Turks & Caicos Islands

2016-17 Second Quarter

Financial Report

July to September 2016

Prepared by: The office of the Accountant General

October 24, 2015

FOREWORD

The Second Quarter Financial Report (Unaudited) of FY2016/17 presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the three months ended September 30, 2016. 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 affirms the Government's commitment to transparent reporting of the Turks and Caicos Islands Government's (TCIG) finances. This contributes to the overall improvement in accountability, quality of governance and decision making.

The Government is committed to monitoring 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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Millicent Hughes

Accountant General

October 24, 2016

FISCAL SUMMARY

	Quarter 2 2016/17			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	63,940.3	60,273.0	60,636.0	3,667.4	6%	3,304.3	5%	135,875.8	129,073.2	129,940.0	6,802.6	5%	5,935.8	5%
Recurrent Expenditure	44,545.1	55,799.9	44,942.7	11,254.8	20%	397.5	1%	94,240.1	110,688.4	85,035.6	16,448.3	15%	(9,204.4)	(11%)
Net Recurrent Surplus	**19,395.2**	**4,473.0**	**15,693.4**	**14,922.2**	**334%**	**3,701.9**	**24%**	**41,635.7**	**18,384.8**	**44,904.4**	**23,250.9**	**126%**	**(3,268.7)**	**(7%)**
Non-Recurrent Revenue	517.7	187.5	58.5	330.2	176%	459.2	785%	535.2	375.0	146.9	160.2	43%	388.3	264%
Non-Recurrent Expenditure	1,704.4	5,097.1	3,553.7	3,392.7	67%	1,849.3	52%	3,540.9	7,519.3	5,637.2	3,978.4	53%	2,096.3	37%
Operating Surplus	**18,208.5**	**(436.6)**	**12,198.1**	**18,645.1**	**(4270%)**	**6,010.4**	**49%**	**38,630.1**	**11,240.5**	**39,414.1**	**27,389.6**	**244%**	**(784.0)**	**(2%)**

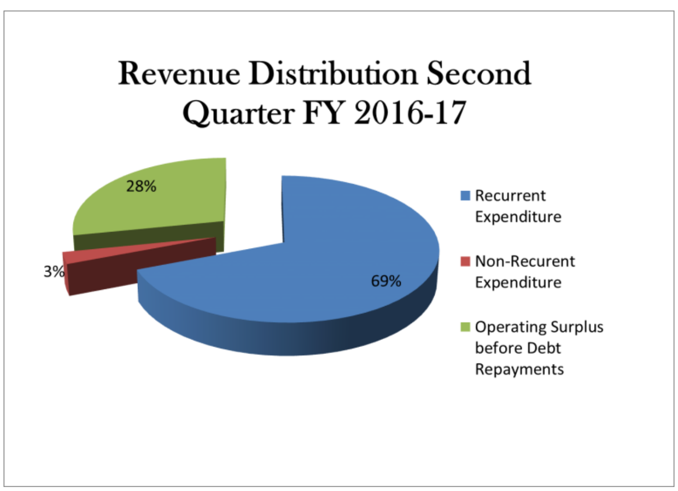
For the six months ended September 30, 2016

Second quarter surplus for the period ended September 30, 2016 was $18.2 million, $18.6 million higher than expected, primarily due to lower than expected expenditure and sustained strength of key revenue areas. It is anticipated that some of the expenditure shortfall will be absorbed as the year progresses.

Recurrent revenue for the second quarter was $63.9 million, $3.7 million or 6% higher than expected and 5% above last year's outturn of $60.6 million, due to strong performance in the tourism and real estate sectors, although September showed a slight decline.

