



# ISLE OF MAN BUDGET

2018-19

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**Isle of Man**  
Government  
*Killrys Eilan Vannin*





## Table of Contents

1. OVERALL FINANCIAL SUMMARY FOR REVENUE & CAPITAL .....	3
1.1. Government Revenue Forecast 2018-19 to 2020-21 .....	3
1.2. Government Capital Forecast 2018-19 to 2021-22 .....	3
2. BUDGET REPORT 2018-19.....	4
3. 2018-19 BUDGET HEADLINES .....	6
4. THE FIVE YEAR FINANCIAL PLAN .....	7
5. REVENUE – INCOME .....	13
5.1. Overview .....	13
5.2. 2017-18 Performance .....	13
5.3. Customs & Excise.....	14
5.4. Income Tax .....	14
5.5. Departmental Fees & Charges.....	18
5.6. Investment Income .....	18
6. REVENUE – EXPENDITURE .....	20
6.1. 2017-18 Performance .....	20
6.2. 2018-19 Budget .....	21
6.3. Pay Costs.....	22
6.4. Public Sector Pensions.....	23
6.5. National Insurance and Welfare Benefits .....	24
6.6. Non-pay costs.....	24
6.7. Contingency Account/Fund .....	25
6.8. Loan Charges.....	25
6.9. Grants Payable.....	26
7. THE CAPITAL PROGRAMME .....	27
7.1. Overview .....	27
7.2. 2017-18 Performance .....	27
7.3. 2018-19 Budget .....	28
7.4. The 5 year Capital Programme.....	33
8. THE RESERVES.....	36
8.1. External Reserves.....	37
8.2. Internal Reserves .....	37
8.3. Reserves 2017-18 Performance.....	38
8.4. Reserves 2018-19 Projected Income & Expenditure.....	40
8.5. Reserves Projected Future Expenditure.....	41



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**Table of Contents (Continued)**

APPENDIX 1 - ANALYSIS OF TREASURY INCOME.....	42
APPENDIX 2 - NATIONAL INSURANCE ACCOUNT.....	43
APPENDIX 3 - WELFARE BENEFIT PAYMENTS 2018-19 .....	44
APPENDIX 4 - REVENUE EXPENDITURE IN DETAIL BY DEPARTMENT, OFFICE OR BOARD .....	45
Department for Enterprise.....	45
Department of Education, Sport and Culture.....	48
Department of Environment, Food & Agriculture .....	51
Department of Health & Social Care .....	55
Department of Home Affairs .....	59
Department of Infrastructure.....	62
The Treasury .....	66
Cabinet Office.....	70
Executive Government .....	74
Manx Museum and National Trust.....	79
Legislature (Parliament) .....	82
Statutory Boards (Revenue Funded).....	84
Manx Utilities Authority .....	89
Isle of Man Post.....	91
APPENDIX 5 - FULL CAPITAL PROGRAMME INCLUDING 2018-19.....	94
APPENDIX 6 - CAPITAL PROGRAMME FUTURE SCHEMES .....	106
APPENDIX 7 – EXPLANATION OF COLUMN 2 CAPITAL SCHEMES.....	108
APPENDIX 8 – EXPLANATION OF RESERVES .....	114



## 1. OVERALL FINANCIAL SUMMARY FOR REVENUE & CAPITAL

### 1.1. Government Revenue Forecast 2018-19 to 2020-21

In line with the Treasury Act 1985, the Treasury is pleased to present the revenue forecast for the Isle of Man Government for the financial year 2018-19, together with provisional projections for the following two years to 2020-21.

**TABLE 1 - Government Revenue Forecast 2018-19 to 2020-21**

GOVERNMENT REVENUE FORECAST 2018-19 TO 2020-21					
Budget	Probable		Budget	Provisional Budgets	
2017-18	2017-18		2018-19	2019-20	2020-21
£,000	£,000		£,000	£,000	£,000
(964,052)	(986,786)	Income	(1,001,633)	(1,025,643)	(1,060,052)
961,188	968,535	Expenditure	991,439	1,016,716	1,034,071
<b>(2,864)</b>	<b>(18,251)</b>	<b>(Surplus)/Deficit</b>	<b>(10,194)</b>	<b>(8,927)</b>	<b>(25,981)</b>

### 1.2. Government Capital Forecast 2018-19 to 2021-22

The second table below shows the summary Capital Transactions Account including details of expected receipts and payments (based on adjusted expected capital expenditure levels) for the next financial year, 2018-19. Provisional projections have also been provided for the following three years to 2021-22.

**TABLE 2 - Government Capital Forecast 2018-19 to 2021-22**

GOVERNMENT CAPITAL FORECAST 2018-19 TO 2020-21						
Budget	Probable		Budget	Projected		
2017-18	2017-18		2018-19	2019-20	2020-21	2021-22
£,000	£,000		£,000	£,000	£,000	£,000
(60,861)	(61,138)	Receipts	(62,530)	(59,580)	(60,752)	(63,751)
66,272*	49,615	Payments	62,000	62,000	64,000	66,000
<b>5,411</b>	<b>(11,523)</b>	<b>(Surplus)/Deficit</b>	<b>(530)</b>	<b>2,420</b>	<b>3,249</b>	<b>2,249</b>
<b>31,145</b>	<b>34,422</b>	<b>CAPITAL ACCOUNT BALANCE B/F</b>	<b>45,946</b>	<b>46,476</b>	<b>44,056</b>	<b>40,807</b>
(5,411)	11,524	Surplus/(Deficit) on Capital Account	530	(2,420)	(3,249)	(2,249)
<b>25,734</b>	<b>45,946</b>	<b>CAPITAL ACCOUNT BALANCE C/F</b>	<b>46,476</b>	<b>44,056</b>	<b>40,807</b>	<b>38,558</b>

\*Please note this is a 75% projection of total approved expenditure



## 2. BUDGET REPORT 2018-19

### The Isle of Man - A Special Place to Live and Work

This budget is delivered against a backdrop of continued international, political and economic uncertainty; some of which will undoubtedly have consequences for the Isle of Man. Nevertheless, with change also comes opportunity and we must seek to recognise that we have solid foundations on which we can change and adapt to meet our challenges.



In that context, this budget is also delivering better than expected domestic receipts, an increase in employment and net inward migration. These positive factors provide the platform for a number of measures that will contribute towards keeping the Island 'a special place to live and work' and as such these, along with a determination to deliver financial sustainability, are the key themes of the 2018-19 budget.

This budget contributes to making the island a special place to work by:

- Providing robust and simple tax regimes which support everybody; assisting Islanders by raising the Personal Allowance following last year's significant increase
- Taking measures to further support working families including approving £1.5 million additional funding for pre-school credits; and
- Providing funding for the Department for Enterprise to increase their offer of funding for business through the Enterprise Development Scheme and Financial Assistance Scheme, contributing to the strategic objective of an Island of enterprise and opportunity.

This budget provides additional funding to public services with:

- £13.8 million of additional funding approved across all Departments, bodies and offices, including £5.5 million for the Health Service; and
- A Capital Programme which includes provision to modernise the educational infrastructure of our Island through the funding of a new High School for Castle Rushen as well as improvements for QEII with the development of a Science and Technology Block.

This budget ensures our infrastructure is maintained, developed and supports a special place to live through the provision of:

- A £428 million Capital Programme planned over the next five years;
- £25 million for the regeneration of Douglas Promenade;
- Additional revenue funding of £1.1 million per annum for the Department of Infrastructure to address road deterioration;
- Funding of £30 million for the Liverpool Landing Stage to secure transport links;
- £3.8 million for the delivery of the Active Travel Strategy to support more physical activity and an extension of the cycle to work scheme to include electric bicycles;
- Funding for a programme of work for national glens and footpaths to enhance our national assets;
- The promotion of recreational activity through funding for the NSC Pool refurbishment;
- Funding to support vital heritage and tourism attractions, including increased funding for motorsports, refurbishment of the Wildlife Park entrance and café; and



- Support from Bona Vacantia funds for the celebration of 'the Year of our Island' in 2018 with ongoing provision of funds to support Culture Vannin and the Arts Council.

This budget sets out to build on the clear signs of business confidence in our economy, but also recognises the financial pressures that many people and families continue to experience. Whilst there is the temptation to relax public spending in some areas, this will not pay dividends for the future. Our society will be better off in years to come by recognising and tackling our long term budgetary challenges, continuing to strive to spend wisely within our means and providing with it economic stability and sustainable finances for future generations.



A.L. Cannan MHK, Minister for the Treasury

**A Special Place to Live and Work**

**We are investing in the Isle of Man's future**  
with confidence to strengthen our reputation as a special place to live and work.

**Isle of Man Government**  
HOOIRYD GYNN, MANNA

- £428 MILLION**  
F earmarked over the next five years for national infrastructure projects
- ECONOMY**  
Multi-million pound injection into the Isle of Man economy, in particular the construction industry
- EDUCATION**  
Investing £10million in education, sport, and culture, including new school facilities
- REGENERATION**  
£25 million regeneration of Douglas Promenade, the gateway to the Isle of Man
- SEA SERVICES**  
£30 million to strengthen our strategic sea services and links to the UK's Northern Powerhouse
- WELLBEING**  
Supporting the health and wellbeing of our nation by improving sports and leisure facilities
- ENVIRONMENT**  
Enhancing our environment to reflect the Island's status as a UNESCO Biosphere Reserve



### 3. 2018-19 BUDGET HEADLINES

#### Overview

- The budget continues with the 5 year Financial Plan as agreed in the 2017-18 budget
- The Five Year Financial Plan remains on track to address the structural deficit by 2022-23
- Additional budget for Departments approved of £13.8m
- A 5 year Capital Programme worth more than £428 million
- Reliance on the reserves reduced from 2017-18 Budget with continuing reductions forecast for 2019-20

#### Savings

- Continuation of the SAVE programme commencing in 2018 with savings expected from 2019-20
- Savings forecast to cumulatively increase up to £15 million pa by 2022-23

#### Revenue Expenditure

- Pay cap of 1% to remain for 2018-19, but increased to 2% from 2019-20 onwards.
- Public Service Pension Reserve is now forecast to last longer and the level of additional revenue expenditure that will be required when the fund runs out is now estimated to be around £44m rather than £58 million as previously estimated.
- 42 additional bids totalling £13.8 million have been included within this year's budget. This includes £5.5 million for the Health Service, £3.1 million for the Department of Infrastructure and £1.5 million for the Department of Education, Sport and Culture.

#### Capital Budget

- Significant schemes included in this year's programme include the redevelopment of the NSC Pool Hall, preparatory work for a new Castle Rushen High School and a Science and Technology block at QEII and £400k for expansion of Peel GP Surgery.
- A total Consolidated Loans Fund (CLF) funded programme of £117 million of which £62 million is expected to be delivered.
- The Risk Contingency budget of £5 million will expand its remit to include eligibility for any projects or expenditure that are unexpected or emergency in nature.

#### Taxation Policies

- Personal income tax allowance increased by £750 from £12,500 to £13,250
- 20% personal tax threshold increases to £19,750
- Pension freedoms to be introduced
- Trivial commutation lump sum limit for any approved pension scheme is increased to £100,000 and the level of fund remnant that can be paid as a lump sum increases to the same amount
- Cycling to work benefit in kind incentive extended to electric bikes
- Aggregate value of all general benefits in kind exemptions increased from £400 to £600 per year

#### Benefits

- Contribution funded benefits and revenue funded benefits are lower than anticipated.
- Spending on the State Pension is forecast to be £4m lower in 2017-18. Revenue funded benefits are projected to be around £5m lower than expected due to lower levels of unemployment, spending on income support and other related benefits.
- This has allowed the profile of both types of benefits to be reduced to a lower overall level than the 2017-18 budget indicated.
- Increase to the State Pension of 3%, and revenue funded benefits increasing overall by 3%, with Income Support and Child Benefit specifically growing by 3.3%.

