



*Turks & Caicos Islands*

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

**October to December 2015**

*Prepared by the Office of the Accountant General*

*January 25<sup>th</sup>, 2016*

*Information presented in this Third Quarter Financial Report is unaudited*

## FOREWORD

---

This quarterly 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 the financial year 2015-16. 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 an 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 and 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 required, they can be undertaken earlier. Likewise, the public, financial institutions, and other stakeholders are able to monitor the finances of the Government and are reassured that financial decisions are in accordance with prudent financial management.

.....

*Arnold Ainsley (Mr)*

**Accountant General**

January 25, 2016

# 1 FISCAL SUMMARY

(Figures in US\$'000)	Quarter 3 2015/16			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	59,176.0	51,937.0	55,916.1	7,239.0	14%	3,259.9	6%	189,116.1	168,316.3	178,300.2	20,799.7	12%	10,815.8	6%
Recurrent Expenditure	44,106.1	54,365.0	40,537.0	10,258.9	19%	(3,569.1)	(9%)	129,125.8	154,942.6	114,001.9	25,816.8	17%	(15,123.9)	(13%)
<b>Net Recurrent Surplus</b>	<b>15,069.9</b>	<b>(2,428.0)</b>	<b>15,379.1</b>	<b>17,497.9</b>	<b>(721%)</b>	<b>(309.2)</b>	<b>(2%)</b>	<b>59,990.2</b>	<b>13,373.7</b>	<b>64,298.3</b>	<b>46,616.5</b>	<b>349%</b>	<b>(4,308.1)</b>	<b>(7%)</b>
Non-Recurrent Revenue	5,105.1	275.0	359.0	4,830.1	1756%	4,746.1	1322%	5,252.0	940.5	6,231.1	4,311.5	458%	(979.1)	(16%)
Non-Recurrent Expenditure	1,311.1	1,522.0	1,299.6	210.9	14%	(11.4)	(1%)	6,964.1	7,565.5	8,882.9	601.4	8%	1,918.8	22%
<b>Operating Surplus</b>	<b>18,864.0</b>	<b>(3,675.0)</b>	<b>14,438.4</b>	<b>22,539.0</b>	<b>(613%)</b>	<b>4,425.5</b>	<b>31%</b>	<b>58,278.1</b>	<b>6,748.7</b>	<b>61,646.5</b>	<b>51,529.4</b>	<b>764%</b>	<b>(3,368.4)</b>	<b>(5%)</b>

The unaudited results for the quarter ended December 31, 2015, recorded a surplus of \$18.9 million, \$22.5 million higher than expected, primarily due to lower than expected expenditure and sustained strength of key revenue items. Some of the expenditure shortfalls should be absorbed in the final quarter of the fiscal year.

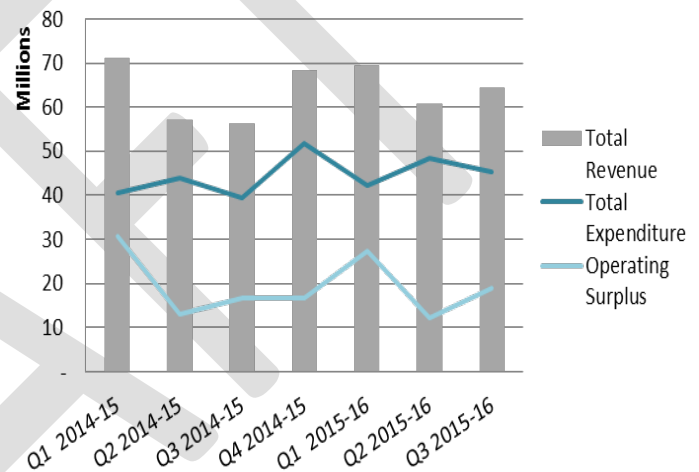
Recurrent revenue for the third quarter was \$59.2 million, \$7.2 million or 14% higher than expected and 6% above last year's outturn of \$55.9 million, due to strong performance in the tourism and real estate sectors.

Recurrent expenditure for the third quarter was \$44.1 million, down \$10.3 million or 19% from the 3 months estimate while being \$3.6 million or 9% above the prior expenses.