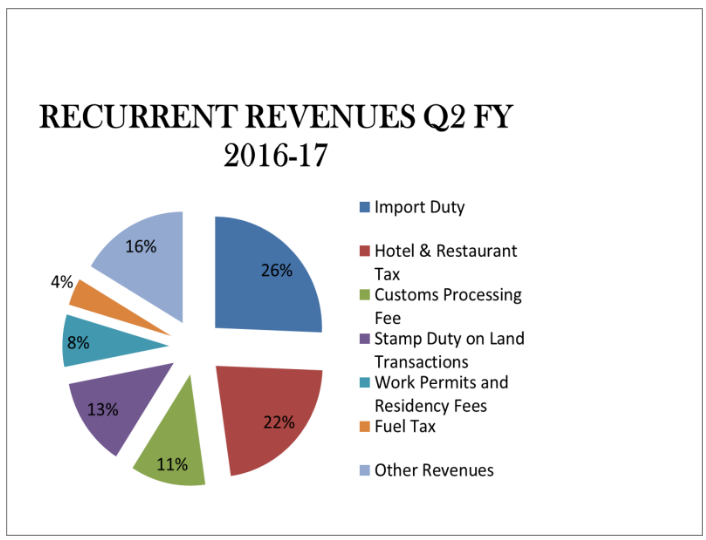
Recurrent expenditure for the second quarter was $44.5 million, a decrease of $11.2 million or 20% from the 3 months' estimate and a marginal 1% less than the prior year's expenses, due mainly to lower than expected operating costs which should be incurred as the year progresses.

Non-recurrent revenue of $0.5 million exceeded estimates by $0.3 million and last year's outturn by $0.5 million, due to increased land sales.



Non-recurrent expenditure of $1.7 million was less than the budget and last year's results by $3.4 million or 67% and $1.8 million or 52% respectively. The under-expenditure was attributable mainly to the non-utilisation of the contingency provision.

Year to date surplus for the six months ended September 30, 2016 was $38.6 million, $27.4 million higher than expected and $0.8 million or 2% below last year's outturn for the same period.



Recurrent revenue for the six month period was $135.9 million, $6.8 million or 5% higher than expected and 5% above last year's outturn of $129.9 million. The year to date performance was primarily due to continued strong revenue performance especially in the real estate and tourism sectors which was sufficient to offset the shortfall from residency fees.

Recurrent expenditure for the six month period was $94.2 million, $16.4 million or 15% below the budget estimates and $9.2 million above the prior year's expenses, due mainly to lower than expected personnel, hospital and other operating expenses.

Non-recurrent revenue of $0.5 million was ahead of the budget and the prior year's results by 43% and 264% respectively.

Non-recurrent expenditure of $3.5 million was below budget by 53% and below prior year's results by 37%.

REVENUE & EXPENDITURE

Total Second Quarter Revenue - $64.5 million

REVENUE	Quarter 2 2016/17		
	Actual	Budget	Last Year
	$000	$000	$000
Import Duty	16,394.0	16,318.6	16,634.6
Hotel & Restaurant Tax	14,130.1	12,962.0	17,057.9
Customs Processing Fee	7,254.4	6,979.4	6,429.4
Stamp Duty on Land Transactions	8,229.7	5,270.0	6,764.5
Work Permits and Residency Fees	4,863.6	4,900.0	4,117.2
Fuel Tax	2,530.5	2,329.1	1,917.2
Other Revenues	10,538.0	11,513.8	13,078.8
TOTAL RECURRENT REVENUE	63,940.3	60,273.0	65,999.7
NON-RECURRENT REVENUE	517.7	187.5	(370.8)
TOTAL REVENUE	64,458.1	60,460.5	65,628.9

Recurrent revenue for the second quarter of $63.9 million was derived primarily from Import Duties of $16.4 million, representing 26% of revenue. This performance was marginally above the budgeted outturn. Hotel and Restaurant Tax was the second largest contributor, contributing 22% of revenue which was 9% above the budget.

Stamp Duty on Land Transactions accounted for 13% of revenue slightly above Customs Processing Fee which contributed 11% or $7.3 million. Work Permits & Residency Fees together with Fuel Tax and Other Revenues accounted for the remaining 28%.

