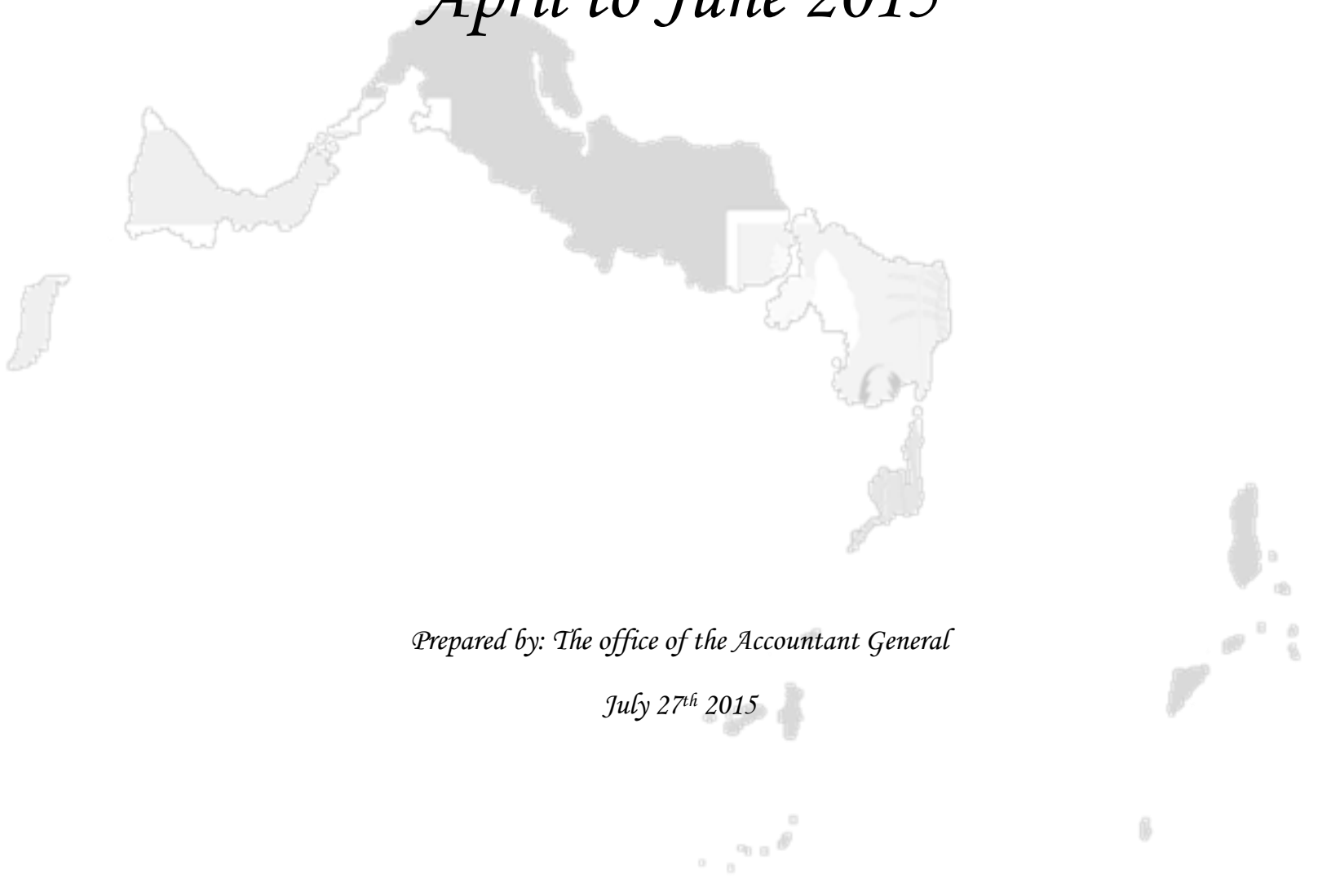


# *Turks & Caicos Islands*

## *2015-16 First Quarter* **Financial Report**

*April to June 2015*



*Prepared by: The office of the Accountant General*

*July 27<sup>th</sup> 2015*

## *FOREWORD*

The second quarter of FY2015/16 Financial Report (Unaudited) presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the first three months of this financial year 2015-15. 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**