#### The Reserves

- A number of reserves will be topped up this year including the Medical Indemnity Fund, Legal Costs Reserve, Housing Reserve Fund, Brexit Fund and the Invest to Save Fund.

#### Revenue Income

- Departmental income targets raised by 2% in line with the targets set out in the Five Year Financial Plan
- Prudent forecasts used in relation to FERSA income (see taxation strategy for further information)
- Income forecasts delivered ahead of budget but not reflected into future projections due to their one-off nature
- Overall increase in income of 1.44% in 2018-19





## Supporting Working People



### We are working

to put more money in people's pockets and to improve their personal circumstances.

#### BUSINESSES

0% corporate tax rate supports business and jobs



#### TAX ALLOWANCE

Personal income tax allowance increased to £13,250



#### TAX NET

1,700 people lifted out of the tax net



#### INCOME TAX

Couples can earn £26,500 before paying a penny in income tax



#### PRE-SCHOOL

Additional £1.5 million for pre-school credits



#### UTILITIES

Positive action on electricity, water and sewerage charges



## Investing in our Public Services



### We are working to ensure

the Isle of Man's essential public services are fit for purpose and sustainable for the future.

#### PUBLIC SERVICES

● £13.8 MILLION

additional funding across public services, including...



#### INFRASTRUCTURE

● £3.1 MILLION

extra for roads and vital infrastructure



#### HEALTH & SOCIAL CARE

● £5.5 MILLION

more for Health and Social Care services



#### DIGITAL STRATEGY

● £7 MILLION

available for investment in digital innovation



#### EDUCATION

● £1.5 MILLION

boost for education, sport and culture





#### 4. THE FIVE YEAR FINANCIAL PLAN

This Budget represents the second year of the Five Year Financial Plan to return Government's finances to a sustainable position where, through the delivery of revenue surpluses and reducing our reliance on the use of reserve funds, we will start to maintain and build the value of our reserves. This Budget and the five year plan is summarised below:

### FINANCIALLY RESPONSIBLE GOVERNMENT

#### A Rolling Five Year Plan to instil confidence in Public Finances

##### Sustainability

- To reduce our reliance on funding from reserves
- To create sustainable public finances through fiscal prudence and increased economic growth
- To utilise reserve interest to support spending and support reserve growth from 2020-21

##### Supporting public services

- Policies to spur economic growth to build an Island of Enterprise and Opportunity
- Build on the stability provided by the VAT Final Expenditure Revenue Sharing Arrangement (FERSA)
- Taxation policies that support low to middle income earners
- Manage increases in service costs
- Prioritise spending for public services that support an Inclusive and Caring Society:
  - Funding for specific essential cost pressures including additional funding for Healthcare and essential welfare payments
  - Controlling the impact on services of increasing public sector pension costs through the continued use of the Public Service Employees Pension Reserve
  - Holding contingencies for unforeseen circumstances
- Providing the resources to keep the Island "a special place to live and work"

##### Strong cost control

- Maintaining strong control of employee costs
- Containing non-pay costs below inflation
- Targeting efficiencies and opportunities for a smarter Government through:
  - Continually challenging our services by:
    - Reviewing services, service levels and deliver savings
    - Ensuring efficiency in our processes
    - Ensuring excellence through procurement
  - Challenging existing spending through more effective budgeting

A summary of the Five Year Financial Plan is shown in the table overleaf. The table shows a high level projection for the next five years and includes information on how the reliance on the reserves, including the Public Service Employee Pension Reserve, can be reduced if expenditure can be controlled to grow at lower rate than the rate of increase in income. This will be discussed in further detail, later in this report.



TABLE 3 - The Five Year Financial Plan

FIVE YEAR FINANCIAL PLAN 2017-18 TO 2021-22							
£,000	Budget	Forecast					
	2017-18	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>GROSS INCOME</b>							
<b>Treasury Income</b>							
Customs and Excise	358,676	360,786	369,436	380,519	391,935	403,693	415,804
Income and Other Taxes	211,253	224,500	223,200	226,300	238,000	246,800	256,250
Other Treasury Income	12,015	12,015	9,333	7,535	6,702	4,836	3,433
<b>Other Income</b>							
Department Fees & Charges	119,908	123,475	124,626	125,951	128,466	127,400	129,311
Employee Pension Contributions	20,700	21,400	24,090	26,810	28,770	29,630	30,513
<b>Total Government Income</b>	<b>722,552</b>	<b>742,176</b>	<b>750,685</b>	<b>767,115</b>	<b>793,873</b>	<b>812,359</b>	<b>835,311</b>
NI Operating Account	241,500	244,610	250,948	258,528	266,179	274,164	282,389
<b>TOTAL INCOME</b>	<b>964,052</b>	<b>986,786</b>	<b>1,001,633</b>	<b>1,025,643</b>	<b>1,060,052</b>	<b>1,086,523</b>	<b>1,117,700</b>
<b>GROSS EXPENDITURE</b>							
Employee Costs	315,448	324,502	323,509	336,758	342,934	348,556	355,531
Employer Pension Contributions	41,946	42,020	44,486	46,867	48,352	49,960	51,970
Pension Costs (net dept)	57,292	60,980	62,654	63,165	64,694	70,040	72,888
Total Pension Costs	99,238	103,000	107,140	110,032	113,046	120,000	124,858
Non-Employee Costs	261,649	264,099	269,910	272,042	274,791	278,501	281,286
NHS Allocation	(38,500)	(38,510)	(39,665)	(40,855)	(42,081)	(43,343)	(44,644)
Total Non-Employee Costs	223,149	225,589	230,245	231,187	232,710	235,158	236,642
NI Funded Payments	246,500	240,630	253,670	261,280	269,119	277,192	285,508
Revenue Funded Payments	80,927	73,415	77,626	78,402	80,535	82,548	84,612
Capital Funding (Loan Charges)	45,366	45,208	51,424	47,849	48,692	51,269	51,765
Internal Fund Expenditure	19,446	17,000	18,000	17,000	16,000	15,000	15,000
Unallocated savings	0	0	0	(3,000)	(8,000)	(12,000)	(15,000)
<b>TOTAL EXPENDITURE</b>	<b>1,030,074</b>	<b>1,029,344</b>	<b>1,061,614</b>	<b>1,079,508</b>	<b>1,095,036</b>	<b>1,117,723</b>	<b>1,138,916</b>
Transfer from internal funds	(19,446)	(17,000)	(18,000)	(17,000)	(16,000)	(15,000)	(15,000)
HRF & HEDF	(3,473)	(6,789)	(9,453)	(5,039)	(5,025)	(6,730)	(6,334)
Transfer from the NI Fund	(7,967)	3,980	(2,722)	(2,753)	(2,940)	(3,028)	(3,119)
Transfer from the PSEPR	(38,000)	(41,000)	(40,000)	(38,000)	(37,000)	(40,000)	0
Total Transfer from reserves	(68,886)	(60,809)	(70,175)	(62,792)	(60,965)	(64,758)	(24,453)
<b>EXPENDITURE AFTER RESERVES</b>	<b>961,188</b>	<b>968,535</b>	<b>991,439</b>	<b>1,016,716</b>	<b>1,034,071</b>	<b>1,052,965</b>	<b>1,114,463</b>
<b>SURPLUS</b>	<b>2,864</b>	<b>18,251</b>	<b>10,194</b>	<b>8,927</b>	<b>25,981</b>	<b>33,558</b>	<b>3,237</b>
<b>Operating Account B/F</b>	<b>74,522</b>	<b>62,716</b>	<b>71,317</b>	<b>67,511</b>	<b>62,438</b>	<b>74,419</b>	<b>97,977</b>
Transfer from General Reserve							
Transfers (to)/from Reserves:							
Brexit Fund	(1,000)	(1,000)	(1,000)				
Contingency Fund							
Digital Strategy Fund	(2,000)	(2,000)					
Enterprise Development Fund	(2,000)	(2,000)	(3,000)	(10,000)	(10,000)	(10,000)	(10,000)
Invest to Save Fund			(1,000)				
Land & Property Acquisition	(1,000)	(1,000)					
Legal Costs Reserve	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)		
Housing Reserve	(1,500)	(1,500)	(4,000)				
Medical Indemnity Fund	(1,000)	(1,000)	(2,500)	(2,500)	(2,500)		
Town & Village Regeneration	(150)	(150)	(500)	(500)	(500)		
Surplus/(Deficit) on the General Revenue Account	2,864	18,251	10,194	8,927	25,981	33,558	3,237
<b>Operating Account C/F</b>	<b>67,736</b>	<b>71,317</b>	<b>67,511</b>	<b>62,438</b>	<b>74,419</b>	<b>97,977</b>	<b>91,214</b>



## **Structural Deficit and Reserves Position**

The operating deficit shows the excess of expenditure over income for activities excluding the National Insurance Fund and Capital Expenditure before the use of reserves. This analysis is to provide information on the resourcing of Government's ongoing activities that are funded through the revenue account. The analysis shows that should the plan be achieved then the operating deficit will be significantly reduced from 8.9% of operating income for 2018-19 to 2.2% by 2022-23.

The analysis also demonstrates that after inclusion of investment returns from the reserves, the anticipated level of reduction in the overall value of the reserves is relatively small and an increase in the reserves total by the end of the period is forecast.

The profile of the projected operating and structural deficit position has changed, but nonetheless remains on course in line with the Five Year Financial Plan objectives. The structural deficit position is forecast at £67.5 million for 2018-19 which is higher than in the 2017-18 budget. This is due to increased expenditure of £5 million and a revised Capital position that shows a surplus of circa £0.5 million rather than a surplus of £9 million. This is primarily due to the reduction in loan charges due to the write-off of the MUA debt and a revised Capital Programme (delay to a number of significant schemes expected to start in 2017-18).

The objective of the Five Year Financial Plan, to achieve a sustainable position where a contribution to reserves is achieved, is still on track however, with the adjustment to the profiling of Public Sector Pensions and additional expenditure to be approved, the level of contribution expected is slightly lower.

The Operating deficit is very close to the estimated position in the Budget however the structural position is improved mainly due to a lower than anticipated level of expenditure on Capital projects.

The use of reserves was estimated at £79.5 million for the current year however a review of the forecast indicated that this is more likely to be around £35.6 million. The main reason for the difference is the increased revenue surplus predicted for the current year offset by a forecast £4 million increase in the draw from the Public Service Employee Pension Reserve. For 2018-19, the use of reserves is estimated at £61.8 million which is a £18 million reduction against 2017-18.

Table 4 shows a financial analysis setting out the General Revenue Account expected income and expenditure for the operation of Government, the operating deficit from the National Insurance Fund and the funding requirement for Capital Expenditure. This helps to demonstrate how and where the structural deficit will be reduced.

The Operating Account acts as a buffer to protect the Revenue Reserve Fund from fluctuations on the Revenue Account. The 2018-19 Budget forecasts that the Operating Account will retain an operating balance of around 7% of gross revenue expenditure for the financial year. A further £14 million will transfer into existing reserves from the Operating Account as required.