Total Second Quarter Expenditure - $46.2 million

EXPENDITURE	Quarter 2 2016/17		
	Actual	Budget	Last Year
	$000	$000	$000
Total Personnel Costs	20,132.7	21,738.4	16,506.5
Transfers to NHIB	3,437.5	5,151.8	5,880.8
Hospital Provisional Charges	5,215.1	7,644.7	5,916.4
Subventions	997.5	3,438.7	3,679.8
Rental of Assets	1,293.5	1,472.5	1,267.6
Other Expenses	13,468.8	16,353.9	7,239.5
TOTAL RECURRENT EXPENDITURE	44,545.1	55,799.9	40,490.5
NON-RECURRENT EXPENDITURE	1,704.4	5,097.1	3,932.7
TOTAL EXPENDITURE	46,249.5	60,897.1	44,423.3

Recurrent expenditure for the second quarter of the year was $44.5 million. Personnel costs of $20.1 million represented 44% of the expenditure, and were below budget by $1.6 million or 7%, while being $3.6 million or 22% above prior year's cost. The latter due mainly to the effects of the pay & grading review implemented in the last financial year and for which the full effects will be seen in the current financial year.

Hospital Provisional Charges and Transfers to NHIB together accounted for 20% of total expenditure, while Subventions, Rental of Assets and Other expenses accounted for the remainder.

Total Year to Date Revenue - $136.4 million.

REVENUE	Year To Date		
	Actual	Budget	Last Year
	$000	$000	$000
Import Duty	33,465.5	33,093.3	33,028.7
Hotel & Restaurant Tax	32,767.5	31,370.7	31,188.0
Customs Processing Fee	14,194.5	14,030.3	13,683.8
Stamp Duty on Land Transactions	18,753.5	14,012.0	14,994.2
Work Permits and Residency Fees	7,951.5	8,800.0	8,980.9
Fuel Tax	5,104.2	4,281.0	4,447.8
Other Revenues	23,639.1	23,485.9	23,616.8
TOTAL RECURRENT REVENUE	135,875.8	129,073.2	129,940.0
NON-RECURRENT REVENUE	535.2	375.0	146.9
TOTAL REVENUE	136,411.0	129,448.2	130,086.9

Total recurrent revenue to date of $135.9 million recorded a favourable variance $6.8 million or 5% when compared to the budgeted amount of $129.1 million. This performance was $5.9 million or 5% better than the results of the same period last year.

The improved revenue performance reflects the trend seen in the second quarter where, with the exception of Residency fees, all revenue streams performed better than the estimates and the prior year's outturn.

Total recurrent expenditure of $94.2 million was $16.4 million or 15% below the budgeted amount of $110.7 million and $9.2 million or 11% above the results of the same period last year.

Total Year to Date Expenditure - $97.8 million

EXPENDITURE	Year To Date		
	Actual	Budget	Last Year
	$000	$000	$000
Total Personnel Costs	39,794.5	43,330.0	36,639.1
Transfers to NHIB	10,181.7	10,303.6	9,318.3
Hospital Provisional Charges	10,718.3	13,706.0	11,131.5
Subventions	6,694.1	6,473.3	4,677.2
Rental of Assets	2,540.6	2,957.1	2,561.1
Other Expenses	24,311.0	33,918.5	20,708.4
TOTAL RECURRENT EXPENDITURE	94,240.1	110,688.4	85,035.6
NON-RECURRENT EXPENDITURE	3,540.9	7,519.3	5,637.2
TOTAL EXPENDITURE	97,780.9	118,207.7	90,672.8

Non-recurrent expenditure to date totalled $3.5 million which was $4.0 million or 67% below the budgeted amount of $7.5 million and 37% or $2.1 million below last year's outturn. It has not been necessary to utilise the contingency provision and this along with reduced expenditure in SIPT, Civil recovery and Interest Charges contributed to the favourable variance. It is anticipated that some of the expenditure shortfall will be absorbed as the year progresses

REVENUE & EXPENDITURE BY MINISTRY

Program expenditure saw a slow start for first six months of financial year 2016-17. The outturn for all ministries was less than estimated for the year to date. This significant under expenditure was the major contributor in the operating surplus for the year to date being more than 252% or $27.7 million over the budgeted amount.