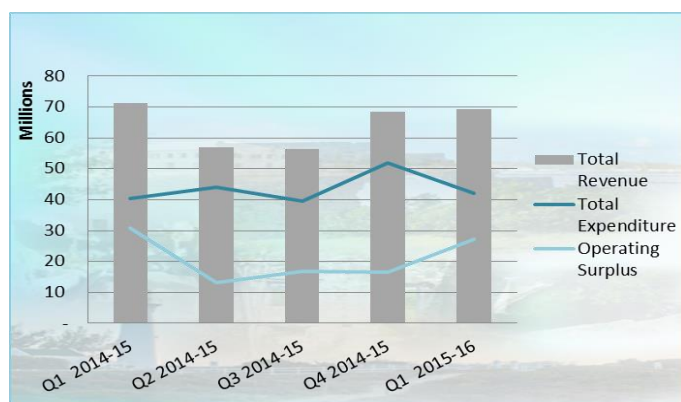
July 27<sup>th</sup>, 2015

# FISCAL SUMMARY

For the three months ended June 30, 2015

(Figures in US\$'000)	2015-16 Budget	Actual 1st Quarter	Budget 1st Quarter	Variance	% Change
<b>Revenue</b>	238,125	69,399	66,907	2,492	↑ 4%
<b>Expenditure</b>					
Operating	195,758	41,736	53,253	11,518	↓ 22%
Debt Servicing	6,660	441	457	16	↓ 4%
<b>Total Expenditure</b>	202,417	42,176	53,710	11,534	↓ 21%
<b>Operating Surplus</b>	<b>35,707</b>	<b>27,223</b>	<b>13,197</b>	<b>14,026</b>	<b>↑ 106%</b>

The surplus for the first three months of 2015-16 was \$27.2 million, \$14.0 million or 106% higher than expected, primarily due to lower than expected expenditure and sustained strength of key revenue areas. It is anticipated that the expenditure will be absorbed as the year progresses.



**Revenue** for the first three months was \$69.4 million, \$2.5 million or 4% higher than expected.

While Accommodation Tax was up \$2.5 million, Overall Taxes on transactions was 4% lower than budget, mainly due to communication tax receipts being \$3.3 million or 76% behind the budgeted amounts, however it is anticipated this shortfall will be corrected before the end of the year.

Taxes on domestic goods and transactions which were \$3.5 million higher, largely owing to positive movements in the real estate industry resulting in stamp duties on land transactions being \$3.6 million or 64% above budgeted outturn.

Fees Fines & Permits were up 15% with the major contributors being work permits and residency fees, permanent residency fees and temporary work permits which were up 14%, 65% and 95% respectively. These were not only attributed to higher demand but also a large number of back-payments.

**Expenditure** for the first three months was \$42.2 million, a decrease of \$11.5 million from the 3 month estimate, due mainly to lower than expected operating costs which shall be incurred as the year progresses.

Operating expenditure was lower than estimates by \$11.5 million. While mostly all expenditure heads were below estimates, the major contributors to this was personnel cost which was down \$2.5 million and maintenance cost which was down \$1.4 million.

Grants and Contributions expenditure was 63% lower than estimated mainly due to profiling issues as continuing student scholarship payments for new awardees for the up-coming school year wasn't finalized, resulting in no payments being made. In addition, the Contribution to Regional Institutions wasn't made in the first quarter. Expenditure for both accounts should be reflected on par with budget by the third quarter.

**Capital Investment** during the first three months of 2015-16 was \$2.0 million, \$3.6 million or 65% lower than estimated. Major contributors to this amount were the construction of the Long Bay High School, Repairs to the causeway bridge and the EU housing initiative.

## REVENUE & EXPENDITURE

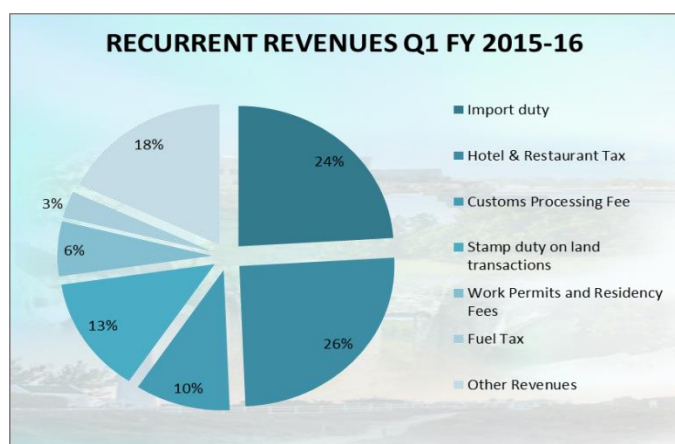
### Revenue Results - April to June 2015