The plan sets out an ambitious schedule of work to deliver a smarter and more efficient complement of public services. This work is now underway and the proposals contained within this budget will continue to support the delivery of the above objectives. The existing Five Year Financial Plan has been updated as follows but continues to utilise a proportion of the investment returns to rebalance the usage of the reserves. A summary of that plan is shown below.



**TABLE 4 - Summary Position**

<b>SUMMARY POSITION</b>						
	<b>Projected 2017-18 £,000</b>	<b>Provisional Budgets</b>				
		<b>2018-19 £,000</b>	<b>2019-20 £,000</b>	<b>2020-21 £,000</b>	<b>2021-22 £,000</b>	<b>2022-23 £,000</b>
Income	986,786	1,001,633	1,025,643	1,060,052	1,086,523	1,117,700
Less NI	(244,610)	(250,948)	(258,528)	(266,179)	(274,164)	(282,389)
Less Reserve Fund Interest	(8,000)	(8,000)	(6,000)	(4,000)	(2,000)	0
<b>Operating Income</b>	<b>734,176</b>	<b>742,685</b>	<b>761,115</b>	<b>789,873</b>	<b>810,359</b>	<b>835,311</b>
Expenditure	1,029,344	1,061,614	1,079,508	1,095,036	1,117,723	1,138,916
Less NI	(240,630)	(253,670)	(261,280)	(269,119)	(277,192)	(285,508)
Operating Expenditure	<b>788,714</b>	<b>807,944</b>	<b>818,228</b>	<b>825,917</b>	<b>840,531</b>	<b>853,408</b>
<b>Operating Deficit</b>	<b>(54,538)</b>	<b>(65,259)</b>	<b>(57,113)</b>	<b>(36,044)</b>	<b>(30,172)</b>	<b>(18,097)</b>
<b>NI Deficit</b>	<b>3,980</b>	(2,722)	(2,753)	(2,940)	(3,028)	(3,119)
<b>Capital</b>	<b>11,514</b>	530	(2,421)	(3,248)	(2,249)	(3,624)
<b>Structural Deficit</b>	<b>(39,044)</b>	<b>(67,451)</b>	<b>(62,287)</b>	<b>(42,232)</b>	<b>(35,449)</b>	<b>(24,840)</b>
Estimated returns held in the reserves	42,664	42,803	42,431	46,171	49,632	53,328
Reserve Fund Interest	8,000	8,000	6,000	4,000	2,000	0
<b>Overall Net (Deficit)/Surplus</b>	<b>11,620</b>	<b>(16,648)</b>	<b>(13,856)</b>	<b>7,939</b>	<b>16,183</b>	<b>28,488</b>

### Capital Programme

Key to the successful delivery of the capital programme is its affordability and sustainability. The trend for Government's actual capital expenditure outturn is for it to be lower than the budgeted levels each year (typically around £60 million per annum).

The following table presents the projected position on the Capital Account based on the proposed Capital Programme but forecast for a more realistic annual expenditure position as described above, that is with between 75% and 80% delivery of the overall programme. It can be seen that the balance on the Capital Account is expected to retain a healthy balance throughout the period of the Financial Plan, making the proposed capital programme affordable. Further details are outlined at Section 7.



**TABLE 5 - Projected Capital Account**

<b>Capital Account (Projected)</b>	<b>Probable</b>	<b>Projected</b>				
	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>
<b>Income</b>						
Loan Charges	41.9	45.7	46.6	47.4	48.2	49.1
MUA	14.9	10.1	10.7	11.6	12.0	12.1
HRF	3.3	5.7	1.3	1.3	3.1	2.7
Cap Receipts	1.0	1.0	1.0	0.5	0.5	0.5
	<b>61.1</b>	<b>62.5</b>	<b>59.6</b>	<b>60.8</b>	<b>63.8</b>	<b>64.4</b>
<b>Expenditure</b>						
Capital Programme	49.6	62.0	62.0	64.0	66.0	68.0
	<b>49.6</b>	<b>62.0</b>	<b>62.0</b>	<b>64.0</b>	<b>66.0</b>	<b>68.0</b>
<b>Capital Fund B/F</b>	<b>34.4</b>	<b>45.9</b>	<b>46.4</b>	<b>44.0</b>	<b>40.8</b>	<b>38.6</b>
Surplus/(deficit)	11.5	0.5	(2.4)	(3.2)	(2.2)	(3.6)
<b>Capital Fund C/F</b>	<b>45.9</b>	<b>46.4</b>	<b>44.0</b>	<b>40.8</b>	<b>38.6</b>	<b>35.0</b>

**Use of Reserves**

Taking account of the combined revenue and capital position (including the operating balance), together with projections for cash and investment returns generated by external fund managers, the estimated value of the overall reserves position over the period of the Five Year Financial Plan is shown in the table below.

**TABLE 6 - Reserve Valuations**

<b>Reserves estimated value with investment returns and stable market</b>						
	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>
National Insurance Fund	785	808	832	857	882	908
Public Service Employees Pension Reserve	145	110	75	40	2	0
Other reserves and cash including Reserve Fund	789	788	786	804	834	834
<b>Estimated Value</b>	<b>1,719</b>	<b>1,706</b>	<b>1,693</b>	<b>1,701</b>	<b>1,718</b>	<b>1,742</b>

Note: External fund balances are presented here at market value rather than book value, and it should be noted that market values may fluctuate against market and economic conditions.

This analysis links to Table 4 which sets out the Operating, Structural and Overall Surplus/Deficit and shows the impact of Government's operations on the overall reserve position.



## 5. REVENUE – INCOME

### 5.1. Overview

The Budget figures included in this Pink Book present income figures as gross, before netting off expenditure items. This budget presents income projections broken out into each of the relevant revenue lines to provide transparency and a greater understanding of where the Island is dependent on specific income streams.

**TABLE 7 - Updated Income Forecast**

<b>Budget Projections</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Customs & Excise	369,436	380,519	391,935	403,693	415,804
Income & Other Taxes	223,200	226,300	238,000	246,800	256,250
Other Treasury Income	9,333	7,535	6,702	4,836	3,433
National Insurance Contributions	250,948	258,528	266,179	274,164	282,389
Departmental Fees & Charges	124,626	125,951	128,466	127,400	129,311
Pension Contributions	24,090	26,810	28,770	29,630	30,513
Updated Income Forecast	<b>1,001,633</b>	<b>1,025,643</b>	<b>1,060,052</b>	<b>1,086,523</b>	<b>1,117,700</b>

### 5.2. 2017-18 Performance

When comparing current income targets to actual income forecast that was expected to be generated in 2017-18, the most significant variance is in relation to income tax which is projected to be approximately £13.2 million ahead of budget. This could be higher as we move towards year end. This variance is for a number of reasons but one of the primary causes is in relation to a significant reduction in the level of expected capital expenditure for this year, offset by a £4 million increase in the draw from the Public Service Employee Pensions Reserve. There have also been small increases in income received via Customs and Excise, as well as the NI Operating Account.

**Table 8 - 2017-18 Year End Forecast (Income)**

<b>2017-18 Budget against Probable</b>	<b>Budget</b>	<b>Transfers</b>	<b>Revised Budget</b>	<b>Probable</b>	<b>Variance</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>INCOME</b>					
Customs & Excise	358,676	0	358,676	360,786	2,110
Income & Other Taxes	211,253	0	211,253	224,500	13,247
NI Operating Account	241,500	0	241,500	244,610	3,110
Other Treasury Income	12,015	0	12,015	12,015	0
<b>Sub-total</b>	<b>823,444</b>	<b>0</b>	<b>823,444</b>	<b>841,911</b>	<b>18,467</b>

A further breakdown of income due to be raised by Treasury in the coming year is included at Appendix 1.



## **2018-19 Budget proposals**

### **5.3. Customs & Excise**

The revenues raised by Customs & Excise currently include VAT, Excise (alcohol, tobacco and hydrocarbon oil - HCO) and Customs (import) duties. Of the Excise and Customs duties, all but HCO are shared using the arrangements described below to calculate the Island's share of the joint revenue pools with the United Kingdom. HCO is calculated on the basis of actual consumption during the focal year.

The Final Expenditure Revenue Sharing Arrangement or FERSA which governs the sharing of VAT and the other joint common duties under the 1979 Customs & Excise Agreement, rebased the Island's share for 2013-14 using actual consumption data obtained that year through a series of income and expenditure surveys. FERSA provides that final expenditure surveys will be undertaken every 5 years and in between 'survey years' the Island's provisional share is calculated by indexation of the base year at 4.5% per annum until the next survey year; being 2018-19.

When the Island's indirect tax share is rebased in 2018-19 its provisional indexed shares will be revised on a straight line revision basis back to 2013-14, so determining the Island's actual shares for 2014-15 to 2017-18. The actual 2018-19 figures will also be the base for the Island's indexed share for the following four years.

Whilst there is still confidence in the Island's ability to generate the required levels of growth there remains some uncertainty surrounding the final amount of that income. Therefore, in the interests of prudence and good financial management the budget has been based on a growth level of 3% over the Five Year Financial Plan period.

#### **Non-Shared Duties**

These include Air Passenger Duty, Gambling Duty (includes both on-line and machine games duty), Lottery Duty and non-revenue receipts (fines, penalties and interest). Unlike the shared revenues where the Island is committed by the 1979 Customs and Excise Agreement to keep the rates and rules surrounding the taxes in line with UK policy, the Island is free to choose where and how it applies these duties, however no changes from existing policy are proposed within this Budget.

#### **Soft Drinks Industry Levy**

Treasury has postponed the introduction of the Soft Drinks Industry Levy by one year to 1<sup>st</sup> April 2019 to enable its introduction in the Island as a shared common duty under the 1979 Customs & Excise Agreement. Income raised under this duty will be held in a ring-fenced Fund to be utilised by the Department of Health & Social Care to tackle obesity.

### **5.4. Income Tax**

The budgeted growth rates for both Income Tax and National Insurance revenues from 2018-19 are lower than in previous years (3%) as they have been rebased against the higher than anticipated income generated in 2017-18. Forecasts for 2019-20 assume growth at 1.39% and 5.17% for 2020-21.





This table summarises tax rates and allowances.

**TABLE 9 - Tax Rates and Allowances**

<b>Tax Rates and Allowances</b>		
<b><u>INDIVIDUAL TAX</u></b>	<b>2018-19</b>	<b>2017-18</b>
Lower rate	10%	10%
Higher rate	20%	20%
Personal Allowances:		
Single Person	£13,250	£12,500
Jointly Assessed Couples	£26,500	£25,000
Single Parent	£6,400	£6,400
Blind Person	£2,900	£2,900
Disabled Person	£2,900	£2,900
Personal Allowance Credit		
Single Person	£400	£400
Low Income Point	£9,500	£9,500
Jointly Assessed Couples	£800	£800
Low Income Point	£19,000	£19,000
<b><u>COMPANY TAX</u></b>		
Standard Rate	0%	0%
Banking Business	10%	10%
Land & Property in the Island (Incl. Property Dev)	20%	20%
Retail Trade (Small companies limit of £500,000)	10%	10%

### **Individual Tax**

For 2018-19, the lower rate of income tax remains at 10% and the higher rate at 20%. The threshold up to which the lower rate of income tax applies remains at £6,500 for a single person and £13,000 for a jointly assessed couple. The Personal Allowance will increase to £13,250 for a resident individual or £26,500 for a jointly assessed couple.