Non-recurrent Revenue totalled \$5.1 million for the third quarter attributed mainly to a \$5.0 million grant received from the European Union during December 2015.

Non-recurrent expenditure of \$1.3 million came in 14% or \$0.2 million below the budget while being below last year's outturn by 1%, due to a reduction in expenditure for civil recoveries.

REVENUE & EXPENDITURE BY QUARTER



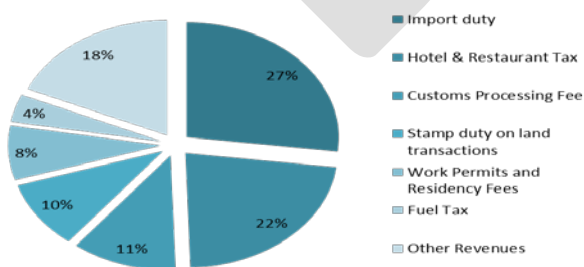
Year to date surplus for the nine months ended December 31, 2015, was \$58.3 million, \$51.5 million higher than expected while being \$3.4 million or 5% below last year's outturn.

Recurrent revenue for the nine months ended was \$189.1 million, \$20.8 million or 12% higher than the budgeted amount and up 6% from last year's outturn of \$178.3 million, due to continued strong performance in the real estate sectors and a better than expected tourist arrivals for the summer months.

Recurrent expenditure for the nine months ended was \$129.1 million, \$25.8 million or 17% below the budget estimates, due mainly to lower than expected personnel and other operating expenses while being up \$15.1 million or 13% from the prior year's outturn.

Non-recurrent expenditure of \$7.0 million came in 8% or \$0.6 million below the budget while being below last year's outturn by 22% or \$1.9 million.

RECURRENT REVENUES Q3 FY 2015-16



## 2 REVENUE & EXPENDITURE

### Total Third Quarter Revenue - \$64.3 million

Revenue	Quarter 3 2015/16		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Import duty	17,709	15,601	16,799
Hotel & Restaurant Tax	7,607	9,404	6,961
Customs Processing Fee	7,421	7,285	7,492
Stamp duty on land transactions	4,285	4,200	6,833
Work Permits and Residency Fees	4,911	3,845	4,692
Fuel tax	2,021	1,941	2,033
Other Revenues	15,223	9,661	11,105
<b>Total Recurrent Revenue</b>	<b>59,176</b>	<b>51,937</b>	<b>55,916</b>
Nonrecurrent Revenue	5,105	275	359
<b>Total Revenue</b>	<b>64,281</b>	<b>52,212</b>	<b>56,275</b>

**Recurrent revenue** for the third quarter was \$59.2 million, primarily derived from Import Duties of \$17.7 million, which came in a significant 14% above the budgeted outturn and was 28% of revenue. Hotel and Restaurant Tax and Customs Processing Fee each made up 12% of revenues for the quarter, although Hotel and Restaurant Tax was down 19% from the budgeted amount. Stamp duty on land transactions, Work Permits & Residency Fess, and Fuel Tax together accounted for a further 18% of Revenues.

### Total Third Quarter Expenditure - \$45.4 million

Expenditure	Quarter 3 2015/16		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Personnel Costs	18,689	20,965	16,527
Transfers to NHIB	4,827	4,980	5,343
Hospital Provisional Charges	4,724	5,678	6,272
Subventions	1,821	2,925	1,311
Rental of Assets	1,190	1,425	1,209
Other Recurrent Expenditure	12,855	18,392	9,875
<b>Total Recurrent Expenditure</b>	<b>44,106</b>	<b>54,365</b>	<b>40,537</b>
Nonrecurrent Expenditure	1,311	1,522	1,300
<b>Total Expenditure</b>	<b>45,417</b>	<b>55,887</b>	<b>41,837</b>

**Recurrent expenditure** for the third quarter of \$44.1 million was due largely to Personnel costs of \$18.7 million, which was \$2.3 million or 11% below budget and accounted for 42% of expenditure. Transfers to NHIB and Hospital provisional charges each accounted for a further 11% & 10% of expenditure while being 3% and 17% below budget respectively. All other Expenditure items made up the remaining 38%.