Revenue	Quarter 1 - 2015/16		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Import duty	16,671	15,400	14,775
Hotel & Restaurant Tax	17,551	15,029	15,005
Customs Processing Fee	6,908	7,767	7,247
Stamp duty on land transactions	9,230	5,637	7,676
Work Permits and Residency Fees	4,375	3,845	4,492
Other Revenues	14,577	18,838	16,354
<b>Total Recurrent Revenue</b>	<b>69,311</b>	<b>66,517</b>	<b>65,550</b>
Nonrecurrent Revenue	88	391	5,695
<b>Total Revenue</b>	<b>69,399</b>	<b>66,907</b>	<b>71,245</b>

Revenue for the first three months was \$69.4 million, \$3.3 million or 5% higher than expected. This favourable variance is largely owing to positive movements in the real estate industry resulting in stamp duties on land transactions being \$3.6 million or 64% above budgeted outturn.

Of the total collected during the first quarter of FY2015-16, \$17.6 million or 25% was derived from Hotel and Restaurant tax. Import Duties also made up 24% of recurrent revenues coming in at \$16.7 million, while \$6.9 million from Customs Processing Fee, \$9.2 million from Stamp Duty on Land Transactions and \$4.4 from Work Permits & Residency Fees together accounted for 29% of recurrent revenues.

Other revenues of \$14.6 were \$3.4 million below the budgeted amount of \$18.0 million.



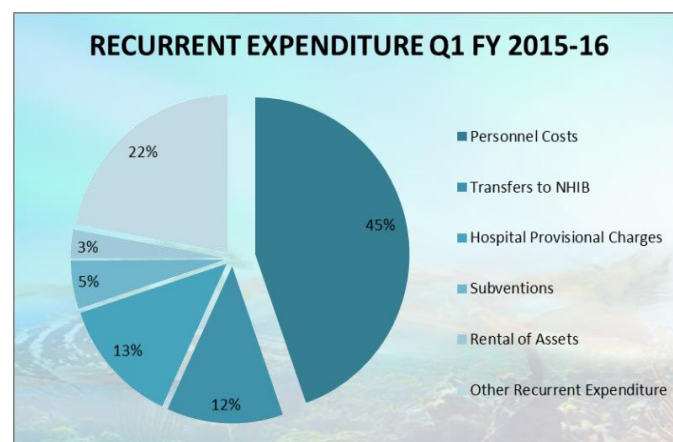
### Expenditure Results - April to June 2015

Expenditure	Quarter 1 - 2015/16		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Personnel Costs	17,900	20,362	16,764
Transfers to NHIB	4,896	4,845	4,983
Hospital Provisional Charges	5,234	6,678	6,582
Subventions	1,996	2,174	1,798
Rental of Assets	1,183	1,416	1,114
Other Recurrent Expenditure	8,868	16,888	7,488
<b>Total Recurrent Expenditure</b>	<b>40,077</b>	<b>52,364</b>	<b>38,728</b>
Nonrecurrent Expenditure	2,099	1,346	1,372
<b>Total Expenditure</b>	<b>42,176</b>	<b>53,710</b>	<b>40,100</b>

Expenditure for the first three months was \$42.2 million, a decrease of \$11.5 million from the 3 month estimate due mainly to lower than expected operating costs.

Personnel costs, which accounted for 42% of expenditure stood at \$17.9 million for the quarter was \$2.5 behind budget while being up \$1.1 million from prior year's cost largely owing to the recent pay & grading review effective the beginning of this quarter. Transfers to NHIB and Hospital Provisional Charges together accounted for 24% of total expenditure, while Subventions and Rental of Assets accounted for 5% and 3% of expenditure respectively.