Allowances are fully transferrable between husband and wife or civil partners whilst the couple are living together. Special arrangements apply in the years of marriage/partnership or separation or where independent taxation applies.

The single parent allowance will remain at £6,400 and the blind or disabled person's allowance at £2,900.

The rate of income tax on taxable income for non-resident individuals remains at 20%.

The maximum deduction allowed for nursing expenses remains at £12,500 for the tax year commencing 6 April 2018. However, the relief is extended to also apply to the costs of engaging a qualified physiotherapist in cases where the current criteria for relief for nursing expenses have already been met and where the physiotherapy forms an integral part of the treatment.



The aggregate value of all general benefits in kind that will not be charged to income tax is increased from £400 to £600 per year.

The benefit in kind exemption introduced in the 2017 Budget for employers providing employees with bicycles and related safety equipment for use between their home and place of work is extended to include certain types of electrically assisted bikes. The £1,000 limit to the total cost to the employer of the bike and equipment is removed but the maximum value of the benefit in kind remains at £1,000 per employee in any period consisting of three consecutive tax years.

The trivial commutation lump sum limit for any pension scheme approved by the Assessor is increased to £100,000 and the level of fund remnant that can be paid as a lump sum increases to the same amount. This will allow for a fund of approximately £142,000 to be paid under the fund remnant rules.

From 6 April 2018, a new pension product will be introduced which will allow a member aged 55 or over to take a tax-free lump sum of 40% and also to have full access to the remaining funds as and when required. Tax relief will be allowed on contributions to the pension scheme up to an annual contribution limit of £50,000 and, on the death of the member, no tax will be charged on any remaining funds. The new product will be able to accept transfers from existing pension schemes that have been approved by the Assessor, subject to the payment of a 10% transfer fee.

From 6 April 2018, the annual allowance for a pension scheme approved by the Assessor under the Income Tax (Retirement Benefit Schemes) Act 1978, the Income Tax Act 1989 or the Income Tax Act 1970, including the new pension product, will be £50,000. This is the maximum amount of pension contributions that an individual can make in any year of assessment, regardless of the number of approved schemes they may have.

### **Company Tax**

The standard rate of tax applying to the income of companies remains at 0% with the exceptions of income from:

- Banking business – 10%
- Income from Retail Trade (subject to a small companies limit of £500,000) – 10%
- Income from Land & Property situated in the Isle of Man (development & rental income) – 20%.

### **Deductions granted during the financial year 2015-16**

During the financial year 2015-16, the latest full year for which figures are available, other deductions that were granted are outlined for information in the table below:



**TABLE 10 - Cost of Income Tax Deductions 2015-16**

Deduction Type	Number of Claims	Total Amount Claimed (£m)	Average Relief per Claim (£)	Cost of Tax Relief (£ m)
Mortgage Interest	12,053	34.42	267	3.22
Loan Interest	11,083	10.22	86	0.95
Charitable deed of covenant	369	0.60	136	0.05
Charitable giving	2,287	2.85	114	0.26
Private medical insurance	873	1.71	183	0.16
Nursing Expenses	463	3.66	388	0.18

### National Insurance Contributions

Net National Insurance contributions (NIC) in respect of workers and employers, after the allocation of a prescribed percentage to the Health Service, cover the cost of contributory benefits for retirement, bereavement, incapacity, unemployment and maternity. In the Isle of Man, they also cover the cost of the Manx pension supplement, retirement pension premium, paternity allowance, adoption allowance and the higher rate of Christmas bonus as well as rebates to small employers in relation to statutory redundancy payments to former employees of firms which have become insolvent.

### Employed Contributors

The rates of Class 1 NIC in the Isle of Man for 2018-19 will remain at the current rates of 11% for employees and 12.8% for employers, and the employees' additional rate will remain at 1% for earnings over £784.00 per week. The Lower Earnings Limit will increase from £113 per week to £116 per week from April 2018 to reflect the equivalent change announced in the UK Budget. The thresholds at which both employees and employers start to pay Class 1 NIC will remain unchanged at £118 per week and the Upper Earnings Limit will remain at £784 per week.

For employers who operate a contracted-out salary related pension scheme there is no change to the rebate on both the employees' and employers' NIC paid on earnings below the Upper Accrual Point (currently £770 per week).

### Self-Employed Contributors

For the 2018-19 tax year, the Isle of Man will retain the rates of Class 4 NIC on profits up to £784 per week at 8% and anything over this at an additional 1%. Similarly, the rate at which Class 4 NIC becomes payable will remain at £118 per week (Lower Profit Limit).

From April 2018, the Class 2 contribution payable by a volunteer development worker while employed as such will increase automatically from £5.65 per week to £5.80 as a result of the increase in the Lower Earnings Limit. No other changes to Class 2 contributions are being made as this class of contributions will be withdrawn in the Isle of Man from April 2019 (delayed from April 2018 in order to keep it in step with the similar delay in the UK).

The table below summarises the contribution rates for 2018-19 for workers and employers:



**TABLE 11 - 2018-19 Contribution rates for workers and employers**

<b>Self-Employed Contributors</b>		
<b>Total Weekly Profits</b>	<b>Self-Employed Class 2 and 4 NIC</b>	
Below £118	Nil	
£118.00	£5.40	
£118.01 - £784.00	As above + 8%	
£784.01 and over	As above + 1%	

<b>Total Weekly Earnings</b>	<b>Class 1 Employee NIC</b>	<b>Class 1 Employer NIC</b>
Up to £118.00	Nil	Nil
£118.01 - £784.00	11%	12.8%
£784.01 and over	1%	12.8%

### **Other Contributors**

From April 2018, the voluntary Class 3 NIC rate will increase from £14.25 per week to £14.65 per week.

### **Manx National Insurance Fund**

The National Insurance Fund is used to supplement the amount of NIC collected in a tax year where the income from these contributions does not cover the expenditure on National Insurance funded benefits. Since April 2012 a proportion of the investment income that the fund receives has been used to fund benefit expenditure. Further details of this can be seen in Appendix 2.

### **5.5. Departmental Fees & Charges**

In line with the policy agreed as part of the Five Year Financial Plan, a blanket uplift of 2% was applied to Departmental income targets (including fees and charges) to reflect the impact of inflation and/or growth. Departments were then able to request an exemption from this policy where they did not feel the increase was appropriate, for example, rental income for properties on fixed term agreements. These requests were then considered on a case-by-case basis and are included in Departmental budgets as per Appendix 4. Some Departments, such as the Department for Enterprise, have requested to increase their income targets over and above the 2%, this is appropriate for areas such as the Aircraft and Ship Registries where demand has been demonstrated accordingly. Overall, income has been increased in 2018-19 by 1.84%.

### **5.6. Investment Income**

Treasury investment income is derived from eight externally managed investment funds and interest earned from cash managed directly within Treasury.

Following a tender exercise in 2015-16, five different external investment managers were appointed to manage the investment portfolio on a discretionary basis. The appointments of the five managers, which are for a period of five years from 1<sup>st</sup> April 2016, provides a diversification of investment



management and style. Detailed information on the types and requirements of the mandates in place are included in the Isle of Man Government Accounts (Dark Blue Book) <sup>1</sup>.

The performance and delivery requirement of the investment managers is to grow the reserves under management to meet the benchmarks set and within acceptable measurements of risk over a rolling three year period. Income is generated from profits gained through the sale of equities, funds and bonds; dividends and coupon interest earned from equities and bonds and interest on cash based instruments.

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<sup>1</sup> <https://www.gov.im/categories/tax-vat-and-your-money/government-accounts/>



## 6. REVENUE – EXPENDITURE

TABLE 12 - Revenue Net Expenditure Targets by Department

<b>2018-19 REVENUE NET EXPENDITURE BUDGETS BY DEPARTMENT</b>			
<b><u>Net Revenue Budgets</u></b>	<b>Gross Income</b>	<b>Gross Expenditure</b>	<b>Net Expenditure</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Enterprise	26,328	26,352	24
Education, Sport & Culture	9,120	111,557	102,437
Environment, Food & Agriculture	3,496	19,550	16,054
Health & Social Care	55,388	271,495	216,107
Home Affairs	1,057	34,312	33,255
Infrastructure	56,009	119,238	63,229
Treasury (Note 1)	852,918	361,370	(491,548)
Cabinet Office	1,516	31,965	30,449
Executive Government	2,212	12,679	10,467
Manx Museum & National Trust	861	5,312	4,451
Statutory Boards	8,295	8,386	91
Legislature	9	4,799	4,790
Employees' Pension Contributions (Note 2)	24,090	24,090	0
<b>TOTAL</b>	<b>1,041,299</b>	<b>1,031,106</b>	<b>(10,194)</b>

Note 1 - Gross income and expenditure figures for 2018-19 include National Insurance Contributions NHS allocation of £39.7 million.

Note 2 - To show the total gross income and expenditure, employee pension contributions and the subsequent use of them to offset pension costs are also shown in this analysis.

### 6.1. 2017-18 Performance

Treasury expenditure has been lower than anticipated, causing a net positive effect on the year-end position. Social Security revenue-funded payments in particular are expected to be around £4-5 million lower than the estimate put forward in the previous Pink Book.

Within the Departments, the most significant variances have been the income due in from the Registries in the Department for Enterprise (reflected in the proposed departmental targets for 2018-19 onwards) and the overspend in the Department of Health and Social Care for which a Supplementary vote for up to £9.5 million was approved by Tynwald in January 2018.

The November Management Accounts are therefore projecting an overall level of surplus that is approximately £15.4 million higher than the budgeted surplus.



**TABLE 13 - 2017-18 Budget against Probable**

2017-18 Budget against Probable	Budget £,000	Transfers £,000	Revised Budget £,000	Probable £,000	Variance £,000
<b>EXPENDITURE - VOTED SERVICES</b>					
<b><u>Government Departments</u></b>					
Cabinet Office	29,956	0	29,956	29,937	19
Enterprise	3,499	0	3,499	3,410	89
Education, Sport & Culture	96,861	0	96,861	96,751	110
Environment, Food & Agriculture	15,714	0	15,714	15,484	230
Health & Social Care	209,997	0	209,997	218,044	(8,047)
Home Affairs	32,954	(127)	32,827	32,954	(127)
Infrastructure	57,709	93	57,802	58,324	(522)
Treasury	356,207	(92)	356,115	350,678	5,437
<b>Sub-total</b>	<b>802,897</b>	<b>(126)</b>	<b>802,771</b>	<b>805,582</b>	<b>(2,811)</b>
<b><u>Other Bodies</u></b>					
Executive Government	9,591	0	9,591	9,591	0
Manx Museum & National Trust	4,411	0	4,411	4,410	1
Statutory Boards	(1,041)	127	(914)	(645)	(269)
<b>Sub-total</b>	<b>12,961</b>	<b>127</b>	<b>13,088</b>	<b>13,356</b>	<b>(268)</b>
Legislature	4,722	0	4,722	4,722	0
<b>TOTAL VOTED SERVICES</b>	<b>820,580</b>	<b>0</b>	<b>820,581</b>	<b>823,660</b>	<b>(3,079)</b>
<b>Excess of Income over Expenditure/(Deficit)</b>	<b>2,864</b>	<b>1</b>	<b>2,865</b>	<b>18,251</b>	<b>15,387</b>

## 6.2. 2018-19 Budget

Government's total expenditure after the use of reserves for 2018-19 is forecast to be £991.4 million and is analysed in detail by each Department at Appendix 4. In overall terms, this gives a net expenditure surplus of £10.2 million indicating that no transfer from the General Reserve is required for revenue purposes, other than the utilisation of £6.8 million of interest on the General Reserve that is included in Treasury Other Income.