### Total Year to date Revenue - \$194.4 million

Revenue	Year to Date		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Import duty	50,738	45,567	45,528
Hotel & Restaurant Tax	38,795	35,713	33,081
Customs Processing Fee	21,105	21,906	21,628
Stamp duty on land transactions	19,279	12,037	18,858
Work Permits and Residency Fees	13,891	11,536	13,453
Fuel Tax	6,469	6,282	6,310
Other Revenues	38,839	35,274	39,442
<b>Total Recurrent Revenue</b>	<b>189,116</b>	<b>168,316</b>	<b>178,300</b>
Nonrecurrent Revenue	5,252	941	6,231
<b>Total Revenue</b>	<b>194,368</b>	<b>169,257</b>	<b>184,531</b>

**Total recurrent revenue** has continued to exceed expectations recording \$189.1 million to date, which represents a favourable variance \$20.8 million, or 12% when compared to the budgeted amount of \$168.3 million and a positive variance of \$10.8 million or 6% when compared to the results of the same period last year.

**Non-recurrent Revenue** totalled \$5.3 million to date, up \$4.3 million from the budgeted amount, attributed mainly to a \$5.0 million grant received from the European Union during December.

### Total Year to Date Expenditure - \$136.1 million

Expenditure	Year to Date		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Personnel Costs	55,328	62,530	49,947
Transfers to NHIB	14,145	14,667	13,545
Hospital Provisional Charges	15,855	18,035	15,999
Subventions	6,498	7,890	5,500
Rental of Assets	3,631	4,115	3,497
Other Recurrent Expenditure	33,668	47,705	25,513
<b>Total Recurrent Expenditure</b>	<b>129,126</b>	<b>154,943</b>	<b>114,002</b>
Nonrecurrent Expenditure	6,964	7,566	8,883
<b>Total Expenditure</b>	<b>136,090</b>	<b>162,508</b>	<b>122,885</b>

**Total Recurrent Expenditure** recording \$129.1 million to date was \$25.8 million or 17% below the budgeted amount of \$154.9 million and \$15.1 million or 13% above the results of the same period last year.

**Non-recurrent expenditure** to date totalled \$7.0 million, which was \$0.6 million or 8% below the budgeted amount of \$7.6 million and 22% or \$1.9 million below, last year's outturn.

### 3 REVENUE & EXPENDITURE BY MINISTRY

#### REVENUE

(Figures in US\$'000)

	2015-16 Budget	Quarter 3				Year to Date			
		Actual	Budget	Variance		Actual	Budget	Variance	
Police	102	1	8	(7)	(87%)	19	27	(8)	(29%)
Attorney General's Chambers	19,559	4,525	4,410	116	3%	19,975	12,848	7,126	55%
Judiciary	1,050	231	279	(48)	(17%)	783	787	(4)	(1%)
Statutory Charges	1,216	5,105	275	4,830	1756%	5,252	941	4,311	458%
Border Control & Employment	19,948	7,028	5,189	1,839	35%	19,921	15,626	4,294	27%
Finance Trade & Investment	185,611	44,263	39,544	4,719	12%	140,358	131,078	9,280	7%
Education Youth Sports & Culture	399	275	102	172	168%	461	299	162	54%
Home Affairs, Transportation & Communication	3,780	1,498	1,118	380	34%	3,156	2,490	665	27%
Infrastructure Housing & Planning	1,488	205	416	(211)	(51%)	766	1,182	(415)	(35%)
Tourism Environment Heritage & Culture	4,627	1,082	785	297	38%	3,456	3,718	(262)	(7%)
Health Agriculture & Human Services	345	69	86	(18)	(20%)	220	259	(39)	(15%)
<b>TOTAL RECEIPTS</b>	<b>238,125</b>	<b>64,281</b>	<b>52,212</b>	<b>12,069</b>	<b>23%</b>	<b>194,368</b>	<b>169,257</b>	<b>25,111</b>	<b>15%</b>

#### EXPENDITURE

(Figures in US\$'000)