Increases in expenditure are however expected in the third quarter, which should offset some of the gains realised in the first half of the year.

REVENUE & EXPENDITURE BY MINISTRY cont'd

(All figures in US$'000)	2016-17 Budget $'000	Quarter 2 2016/17 Actual $'000	Quarter 2 2016/17 Budget $'000	Quarter 2 2016/17 Variance $'000	Quarter 2 2016/17 Variance %	Year to Date Actual $'000	Year to Date Budget $'000	Year to Date Variance $'000	Year to Date Variance %
CASH INFLOWS									
03 Police	97	2	-	2	0%	10	-	10	0%
04 Attorney General's Chambers	24,720	8,472	5,151	3,321	64%	19,290	14,162	5,127	36%
05 Judiciary	1,133	150	288	(138)	(48%)	395	559	(164)	(29%)
14 Statutory Charges	750	518	188	330	176%	597	375	222	59%
16 Border Control & Employment	23,506	7,059	6,328	730	12%	12,083	11,863	221	2%
54 Finance Trade & Investment	194,516	45,701	45,882	(181)	(0%)	98,614	97,591	1,024	1%
57 Education Youth Sports & Culture	409	101	108	(7)	(7%)	116	153	(37)	(24%)
59 Home Affairs Transportation & Communication	4,083	755	700	55	8%	1,677	1,436	241	17%
60 Infrastructure Housing & Planning	1,368	249	390	(141)	(36%)	901	736	165	22%
61 Tourism Environment Heritage & Culture	4,728	1,370	1,349	21	2%	2,569	2,420	149	6%
62 Health Agriculture & Human Services	339	81	75	6	8%	159	154	5	3%
TOTAL RECEIPTS	**255,649**	**64,458**	**60,460**	**3,998**	**7%**	**136,411**	**129,448**	**6,963**	5%
PAYMENTS									
01 Governor's Office	5,369	1,027	1,398	371	27%	1,982	2,877	894	31%
03 Police	24,854	6,129	8,196	2,067	25%	11,721	13,975	2,254	16%
04 Attorney General's Chambers	6,720	1,324	1,752	428	24%	2,537	3,684	1,147	31%
05 Judiciary	7,663	1,819	2,771	952	34%	4,265	5,352	1,087	20%
14 Statutory Charges	13,891	2,349	3,708	1,359	37%	4,775	7,428	2,653	36%
16 Border Control & Employment	7,634	1,724	1,898	174	9%	3,137	3,953	816	21%
54 Finance Trade & Investment	18,624	4,447	4,589	143	3%	8,654	10,007	1,353	14%
56 Deputy Governor's Office	2,256	660	593	(67)	(11%)	1,245	1,257	11	1%
57 Education Youth Sports & Culture	27,714	7,049	7,415	366	5%	13,162	14,643	1,481	10%
58 Director of Public Prosecutions	1,489	263	458	195	43%	576	833	257	31%
59 Home Affairs Transportation & Communication	10,179	2,501	2,836	335	12%	4,679	5,427	748	14%
60 Infrastructure Housing & Planning	15,678	4,253	4,547	294	6%	7,593	9,165	1,572	17%
61 Tourism Environment Heritage & Culture	7,185	(618)	2,256	2,874	127%	3,651	3,961	310	8%
62 Health Agriculture & Human Services	61,046	12,025	17,287	5,263	30%	27,395	32,989	5,594	17%
63 House of Assembly	3,048	683	802	119	15%	1,356	1,590	234	15%
64 Office of The Premier & District Administration	2,409	615	664	49	7%	1,054	1,340	287	21%
TOTAL PAYMENTS BEFORE CAPITAL	**215,760**	**46,250**	**61,170**	**14,920**	**24%**	**97,781**	**118,480**	**20,699**	**17%**
OPERATING SURPLUS/(DEFICIT)	**39,889**	**18,209**	**(709)**	**(18,918)**	2667%	**38,630**	**10,968**	**27,662**	252%