As with recent years, all Departments were asked to provide detailed submissions for the next 3 years to Treasury. This included any transfers between Departments, movements between income, employee and non-employee costs and any potential savings proposed. The most significant transfers included are the restructure of the Department for Enterprise (previously the Department of Economic Development) and the decentralisation of secondary school catering from the Department of Health & Social Care to the Department of Education, Sport & Culture.

Those bids which are recommended for inclusion by Treasury are incorporated into the 3 year draft estimates to illustrate affordability and the overall impact on total cost. Bids that were not supported by Treasury have been either removed, withdrawn, deferred or alternative funding sources identified. Where appropriate, Departments will be asked to absorb the increased costs from within existing approved department targets or capital projects.



### 6.3. Pay Costs

The Government wide policy of a 1% pay budget cost control has continued into this financial year. The management of pay costs is an integral part of the Five Year Financial Plan set out by this administration.

It has been recognised however, that there will be ongoing pressures to Departments and services, but it is important to stay within the constraints of the Five Year Financial Plan. Treasury has therefore allocated an additional 1% pay cost provision which will be held centrally by Treasury. This is reflected in the overall budget estimates as a 2% growth to employee budgets from 2019-20 onwards. This additional 1% will be allocated to Departments, Statutory Boards and Offices when the budgets for each year are set, based on need. Also included within these projections is the impact of the end of contracting out which will increase employee costs from 2019/20 accordingly.

**TABLE 14 - Total Employee Cost Control**

	Total Employee Cost Control							
	Basic Pay	Overtime	National Insurance	Pension	Other	2018-19	2019-20	2020-21
<b>Department</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Enterprise	7,541	76	111	1,164	425	9,317	9,636	9,904
Education, Sport & Culture	59,512	38	4,585	8,879	919	73,933	76,654	77,735
Environment, Food & Agriculture	6,649	79	530	1,029	312	8,599	8,888	9,021
Health & Social Care	100,931	3,706	9,370	18,751	18,402	151,160	155,929	157,445
Home Affairs	19,417	636	1,698	3,119	2,002	26,872	27,772	28,008
Infrastructure	31,632	3,094	2,470	5,084	790	43,070	44,542	44,996
Treasury	12,067	35	550	1,811	279	14,742	15,253	15,457
Treasury Pay Provision							3,320	6,703
Cabinet Office	13,072	64	1,140	1,954	940	17,170	17,698	17,906
<b>Executive Government</b>								
Industrial Relations	187		13	19	2	221	248	179
Veterans' Welfare Service	64	2	5	10	8	89	91	93
Information Commissioner	183		17	29	20	249	226	228
General Registry	2,805	10	247	432	127	3,621	3,732	3,783
Attorney General's Chambers	3,488		311	519	35	4,353	4,557	4,654
<b>Other Boards</b>								
Communications Commission	283		25	41	5	354	367	375
Financial Services Authority	3,769	1	360	554	263	4,947	5,111	5,214
Gambling Supervision Commission	657	2	64	101	34	858	893	857
Financial Intelligence Unit	374		17	35		426	442	447
Public Sector Pensions Authority	798			121	7	926	959	976
Manx Museum & National Trust	2,442	17	185	373	157	3,174	3,279	3,333
Legislature	2,309	7	319	461	818	3,914	4,028	3,973
<b>TOTAL</b>	<b>268,180</b>	<b>7,767</b>	<b>22,017</b>	<b>44,486</b>	<b>25,548</b>	<b>367,995</b>	<b>383,625</b>	<b>391,287</b>





#### 6.4. Public Sector Pensions

The latest expenditure forecasts are based on the actuarial work recently undertaken by Hymans Robertson and are lower than previously forecast. The upshot of this is that the Public Service Pension Reserve is now forecast to last longer than previously anticipated and the level of additional revenue expenditure that will be required when the fund runs out is now estimated to be around £45m rather than £58m as previously estimated. This allows an additional year to adjust our finances to meet this increased pressure and along with the higher than previously forecast income tax receipts means, for example that the increase in the overall pay budget can be afforded.

**TABLE 15 - Pension Account**

<b>Pension Account</b>	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>
Pension Costs	103	107	110	113	120	125
Less Employee Contributions	(21)	(24)	(27)	(29)	(30)	(30)
Less Department Contributions	(42)	(44)	(47)	(48)	(50)	(52)
PSPA Administration Costs	1	1	1	1	2	2
PSEPR Budgeted Drawdown	(41)	(40)	(37)	(37)	(40)	0
<b>Revenue liability</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>45</b>
<b>PSEPR Balance (Est Value) B/F</b>	<b>181</b>	<b>145</b>	<b>109</b>	<b>74</b>	<b>39</b>	<b>0</b>
Investment Return	5	4	3	2	1	0
PSEPR Budgeted Drawdown	(41)	(40)	(38)	(37)	(40)	0
<b>PSEPR Balance (Est Value) C/F</b>	<b>145</b>	<b>109</b>	<b>74</b>	<b>39</b>	<b>0</b>	<b>0</b>

In 2021-22, the impact of the Fund's depletion will be a £2m additional pressure on the revenue account and £45m in 2022-23.



## 6.5. National Insurance and Welfare Benefits

A summary of the estimate for the use of the National Insurance Fund is shown in the table below;

**TABLE 16 - National Insurance Account**

	Provisional Budgets					
	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
<b>Income</b>						
NI Contributions	195.3	200.2	206.2	212.3	218.7	225.3
Agency Income	49.3	50.8	52.4	53.8	55.5	57.1
	<b>244.6</b>	<b>251.0</b>	<b>258.6</b>	<b>266.1</b>	<b>274.2</b>	<b>282.4</b>
<b>Expenditure</b>						
NI Funded Welfare Payments	200.1	212.0	218.4	224.9	231.7	238.6
Administration Costs	2.0	2.0	2.1	2.1	2.2	2.3
NHS Allocation (DHSC)	38.5	39.7	40.9	42.1	43.3	44.6
	<b>240.6</b>	<b>253.7</b>	<b>261.4</b>	<b>269.1</b>	<b>277.2</b>	<b>285.5</b>
<b>NIF (est Value) B/F</b>	<b>756.4</b>	<b>785.3</b>	<b>808.5</b>	<b>832.4</b>	<b>856.9</b>	<b>882.3</b>
Investment Return	24.9	25.9	26.7	27.5	28.4	29.3
National Insurance Deficit	4.0	(2.7)	(2.8)	(3.0)	(3.0)	(3.1)
<b>NIF (est Value) C/F</b>	<b>785.3</b>	<b>808.5</b>	<b>832.4</b>	<b>856.9</b>	<b>882.3</b>	<b>908.5</b>

Expenditure on both National Insurance funded benefits and revenue funded benefits in 2017-18 is forecast to be significantly lower than originally anticipated.

Spending on the State Pension is forecast to be between £4m and £5m lower than had been expected at the start of the year. Expenditure on revenue funded benefits is also projected to be between £4m and £5m lower than expected primarily on account of significantly lower-levels of unemployment and consequently reduced spending on income-related benefits. This has allowed these benefits to be re-profiled to a lower overall level than the 2017-18 Budget.

The 2018 uprating of benefits is expected to result in expenditure out of the NI Fund increasing by around 2.5% overall, with most NI-funded benefits (including the State Pension) increasing by 3.0%. With regards to revenue funded benefits, most are increasing by 3.3% at an expected cost of around £2.4m.

National Insurance revenue for 2018-19 is projected to rise by 3% and as a consequence the NHS Allocation is also projected to rise by 3%.

## 6.6. Non-pay costs

Non-pay budgets have remained static for a number of years which represents a level of efficiency saving achieved in real terms given that inflation, as measured by CPI, for this year is 3.8% (as at 01/01/18). As with pay, an allowance has been included in the General Revenue Account to allow for some increase in the non-employee budgets in future years which will inevitably be required. This can and will be reallocated on the provision and scrutiny of any viable business case. Treasury will continue to hold a Contingency budget which can be accessed on the production of a robust business case if Departments or Boards incur unanticipated costs which cannot be contained within



their annual target. This has been maintained at £3m per annum for the duration of the 5 year budget.

### **6.7. Contingency Account/Fund**

In addition to the £3m Contingency Account, there is £5m held in the Internal Contingency Fund to cover revenue contingency requirements over and above what can be covered by the account. Commitments have been made during 2018-19 of £1m. There is also a capital contingency account included in the Capital Programme. It is proposed to retain the Contingency Account at £5 million going forward to act as a provision for emergency or unforeseen financial pressures.

### **6.8. Loan Charges**

Loan Charges have been updated to reflect new bids, re-profiling and the delay or removal of all schemes. The final proposed programme is shown in further detail at Appendix 5. The Capital Programme has a direct influence on the revenue budget via the payment of loan charges. This year the loan charge is set at 2% and the figure included in the 2018-19 budget of £41.9m includes both this interest charge and the repayment (principal) element of borrowing. In addition to this, a further £3.7m is included in relation to schemes funded through the Housing Reserve – this is drawn down from the Housing Reserve Fund at each year-end. The figure this year has increased from 2017-18 to reflect the ending of a number of loan charge holidays that were agreed on certain schemes in past budgets. No further increases to the loan charge interest rate are planned, however this will be reviewed annually and adjusted on the basis of affordability.

During October 2017 Tynwald agreed to reduce Manx Utilities' debt by £95 million. This had an impact of approximately £6 million on the income paid to the Consolidated Loans Fund through loans charges and has been reflected and included in all forecasts from 2017-18 onwards.



## 6.9. Grants Payable

The following grants will be made by Government in 2018-19:

**TABLE 17 – Grants Payable 2018-19**

GRANTS PAYABLE 2017-18	2017-18 Estimate	2018-19 Treasury Grants	2018-19 Other Grants	2018-19 Lottery Duty	2018-19 BUDGET
	£,000	£,000	£,000	£,000	£,000
MUA – Flood Defence	500	500	--	--	500
MUA – Sewerage Support	700	--	--	--	0
Financial Supervision Authority	2,864	2,864	--	--	2,864
Manx Radio (Subvention)	875	955	--	--	955
Laxey Glen Mills	41	41	--	--	41
International Development	2,400	--	2,500	--	2,500
Manx Lottery Trust (Big Lottery)	750	--	600	150	750
Culture Vannin	407	100	--	330	430
Sports Council (DEC)	479	--	21	480	501
Arts Council (DEC)	509	--	99	440	539
Veterans Grant (1 year only)	0	--	--	--	0
	<b>9,525</b>	<b>4,460</b>	<b>3,220</b>	<b>1,400</b>	<b>9,080</b>

Note - £600,000 grant to Manx Lottery Trust is received via the Big Lottery Fund.

Lottery Duty has been included within the income forecasts for the next three years and is expected to raise £1.4m (see above) over 2018-19. All of the lottery duties are fully allocated out to external agencies - the impact of this reduction in duties automatically results in a reduced allocation of grants payable, with no overall impact on Government's finances.

In terms of allocation, as in previous years the first £300,000 is allocated to the Manx Lottery Trust and the Sports Council equally. The remaining balance is divided between the Sports Council, Arts Council and Culture Vannin at 30%/40%/30% respectively.