	2015-16 Budget	Quarter 3				Year to Date			
		Actual	Budget	Variance		Actual	Budget	Variance	
Governor's Office	4,251	951	1,043	92	9%	2,623	3,218	595	18%
Police	20,714	6,268	7,697	1,429	19%	16,130	20,690	4,560	22%
Attorney General's Chambers	8,864	2,767	2,963	196	7%	6,729	8,008	1,278	16%
Judiciary	6,481	802	4,054	3,252	80%	3,687	7,137	3,449	48%
Statutory Charges	16,241	1,681	2,328	646	28%	8,223	9,093	870	10%
Border Control & Employment	6,632	1,413	1,964	551	28%	4,095	5,357	1,262	24%
Finance Trade & Investment	15,211	3,597	3,667	70	2%	10,761	11,793	1,032	9%
Deputy Governor's Office	2,144	201	583	382	66%	1,226	1,701	476	28%
Education Youth Sports & Culture	26,737	6,535	6,686	151	2%	18,315	20,245	1,930	10%
Director of Public Prosecutions	2,256	328	571	242	42%	1,790	1,840	50	3%
Home Affairs Transportation & Communication	9,389	2,208	2,177	(31)	(1%)	6,112	7,550	1,438	19%
Infrastructure Housing & Planning	14,711	3,608	4,259	651	15%	10,842	12,549	1,707	14%
Tourism Environment Heritage & Culture	6,469	681	2,048	1,367	67%	3,480	5,341	1,861	35%
Health Agriculture & Human Services	57,229	12,777	14,151	1,374	10%	38,734	43,619	4,885	11%
House of Assembly	2,816	934	689	(245)	(36%)	1,985	2,129	144	7%
Office of The Premier & District Administration	2,273	666	1,007	342	34%	1,357	2,238	881	39%
<b>TOTAL PAYMENTS</b>	<b>202,417</b>	<b>45,417</b>	<b>55,887</b>	<b>10,470</b>	<b>19%</b>	<b>136,090</b>	<b>162,508</b>	<b>26,418</b>	<b>16%</b>
<b>OPERATING SURPLUS</b>	<b>35,707</b>	<b>18,864</b>	<b>(3,675)</b>	<b>22,539</b>	<b>613%</b>	<b>58,278</b>	<b>6,749</b>	<b>51,529</b>	<b>764%</b>

Program expenditure remains significantly below budget at the ending of the third quarter of Financial Year 2015-16. All ministries expenditure outturn came in less than estimated amounts for the year to date. This significant under-expenditure was the major contributor in the operating surplus for the year to date being \$58.3 million over the budgeted amount.

Current trend indicates that expenditure will gain momentum during the last quarter, which would offset a portion of this excess.

## 4 CASH FLOW

(Figures in US\$'000)

	Quarter 3 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>18,864.0</b>	<b>(3,675.0)</b>	<b>14,438.4</b>	<b>22,539.0</b>	<b>(613%)</b>	<b>4,425.5</b>	<b>31%</b>	<b>58,278.1</b>	<b>6,748.7</b>	<b>61,646.5</b>	<b>51,529.4</b>	<b>764%</b>	<b>(3,368.4)</b>	<b>(5%)</b>
Less:														
Capital Contributions	(3,849.9)	(5,575.7)	(1,866.7)	1,725.7	(31%)	(1,983.2)	106%	(8,216.3)	(16,727.0)	(3,898.6)	8,510.8	(51%)	(4,317.7)	111%
Debt Repayments	(7,154.4)	(1,161.7)	(1,285.1)	(5,992.7)	516%	(5,869.3)	457%	(9,858.6)	(3,030.7)	(14,728.6)	(6,827.9)	225%	4,869.9	(33%)
Bond Inflows	183.6	380.3	183.6	(196.7)	-	-	-	367.2	549.5	775.8	(182.3)	(33%)	(408.6)	(53%)
Transfers from/(to) NFF	.1	-	10,947.9	.1	-	(10,947.9)	(100%)	-	-	102.1	-	-	(102.1)	(100%)
Transfers to Sinking Fund	(.1)	-	(19,845.9)	(.1)	-	19,845.8	-	(.1)	-	(10,845.9)	(.1)	-	10,845.8	-
Transfers from Sinking Fund	-	-	-	-	100%	-	100%	-	-	9,000.0	-	100%	(9,000.0)	100%
Net Workin Capital	542.7	-	-	542.7	-	542.7	-	4,070.6	-	2,862.4	4,070.6	-	1,208.1	42%
<b>Net Cash Flows</b>	<b>8,586.0</b>	<b>(10,032.1)</b>	<b>2,572.3</b>	<b>18,618.0</b>	<b>(186%)</b>	<b>6,013.7</b>	<b>234%</b>	<b>44,640.9</b>	<b>(12,459.5)</b>	<b>44,913.9</b>	<b>57,100.4</b>	<b>(458%)</b>	<b>(273.0)</b>	<b>(1%)</b>