Other recurrent expenditure of \$8.9 million accounted for a further 21% of total expenditure and came in \$8.0 million or 47% below the budget



## REVENUE & EXPENDITURE BY MINISTRY

### REVENUE

(Figures in US\$'000)

	2015-16		Quarter 1			
	Budget	Actual	Budget	Variance		
03 Police	102	9	10	(2)	(15%)	
04 Attorney General's Chambers	19,559	9,473	5,890	3,583	61%	
05 Judiciary	1,050	290	241	49	20%	
14 Statutory Charges	1,216	88	391	(302)	(77%)	
16 Border Control & Employment	19,948	6,348	5,266	1,082	21%	
54 Finance Trade & Investment	185,611	50,973	52,055	(1,082)	(2%)	
57 Education Youth Sports & Culture	399	43	98	(55)	(56%)	
59 Home Affairs Transportation & Communication	3,780	814	698	116	17%	
60 Infrastructure Housing & Planning	1,488	280	398	(118)	(30%)	
61 Tourism Environment Heritage & Culture	4,627	1,003	1,773	(770)	(43%)	
62 Health Agriculture & Human Services	345	78	86	(8)	(10%)	
<b>TOTAL RECEIPTS</b>	<b>238,125</b>	<b>69,399</b>	<b>66,907</b>	<b>2,492</b>	<b>4%</b>	

### EXPENDITURE

(Figures in US\$'000)

	2015-16		Quarter 1			
	Budget	Actual	Budget	Variance		
01 Governor's Office	4,251	846	1,123	277	25%	
03 Police	20,714	5,135	5,589	453	8%	
04 Attorney General's Chambers	8,864	1,832	2,888	1,056	37%	
05 Judiciary	6,481	1,585	1,651	65	4%	
14 Statutory Charges	16,241	2,117	2,152	35	2%	
16 Border Control & Employment	6,632	1,316	1,732	415	24%	
54 Finance Trade & Investment	15,211	3,061	4,210	1,149	27%	
56 Deputy Governor's Office	2,144	578	581	3	0%	
57 Education Youth Sports & Culture	26,737	5,385	6,879	1,494	22%	
58 Director of Public Prosecutions	2,256	288	700	411	59%	
59 Home Affairs Transportation & Communication	9,389	1,956	2,878	922	32%	
60 Infrastructure Housing & Planning	14,711	3,333	4,717	1,383	29%	
61 Tourism Environment Heritage & Culture	6,469	1,242	1,647	405	25%	
62 Health Agriculture & Human Services	57,229	12,712	15,471	2,759	18%	
63 House of Assembly	2,816	448	748	301	40%	
64 Office of The Premier & District Administration	2,273	341	746	405	54%	
<b>TOTAL PAYMENTS</b>	<b>202,417</b>	<b>42,176</b>	<b>53,710</b>	<b>11,534</b>	<b>21%</b>	
<b>OPERATING SURPLUS</b>	<b>35,707</b>	<b>27,223</b>	<b>13,197</b>	<b>14,026</b>	<b>106%</b>	

Program expenditure saw a slow start for first three months of financial year 2015-16. All ministries expenditure outturn came in significantly less than estimated, resulting in a variance for the first three months of \$11.5 million or 21% below budget. This significant under expenditure was the major contributor in the operating surplus for the period being more than 120% or \$14.9 million over the budgeted amount. Increases in expenditure and a slight reduction in revenues are however expected in the second quarter, which will offset some of this early gain.

## CASH FLOW

(Figures in US\$'000)	Quarter 1 - 2015/16			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
<b>Cash Flow from Operations</b>	<b>27,223.0</b>	<b>13,197.3</b>	<b>31,145.3</b>	<b>14,025.7</b>	<b>106%</b>	<b>(3,922.3)</b>	<b>(13%)</b>	<b>27,223.0</b>	<b>13,197.3</b>	<b>31,145.3</b>	<b>14,025.7</b>	<b>106%</b>	<b>(3,922.3)</b>	<b>(13%)</b>
Less:														
Capital Contributions	(1,975.5)	(5,575.7)	(1,140.6)	3,600.2	(65%)	(834.9)	73%	(1,975.5)	(5,575.7)	(1,140.6)	3,600.2	(65%)	(834.9)	73%
Debt Repayments	(1,488.4)	(1,062.3)	(2,136.8)	(426.1)	40%	648.4	(30%)	(1,488.4)	(1,062.3)	(2,136.8)	(426.1)	40%	648.4	(30%)
Bond Inflows	183.6	(169.3)	431.8	352.9	(208%)	(248.2)	(57%)	183.6	(169.3)	431.8	352.9	(208%)	(248.2)	(57%)
Transfers from/(to) NFF	(.0)	-	(4,040.0)	(.0)	-	4,040.0	(100%)	(.0)	-	(4,040.0)	(.0)	-	4,040.0	(100%)
Transfers to Sinking Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Workin Capital	2,881.3	-	2,862.4	2,881.3	-	18.9	1%	2,881.3	-	2,862.4	2,881.3	-	18.9	1%
<b>Net Cash Flows</b>	<b>26,824.0</b>	<b>6,390.1</b>	<b>27,122.1</b>	<b>20,433.9</b>	<b>320%</b>	<b>(298.2)</b>	<b>(1%)</b>	<b>26,824.0</b>	<b>6,390.1</b>	<b>27,122.1</b>	<b>20,433.9</b>	<b>320%</b>	<b>(298.2)</b>	<b>(1%)</b>