In line with the Long Term Financial Plan for the Manx Utilities Authority, the Treasury grant in respect of sewerage operations is reduced to £nil for 2018-19, leaving an ongoing annual flood alleviation grant of £0.5m. Treasury has also approved an amendment to the drawdown of the Flour Subsidy by Laxey Glen Mills so it is a lump sum payment rather than being based on tonnage.

There is an additional £100,000 allocated to the International Development Committee in respect of overseas aid.

For 2018-19 there is an additional £80,000 payable to Manx Radio. This reflects a budget transfer from the Department of Home Affairs in respect of maintenance of the AM transmitters, as opposed to a general subvention increase, and so this increase in grant does not represent overall budget growth to Government.

There are no other planned changes to the level of any grants awarded on annual basis to the various bodies that receive financial assistance from Government. This includes Laxey Glen Mills, the Lottery Trust, Arts Council and the Sports Council.



## 7. THE CAPITAL PROGRAMME

### 7.1. Overview

With the focus on recognising that the Isle of Man is truly “a special place to live and work”, significant investment is made each year into developing the Island’s infrastructure for the benefit of its residents. Capital expenditure can cover a whole range of projects, from the building of a new school or hospital ward, through to the reconstruction of the roads or provision of vehicles for the Fire and Rescue Service. The Capital Programme also ensures that adequate funding is made available for the improvement or maintenance of the Government’s assets to ensure that they are preserved for future generations or to avoid more costly replacement in the long term.

The Capital Programme is also used to fund large scale ICT projects where there is significant investment in ICT assets such as servers or other devices.

This year’s Capital Programme is shown at Appendix 5 and is broken down into those projects which are directly funded by the relevant Authority (e.g. IOM Post Office) or those that are funded by the Consolidated Loans Fund (CLF).

The majority of the Capital Programme is funded via the CLF or the Capital Account as it is also known. The CLF is replenished each year through the repayment of loan charges made by the Departments. This also includes an element of interest which for 2018-19 will be 2% in line with the Five Year Financial Plan. When a capital project is approved, the term of the repayment is set based on the expected useful life of the asset and repayments are made over this period (similar to mortgage repayments) – this can be seen in Column 5 of the Approvals table (Table 16). There are no plans to alter the interest rate as part of this year’s budget. The CLF also receives income from the sale of assets which are known as Capital Receipts.

The Capital Programme includes the revised capital estimates for 2018-19 onwards. These amendments and bids are then reviewed by the Strategic Assets and Capital Investment Committee (SACIC) which is a sub-committee of Treasury, before onward endorsement from the Treasury Board and the Council of Ministers. All business cases are assessed in the context of their fit within the Programme for Government, affordability and deliverability within the overall Capital Programme and following dialogue with each relevant department.

The objective of the capital strategy remains to arrive at an achievable, balanced capital programme over the next five years.

### 7.2. 2017-18 Performance

The current 2017-18 year will see the completion of the Douglas Railway Station refurbishment, Castletown Fire Station in Ballasalla, the Acute Adult Psychiatric In-Patient Facility and new residential accommodation for medical staff.

Actual spend (excluding borrowing authorities and property purchase) has been lower than anticipated and is projected to be £49.6m by the end of the financial year against a budget of almost £88.4 million (excluding non-CLF funded expenditure). Budget utilisation in 2017-18 is projected to be 56% compared to 71% in 2016-17. The programme has now been updated to accommodate this underspend and any other changes to Departmental priorities.



Treasury's £5m Capital Projects Risk Contingency is largely untouched this year so the decision is recommended to expand the remit of the budget to be a more generic Contingency Fund for urgent or emergency items of capital expenditure. This would open out its current purpose which is to cope only with storm or flood damage. By doing this, Treasury will have greater flexibility to respond to unforeseen circumstances or to respond to any potential opportunities to achieve savings that require a quick response.

The balance of the Consolidated Loans Fund as at the 1<sup>st</sup> April 2017 stood at £34.4m. As at the end of quarter 2 or to the 1<sup>st</sup> October 2017, 21% of the full year estimate (£88.4m) has been delivered with a year-end forecast of £49.6m This is lower than historical trends indicate which suggest that capital expenditure averages at around £60 million per annum. This underspend has been due to a number of reasons but those that have had the most significant impact on the projected outturn include the slippage of Douglas Promenade and the replacement of Eastcliffe – both of which are now on track to start in 2018-19; and the unspent balance of the Contingency Fund which has had limited demands made during the year.

Additional approvals made by Tynwald during 2017-18 include Clagh Vane Phases 7&8, Eastcliffe, Summerhill Residential Unit and Douglas Promenade. These were all identified as Column 3 approvals during the 2017-18 budget.

### 7.3. 2018-19 Budget

Looking forward, the proposed Capital Programme for 2018-19 amounts to £117m. This compares with £88m approved for the current 2017-18 year. Given that historical trends indicate that it is extremely unlikely that the proposed Capital Programme would ever be 100% delivered, the forecast is adjusted for a more realistic annual expenditure position. Underspending like this can be for a number of reasons; internal delays within the Department, capacity issues, problems obtaining planning permission or failure to obtain Tynwald approval.

This year, the assumption has been made that expenditure will be approximately £62 million per annum or 65-75% of budgeted expenditure based on an analysis of expenditure in previous years. At this level of spending, the balance on the Capital Account is expected to retain a healthy surplus of between £35m to £46m throughout the period of the Financial Plan, making the proposed Capital Programme affordable. This is demonstrated in Table 18 below;

**Table 18 - Consolidated Loans Fund (CLF) Adjusted Forecast**

<b>Adjusted Forecast (£,000)</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>CLF Opening Balance</b>	<b>34,422</b>	<b>45,946</b>	<b>46,476</b>	<b>44,056</b>	<b>40,807</b>	<b>38,558</b>
Forecasted Net Expenditure	11,524	530	(2,420)	(3,249)	(2,249)	(3,625)
<b>CLF Closing Balance</b>	<b>45,946</b>	<b>46,476</b>	<b>44,056</b>	<b>40,807</b>	<b>38,558</b>	<b>34,933</b>

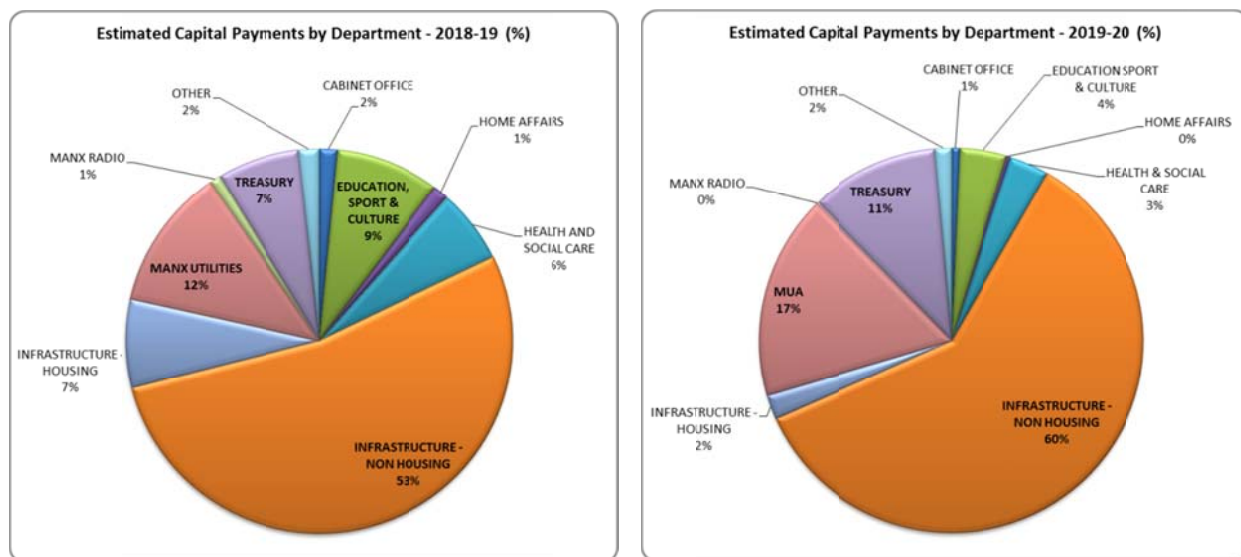
The expenditure expected in 2018-19 on Capital Projects is circa £62 million, whilst the income to the fund from loan charges and capital receipts is estimated at circa £42 million plus a £9 million contribution from the Housing Reserve and the Hospital Estate Development Fund to offset their relevant costs. This means that the fund is projected to increase by an estimated



£0.5m in 2018-19. £62 million represents a realistic estimate of deliverability that will require significant effort to deliver.

Some capital projects for Manx Utilities are also funded through the CLF and following Tynwald’s approval of the write off of £95 million, the loan charge contribution will decrease by circa £6.4 million for 2018-19. This reduction decreases each year and the average is £6.2 million over the next 5 years.

As can be seen from the charts below, the majority of the Capital Programme for 2018-19 will be undertaken by the Department of Infrastructure in line with their responsibility to manage and maintain the bulk of Government’s infrastructure and its own share of the public sector housing stock. The Department of Health and Social Care also draws significantly from the budget, and 2018-19 includes expenditure on Eastcliffe and the Residential Unit to replace Glenside.



The following table shows the proposed total capital cost for all Capital Projects incurring expenditure during 2018-19 in accordance with Section 3 of the Budget Order Paper.

The main column for consideration is Column 2 (C2) which requests approval as part of the presentation of this Budget. The values in Column 1 (C1) represent committed schemes which already have Tynwald approval from previous years; and the values in Column 3 (C3) represent new schemes which will be presented to Tynwald during the 2018-19 financial year. The right-hand column headed Loan Sanction outlines the additional amount that the Department is requesting authority to spend up to. (i.e. The balance required once previous approvals (granted in 2017-18 or earlier) have been deducted). Finally, the last column shows the number of years over which the loan in question will be applied. The full Capital Programme is attached for information at Appendix 5.

Treasury has listened to feedback from users of the Pink Book in previous years and has included an explanation of all the projects within Column 2 at Appendix 7. Further work will be undertaken in the next 12 months to ensure the use of and application of Minor Capital Works (MCW) and other ongoing budgets are robustly and consistently applied.