The third quarter of fiscal 2015/15 recorded a positive net cash flow of \$8.6 million compared to a budgeted cash deficit of \$10.0 million and a prior year cash flows of \$2.6 million. The cash balance at the end of the third quarter was \$44.6 million, which was \$57.1 million over projected net cash deficit of \$12.5 million and \$0.3 million below the results for the same period last year.

To enhance the government's treasury management, an amount of \$45.0 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.

## 5 OUTSTANDING PUBLIC DEBT

(Figures in US\$'000)

Debt Type	Opening	As At December 31, 2015	
	01-Apr-15	Principal Repayment	Outstanding Principal
RBTT Bonds 2016 - Guaranteed	170,000.0	-	170,000.0
Other TCIG Bank Loans - Unsecured	12,914.3	(2,218.3)	10,695.9
TCInvest Loans - Unsecured	8,823.9	(7,640.3)	1,183.7
<b>Total Outstanding Public Debt</b>	<b>191,738.2</b>	<b>(9,858.6)</b>	<b>181,879.6</b>

Total outstanding debt as of December 31, 2015, was \$181.9 million.

Total debt repayments for the year to date were \$9.9 million.

The guaranteed loans are secured by a United Kingdom/DFID guarantee for \$260 million.

All loan principal and interest payments are up to date as of December 31<sup>st</sup>, 2015.

## 6 SINKING FUND

The Sinking Fund balance as at the end of the third 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 second quarter is therefore about \$71.9 million when the Sinking Fund is taken into consideration.

## 7 NATIONAL FORFEITURE FUND

---

The National Forfeiture Fund had a balance of \$1.8 million at the end of the third quarter. No funds were collected through the criminal recovery process during this period.

## 8 DEVELOPMENT FUND

---

The total amount spent on capital projects at the end of the third quarter of FY2015-16 was \$8.2 million, funded by capital contributions totalling the same amount provided by the Consolidated Fund. This outturn represented an \$8.5 million or 51% shortfall from the budgeted amount of \$16.7 million while being \$4.3 million above last year's expenditure of \$3.9 million.

## 9 FISCAL OUTLOOK

---

The performance of the nine months ended December 31, 2015, continues to record encouraging results for fiscal 2015/16. Improvements in the performance of both revenue and expenditure when compared to the budget estimates and last year's results is a positive outcome in the case of revenue but a work in progress in the case of under-expenditure.

Recurrent revenue outturn for the nine months period was notably above the budgeted amount by \$20.8 million, which resulted in a revision of the original forecast from the original budget of \$238 million and the first forecast of \$244 million, second forecast of \$250 million to \$254 million for the fiscal year 2015/16. The government will continue to monitor economic and revenue developments and may provide a further forecast.

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. Even though recurrent expenditure is below budget by \$25.8 million, appropriate compliance measures will continue to be enforced, and emphasis continues on adherence to both the Public Finance Management and the Public Procurement Ordinances.

The Government remains committed to its objective of building a stronger economy through fiscal discipline. TCIG is also 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 increases in both recurrent and capital expenditure anticipated during the last quarter, there are no adverse conditions or major foreseeable challenges that should significantly change the current forecast for greater revenue than originally estimated and less than budgeted expenditure for the full financial year ending March 31, 2016.