The underlying cash balance at the end of the first quarter was \$26.8 million, \$20.4 million over projected net cash flow of \$6.3 million and \$0.3 million down from the results for the same period last year.

To enhance the government's treasury management, an amount of \$20.0 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 cash flow forecast for ensuing month indicates that flows should remain positive and there will be no need to draw on the credit facility.

## OUTSTANDING PUBLIC DEBT

(Figures in US\$'000)	Opening 01-Apr-15	As At June 30, 2015	
		Principal Repayment	Outstanding Principal
RBTT Bonds 2016 - Guaranteed	170,000.0	-	170,000.0
Other TCIG Bank Loans - Unsecured	12,914.3	(829.6)	12,084.7
TCInvest Loans - Unsecured	8,823.9	(658.8)	8,165.2
<b>Total Outstanding Public Debt</b>	<b>191,738.2</b>	<b>(1,488.4)</b>	<b>190,249.9</b>

The Turks and Caicos Government's outstanding debt as of June 30, 2015 is \$190.2 million, as shown in the adjacent table. Total debt repayments for the year to date were \$1.5 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 June 30, 2015.

## SINKING FUND

The Sinking Fund balance as at the end of the first quarter stood at \$110.0 million, with \$60.0 million invested in a term deposit at Scotiabank (Turks and Caicos) and \$50.0 million at CIBC First Caribbean International Bank. Both term deposits will mature in February 2016, in time for the repayment of the principal amount outstanding on the \$170.0 million Bond. Net public debt outstanding at the end of the first quarter is therefore about \$80.2 million, when the Sinking Fund is taken into consideration.

## **NATIONAL FORFEITURE FUND**

The National Forfeiture Fund had a balance of \$1.8 million at June 30, 2015. No funds were collected through the criminal recovery process for the first quarter the year.

## **DEVELOPMENT FUND**

The total amount spent on capital projects in the first quarter of FY2015-16 was \$2.0 million. This was funded by capital contributions totaling the same amount provided by the Consolidated Fund. This outturn represented a \$3.6 million or 65% shortfall from the budgeted amount of \$5.6 million while being \$0.8 million above last year's expenditure of \$1.2 million. Development expenditure showed increases during the month of June.

## **FISCAL OUTLOOK**

The performance in the first quarter depicts a promising start for the fiscal 2015/16. There are already some improvements in the performance of both revenue and expenditure when compared to the budget estimates and last year's results.

Recurrent revenue outturn for the quarter has been notable coming in above budgeted amount. As a result the 2015-16 revenue outlook at \$238 million has been revised to \$244 million. The government will continue to monitor economic and revenue developments and will provide further forecast in future fiscal updates. Tourism related revenue continues to show signs of stronger than normal performance.

Managing growth in program spending while achieving value for money and more efficient and effective public services remains a key component of the government's fiscal plan. Appropriate compliance measures will continue to be enforced, and both the Public Finance Management and the Public Procurement Ordinances will also be reinforced.

The Government remains committed to its objective of building a stronger economy through fiscal discipline and is keen to increase surpluses, which will assist with paying down public debt and fund initiatives aimed at creating new investments and more job opportunities.

Except for the usual reduction in revenue collection expected during the second quarter, there are no adverse conditions or major foreseeable challenges that should significantly change the current forecast for better than originally budgeted revenue and expenditure performances for the financial year.