**TABLE 19 - 2018-19 Capital Approvals**

SCHEME	Total Expend. (£,000) 2018-19	Breakdown by Periodic Approval				Loan Duration C5
		Tynwald Approved C1	TO BE APPROVED C2	Future Approvals C3	Loan Sanction C4	
<b><u>Cabinet Office</u></b>						
MCW - Technology	250		250			30
Technology - Land Registry IT System	1,539	1,539				20
	1,789	1,539	250			20
<b><u>Department of Education, Sport &amp; Culture</u></b>						
Castle Rushen High School	500	55	445			30
Covered Play and Teaching Areas	246	246				30
DDA Works to Department Sites	547	42	505			30
Henry Bloom Noble Primary School	100	100				30
Management of Hazardous Materials	136	136				30
MCW - National Sports Centre	200	100	100			20
MCW - Regional Pools	220	70	150			20
National Sports Centre - Pool Hall	3,000	1,360	1,640			20
QEII Science and Technology	450		450			30
School Security	798	372	426			30
St Mary's Extension Scheme	2,901			2,901		30
St Ninian's Lower School, Bemahague Construction	210	210				50
UCM - Construction Craft & Engineering	100	70	30			30
Villa Marina Sound System	800		800			30
	10,208	2,761	4,546	2,901		
<b><u>Department of Environment, Food &amp; Agriculture</u></b>						
Ballure Slope Periodic Maintenance	25	25				30
Essential Building Maintenance	368	21	347			30
MCW - National Glens & Footpaths	400		400			30
Mill Road Yard Development	25	25				30
Mill Road Yard Vacant Units	80	80				30
Wildlife Park - Redevelopment	50		50			30
	948	151	797		656	
<b><u>Department of Home Affairs</u></b>						
Communications Development Programme	352	352				10
Communications Development Handsets	200		200			10
Rehabilitation and Resettlement Unit	32	32				30
Equipment Replacement - Fire & Rescue	75	29	46			10
Equipment Replacement - Police	126	54	72			10
Fire Station - Ronaldsway	70		70			30
Joint Douglas Fire and Ambulance Station	475	225	250			30
TETRA II	225	225				10
	1,555	917	638		1,932	
<b><u>Department of Health &amp; Social Care</u></b>						
Acute Adult Psychiatric In-Patient Facility	1,475	1,475				30
Day Care Services - Eastcliffe	2,500	2,500				30
DHSC Strategic Development Fund	485	235	250			30
GP Surgery Development - Peel	400		400			30
Learning Disabilities - Residential Unit	40	40				30
MCW - Asset Replacement Scheme	1,300	577	723			10
Radiology Equipment Replacement	550	550				30
Medical Staff Residential Accommodation	150	150				30
Older Persons RRU - North	247		247			30
Older Persons RRU - Summerhill	127		127			30
	7,274	5,527	1,747		12,242	





SCHEME	Total Expend. (£,000) 2018-19	Breakdown by Periodic Approval				Loan Duration C5
		Tynwald Approved C1	TO BE APPROVED C2	Future Approvals C3	Loan Sanction C4	
<b>Department of Infrastructure</b>						
Active Travel	590		590			30
Ballasalla Relief Road	35	35				30
Ballacubbon Housing Development	150	150				30
Airport Rehabilitation (pavements)	250		250			30
Airport X-Ray Machines Upgrade	2,700	2,700				30
Ambulance Fleet Replacement	347		347			10
Climate Change Adaption	2,436	336	2,100			30
DHA Vehicle Acquisition	802		802			30
DDA - Public Buildings	137	137				30
Douglas & Peel Cofferdam	49	49				30
Douglas Outer Harbour Development	354	254	100			30
Douglas Promenade	7,201	7,201				30
East Quay Peel	177		177			30
EFW Control Emissions Monitoring	385		385			30
Glencrutchery Road Reconstruction	170	20	150			30
Heritage Rail - (MER) Trackwork	1,694	150	1,544			30
Heritage Rail - Derby Castle Cladding	510		510			30
Heritage Rail - Douglas Railway Station	45	45				30
Heritage Rail - Horse Tramway Depot	1,500			1,500		30
Heritage Rail - Meary Veg Railway Sheds	70	70				30
Heritage Rail - Nunnery Bridge	758	8	750			30
Heritage Rail - SMR Track	775		775			30
Heritage Rail - Steam Railway Track	1,210	17	1,193			40
Heritage Trail Improvements	600		600			30
House Purchase Assistance Scheme	1,000	1,000				30
Lezayre Road	475		475			30
Liverpool Landing Stage	10,450	2,698	7,752			30
MCW - DfE	120		120			30
MCW - DHA	200		200			30
MCW - DHSC	930	450	480			30
MCW - DESC	2,710	2,710				20
MCW - Government Estate	1,838	723	1,115			30
MCW - Nobles Hospital Plant & Machine	1,270	625	645			30
MCW - Nobles Hospital Compliance	515	330	185			30
MCW - Public Transport	1,150	100	1,050			20
MCW - Villa/Gaiety	200		200			30
MCW - Wildlife Park	175		175			30
Peel Harbour Bridge Replacement	350		350			30
Plant & Vehicle Replacement	4,029	2,545	1,484			10
Port St Mary Alfred Pier	134	134				30
Public Transport - Banks Circus Renewal	690		690			30
Public Transport - Bus Fleet Replacement	1,571	1,571				10
Pulrose River Bridge	50		50			30
Quarry Plant Replacement	1,425	923	502			10
Raggatt Landfill	300		300			30
Ramsey Station	1,696			1,696		30
Runway Instrument Landing System	1,000		1,000			20
Runway Visual Range Measurement	100	100				30
Residential Road Refurbishment	775	275	500			30
Site Feasibility Studies	98	66	32			30
Strategic Highway Refurbishment	2,900	2,900				30

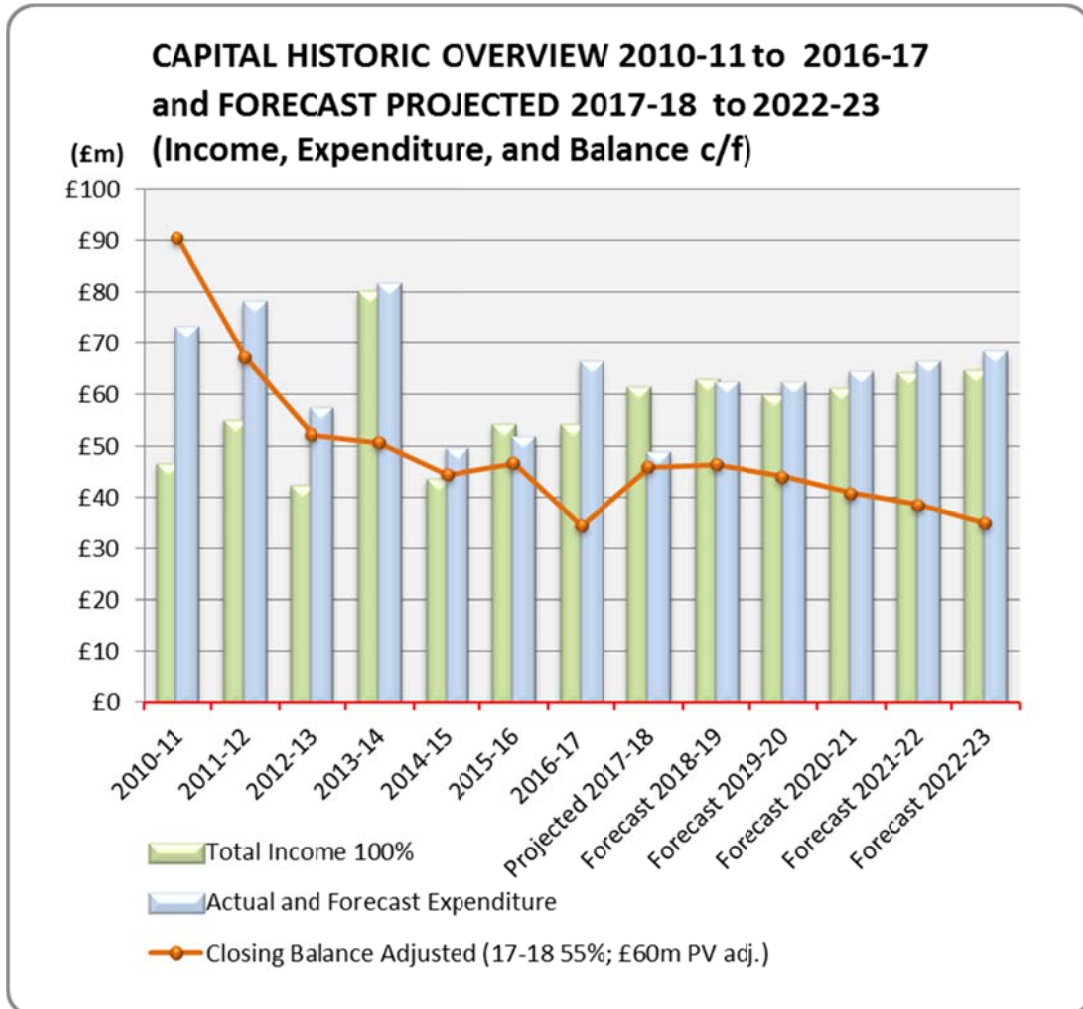


SCHEME	Total Expend. (£,000) 2018-19	Breakdown by Periodic Approval				Loan Duration C5
		Tynwald Approved C1	TO BE APPROVED C2	Future Approvals C3	Loan Sanction C4	
<b>Department of Infrastructure (Continued)</b>						
Strategic Structural Maintenance	1,690	149	1,541			30
Technology - Asset Management System	75	75				30
Regeneration - Douglas (Castle/Duke St)	920	920				30
Vehicle Test Centre Relocation	250		250			30
West Quay Ramsey	40		40			30
	62,071	29,466	29,409	3,196		
<b>Housing Reserve Funded Schemes</b>						
Clagh Vane Redevelopment 7/8	6,329	6,329				30
Crossag Phase 1	490	489	1			30
MCW - Housing Planned Works	1,900		1,900			30
	8,719	6,818	1,901			
<b>DOI Total</b>	<b>70,790</b>	<b>36,284</b>	<b>31,310</b>	<b>3,196</b>		
<b>Manx Museum and National Trust</b>						
MCW - MNH	154	40	114			20
MCW - Gallery Redisplay	190	121	69			20
	344	161	183		312	
<b>Manx Utilities Authority</b>						
Combined Cycle Gas Turbine	4,600	534	4,066			30
Essential upgrades fuel tanks & back-up power supplies	380	380				
MCW - MUA	1,682	324	1,358			30
RSS 1	91	91				50
Refurbishment of Local Sewage Treatment Works	2,454	206	2,248			30
Regional Sewage Treatment Works for Peel, Laxey and Baldrine	1,400		1,400			30
Sewer Flood Alleviation	1,300	901	399			30
Sewer Network Refurbishment	2,050		2,050			30
	13,957	2,436	11,521		3,731	
<b>Financial Services Authority</b>						
Technology - FSA New System	450	100	350			10
	450	100	350			
<b>Gambling Supervision Commission</b>						
Technology - GSC New System	250	250				30
	250	250				
<b>Statutory Boards Total</b>	<b>700</b>	<b>350</b>	<b>350</b>			
Capital Projects Contingency Fund	5,000		5,000			
Technology - Operational Change	3,098	1,797	1,301			30
<b>Manx Radio</b>						
MCW - Broadcasting House Maintenance	150		150			30
Broadcasting House Refurbishment	969			969		30
<b>Treasury Total</b>	<b>9,217</b>	<b>1,797</b>	<b>6,451</b>	<b>969</b>		
<b>TOTAL CAPITAL EXPENDITURE (CLF)</b>	<b>116,782</b>	<b>51,923</b>	<b>57,793</b>	<b>7,066</b>	<b>18,873</b>	

