,971.7	(4,483.3)	13,488.3
TCInvest Loans - Unsecured	10,596.4	(1,439.8)	9,156.7
<b>Total Outstanding Public Debt</b>	<b>207,568.1</b>	<b>(14,923.1)</b>	<b>192,645.0</b>

The Turks and Caicos Government's outstanding debt as of December 31, 2014 is \$192.6 million, as shown in the adjacent table. During the year 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 \$14.9 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<sup>st</sup>, 2014.

## SINKING FUND

The Sinking Fund balance as at end December 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 December 2014 is therefore about \$132.6 million, when the Sinking Fund is taken into consideration.

## **NATIONAL FORFEITURE FUND**

The National Forfeiture Fund had a balance of \$1.9 million at the end of December 2014. No funds were collected through the SIPT recovery process for the first three quarters of the financial year.

## **DEVELOPMENT FUND**

The total amount spent on capital projects in the third quarter of FY2014-15 was \$1.9 million. Year to date capital expenditure was \$3.9 million which was funded by capital contributions totaling \$3.9 million provided by the Consolidated Fund. This outturn came in 59% below the budgeted outturn of \$9.4 million and 37% below last year's amount of \$6.1 million.

## **FINANCIAL OUTLOOK**

The performance in the third quarter continues to depict a promising result for the financial year as a whole. Revenue performance has exceeded expectations while expenditure still remains fairly below budget. The unaudited financial analysis presents a fiscal surplus of US \$60.6 million generated by the Government from its operations during its half year ending 31st December 2014 and net cash inflow of \$45.1 million.

Recurrent revenue outturn for the quarter has been impressive coming in well above both the budget last year's outturn. Recurrent expenditure for the quarter was also favorable, at 9% below budget estimates. This is as a result of enhanced compliance measures and continued reinforcement of both Public Finance Management and the Public Procurement Ordinances.

Savings in recurrent expenditure are expected to continue to the end of the year. However, a supplementary appropriation was approved by the House of Assembly for the emergence of additional unforeseen expenditure associated with the effects of Hurricane Cristobal and medical emergencies including managing the chikungunya, ebola and cases of dengue.

The Government remains committed to prudent fiscal management, ensuring improvements in revenue collection and that expenditure control measures continue to enhance its financial performance, while at the same time providing value for money, more efficient and effective public services.