CASH FLOW

	Quarter 2 2016/17			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	**18,208.5**	**(436.6)**	**12,198.1**	**18,645.1**	**(4270%)**	**6,010.4**	**49%**	**38,630.1**	**11,240.5**	**39,414.1**	**27,389.6**	**244%**	**(784.0)**	**(2%)**
Less:														
Capital Contributions	(832.1)	(3,039.9)	(791.9)	2,207.8	(73%)	(40.2)	5%	(10,075.5)	(18,239.5)	(4,413.9)	8,164.0	(45%)	(5,661.6)	128%
Debt Repayments	(277.8)	(277.8)	(277.8)	-	-	(.0)	-	(5,952.6)	(1,194.3)	(2,287.6)	(4,758.2)	-	(3,665.0)	160%
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Inflows	-	-	-	-	-	-	-	183.6	160.5	183.6	23.1	-	(.0)	-
Transfers from/(to) NFF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Working Capital	(867.4)	-	(482.7)	(867.4)	-	(384.7)	80%	(2,748.5)	-	2,862.4	(2,748.5)	-	(5,610.9)	(196%)
Net Cash Flow	**16,231.2**	**(3,754.3)**	**10,645.8**	**19,985.5**	**(532%)**	**5,585.5**	**52%**	**20,037.1**	**(8,032.9)**	**35,758.6**	**28,070.0**	**(349%)**	**(15,721.5)**	**(44%)**

The cash balance at the end of the second quarter was $16.2 million, which was $20.0 million over projected net cash deficit of $3.8 million and $5.6 million above the results for the same period last year.

To enhance the government's treasury management, an amount of $30.3 million is currently placed in an on-call money market account at the Bank of Nova Scotia (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

Public Debt	Opening	As At September 30, 2016	
Debt Type	01-Apr-16	Principal Repayment	Outstanding Principal
	$ 000's	$ 000's	$ 000's
Other TCIG Bank Loans - Unsecured	43,129.4	(5,888.7)	37,240.6
TCInvest Loans - Unsecured	1,151.7	(63.8)	1,087.9
Total Outstanding Public Debt	**44,281.1**	**(5,952.6)**	**38,328.5**

The outstanding public debt as at September 30, 2016, was $38.3 million. Total debt repayments for the financial year were $5.9 million.

All loan principal and interest payments are up to date as of September 30, 2016.

NATIONAL FORFEITURE FUND

The National Forfeiture Fund had a balance of $5.6 million at September 30, 2016. No funds were collected through the criminal recovery process for the first half the year.

DEVELOPMENT FUND

The total amount spent on capital projects in the first half of FY2016-17 was $10.1 million. This was funded by capital contributions from by the Consolidated Fund. This outturn represented a $8.1 million or 45% shortfall from the budgeted amount of $18.2 million while being $5.7 million above last year's expenditure of $4.4 million.

FISCAL OUTLOOK

The performance in the first six months continues to record encouraging results for fiscal 2016/17. Improvements in the revenue performance when compared to the budget estimates and last year's results remain a positive outcome. Expenditure continues to lag when compared to the budget but is expected to normalise in the second half of the year. The three supplementary appropriations approved by the House of Assembly will also assist in the reversal of the positive variances.

The government's fiscal plan continues to promote value for money and more efficient and effective public services even while increasing program spending. Although recurrent expenditure is currently below budget by $16.4 million, 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 increases in both recurrent and capital expenditure anticipated during the second half, there are no adverse conditions or major foreseeable challenges that should significantly change the current forecast for more revenue than originally estimated and less than budgeted expenditure for the full financial year ending March 31, 2017.