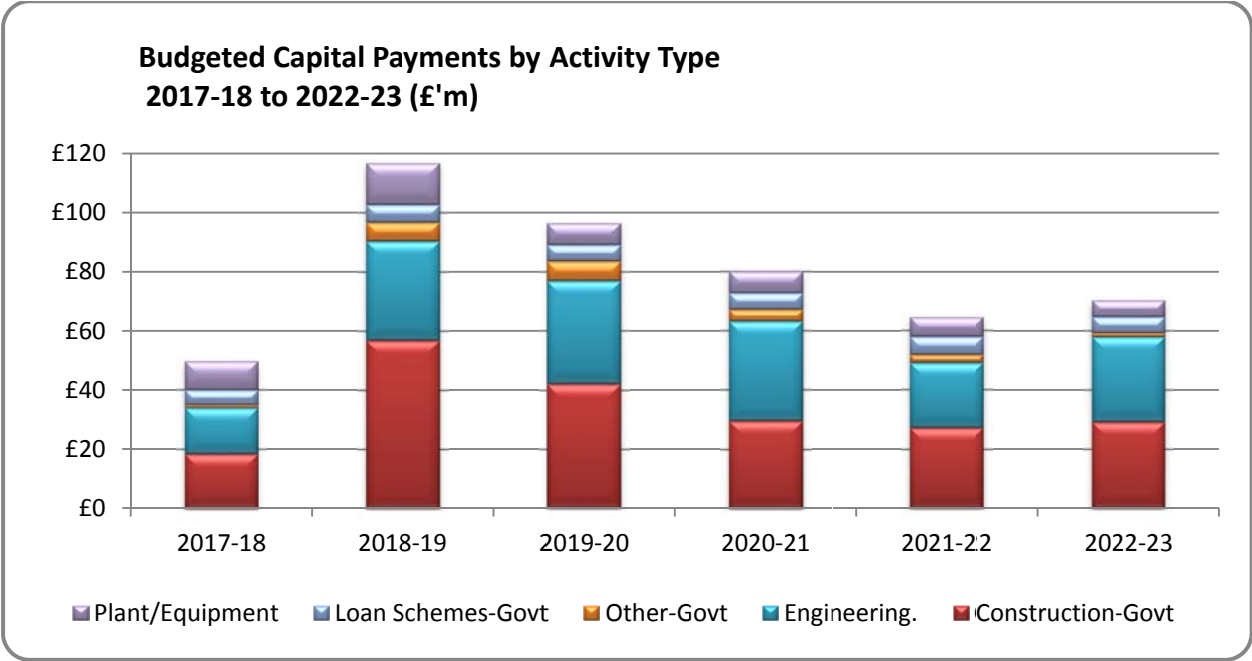


### 7.4. The 5 year Capital Programme

The table below shows the balance of the Consolidated Loans Fund (CLF) historically over the last 7 years and projected forward to include the duration of the current capital programme. As can be seen, the balance of the CLF is reducing, however at such a rate that it is unlikely that the fund will be depleted or will require “topping up” in the short to medium term.



An estimate of probable spend has been used rather than the traditional budgeted spend which has been used to model affordability in previous years, as this more accurately reflects Government’s assessment of the current capacity of local industry to deliver these projects. Liaison with the industry does take place regularly and efforts are made to schedule works to, as far as possible, avoid significant peaks and troughs to maximise delivery. Table 18 below shows the breakdown of the Capital Programme by type of expenditure.



This budget also requests the approval to include a “Plan B” schedule in this year’s programme which will allow certain budgets or schemes which can be delivered quickly and with minimal pre-construction work to be brought forward into earlier years should there be slippage on other planned expenditure. These are identified as part of Appendix 5. If this is done at present, the resulting expenditure incurs a Capital Supplementary Authority as an in-year overspend which is a time consuming way of administering what is in accounting terms, a timing discrepancy.

The detailed transactions on the Capital Account arising from the proposed Capital Programme are shown in Table 20 overleaf.



**TABLE 20 - Capital Account Summary**

<b>CAPITAL ACCOUNT SUMMARY</b>						
	<b>Probable</b>	<b>Budget</b>	<b>Provisional Budgets</b>			
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>RECEIPTS</b>						
Repayment of Capital	41,858	45,757	46,551	47,362	48,189	49,035
Capital Receipts	1,000	1,000	1,000	500	500	500
Drawdown from Housing Reserve	3,350	5,667	1,299	1,330	3,080	2,730
MUA Repayment	14,930	10,106	10,730	11,560	11,982	12,111
<b>TOTAL INCOME</b>	<b>61,138</b>	<b>62,530</b>	<b>59,580</b>	<b>60,752</b>	<b>63,751</b>	<b>64,376</b>
<b>PAYMENTS</b>						
<b>Departments</b>						
Cabinet Office	230	1,789	250	250	250	250
Enterprise	228					
Education, Sports and Culture	1,413	10,208	1,850	900	800	1,300
Environment, Food & Agriculture	1,032	948	350	350	450	450
Health & Social Care	5,852	7,274	2,450	2,050	1,750	1,750
Home Affairs	2,596	1,555	316	352	200	200
Infrastructure	20,093	62,071	48,045	27,457	23,111	16,720
Housing Reserve Funded Schemes	3,350	8,719	1,998	1,900	1,900	1,900
Treasury	5,033	8,098	5,000	5,000	5,000	5,000
<b>Other Bodies</b>						
Manx Museum & National Trust	610	344	550	400	320	310
Financial Services Authority	100	450				
Gambling Supervision Commission	250	250				
Manx Radio		1,119	150	150	150	150
<b>Manx Utilities Authority</b>	<b>8,828</b>	<b>13,957</b>	<b>1,430</b>	<b>1,024</b>	<b>900</b>	<b>2,250</b>
<b>Total Future Schemes (Appendix 6)</b>			<b>34,179</b>	<b>40,331</b>	<b>29,722</b>	<b>40,082</b>
<b>TOTAL EXPENDITURE</b>	<b>49,615</b>	<b>116,782</b>	<b>96,568</b>	<b>80,164</b>	<b>64,553</b>	<b>70,362</b>

The table above shows all elements of the Capital Programme. As explained earlier, given the trend for Government's delivery of the capital expenditure to not include the full programme, Treasury has included a more realistic projected spend of £62 million+ per annum delivery against budget. This level of capital expenditure is considered both affordable and sustainable. This explains the difference between the total expenditure figures above and those which are included in the Capital Account Forecast at Table 2.

Historically after the end of each financial year, Treasury has brought to Tynwald a list of Capital Supplementary Authorities for amounts of capital expenditure which form part of the overall approved budget for various capital programme items, due to the nature and timing of those items over a number of financial years, the actual level of expenditure in any one year may exceed the specific budget approval for that year.

Last year, Tynwald delegated authority to Treasury to allow it to approve where appropriate, the funding for scheme overspends up to £100,000 where they relate to timing differences and account for less than 10% of the total cost of the project. Given that this has saved Tynwald time over the last year, it is proposed to adopt this practise on a permanent basis and extend the authorisation to £250,000 for timing related discrepancies. Departments will still be required to explain any overspends where necessary.



## 8. THE RESERVES

Government's reserves are made up of internal and external funds. Summaries of the purpose of each of these funds can be found at Appendix 8. A considerable proportion of this is in relation to the draw down from the Public Sector Employees Pension Reserve of up to £40 million in 2018-19. As explained earlier, a key part of the Five Year Financial Plan is to ensure that reliance on the Pensions Reserve is eliminated by 2022-23 in line with the depletion of the Fund.

Government's internal reserves serve a valuable role in funding those costs which are difficult to predict due to their unforeseen nature or due to a high level of cost volatility from year to year. These items would distort the revenue budget if incorporated into the annual estimates, with the risk still remaining that the budget estimates are inadequate to meet the year's actual requirements.

This budget relies on the use of reserves to the order of £62 million (compared to an estimated £53.8 million for 2018-19 in the 2017-18 budget), which can be used as a proxy for Government's underlying operating deficit. Although this is higher than the previous estimate for 2018-19, this is still a reduction from 2017-18 of more than £10 million. Investment returns on our externally invested reserves are forecast at £51 million. A summary of the projected reserves position is shown below:

**Table 21 - Use of Reserves**

USE OF RESERVES						
	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
PSEPR	41.0	40.0	38.0	37.0	40.0	0.0
NI Investment Account	(4.0)	2.7	2.8	2.9	3.0	3.1
Internal Funds	17.0	18.0	17.0	16.0	15.0	15.0
Capital Account	(11.5)	(0.5)	2.4	3.2	2.2	3.6
Reserve Fund Interest	8.0	8.0	6.0	4.0	2.0	0.0
Hospital Estate Development Fund	3.4	3.8	3.7	3.7	3.6	3.6
Revenue Account Surplus	(18.3)	(10.2)	(8.9)	(26.0)	(33.6)	(3.2)
<b>Use of Reserves</b>	<b>35.6</b>	<b>61.8</b>	<b>61.0</b>	<b>40.8</b>	<b>32.2</b>	<b>22.1</b>

RESERVES ESTIMATED VALUE WITH 3.5% RETURNS AND STABLE MARKET						
	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
National Insurance Fund	785	808	832	857	882	908
PSEPR	145	110	75	40	2	0
Other reserves & cash inc. Reserve Fund	789	788	786	804	834	834
<b>Estimated Value</b>	<b>1,719</b>	<b>1,706</b>	<b>1,693</b>	<b>1,701</b>	<b>1,718</b>	<b>1,742</b>



## 8.1. External Reserves

The purpose of each external fund is enshrined within the investment mandates supplied to the discretionary investment managers and forms part of investment manager contracts. As of 2016-17, all investment mandates and benchmarks are on an absolute return basis.

### **Enterprise Development Fund**

As part of the 2016-17 budget proposals, the Enterprise Development Scheme was launched with an initial £10m of the Operating Balance earmarked for transfer into this new reserve, in support of the £50m Enterprise Development Scheme. Further transfer amounts totalling £5m over the 2017-18 and 2018-19 financial years are anticipated. The external scheme manager for this Fund, which is designed to boost the Manx economy through business investment and loan funding, has advised that the potential investment drawdown from this reserve in the current 2017-18 year is estimated at £5m, with a further £8m in 2018-19.

### **Media Development Fund**

Tynwald agreed in 2012 that £25m would be placed into this reserve and invested into film and other media projects, through Pinewood Film Advisors Ltd. The contract came to an end in October 2017, and whilst handover arrangements for the management of the investment portfolio are being progressed, Treasury is currently reviewing its options for the future operation of the Fund and the sums held within it. The Fund drawdown figures presented in this report are merely for illustrative purposes only.

## 8.2. Internal Reserves

As part of the 2018-19 budget process, Treasury will request devolved authority to transfer funding between the internal reserves without further recourse to Tynwald. This will allow Treasury to ensure that there is sufficient flexibility in place to transfer funding to wherever it is most required at short notice. Total funding requirement will not exceed £41 million (value of the internal funds).

As part of the 2017-18 Budget, Treasury indicated its intention, as part of the 2018-19 Budget process, to review the ongoing viability and need for several reserves with a view to potential closure in order to reduce the dependability upon the internal reserves for expenditure which could otherwise be funded through the general revenue. The conclusions from the review of the internal reserves are summarised as follows:

- a. **The Agriculture and Forestry Fund** was considered for potential closure at the end of 2017-18. From discussions with the Department of Environment, Food and Agriculture, however, it is clear that whilst the search for a viable business model and operator for the future operation of the Meat Plant is yet to be concluded, it would be premature to close off this source of funds for subvention purposes. It remains Treasury's intention, however, that the fund will be closed at the end of 2018-19. Any future agreed subvention requirements would then for future years need to be funded from the Department's revenue budget.
- b. **The Marketing Initiatives Fund (MIF)** was also considered for closure at the end of 2017-18. There are however, a number of large ongoing Department for Enterprise projects which remain reliant upon funds from the MIF, and particularly given the changes taking place within the Department, it is no longer deemed appropriate to close the fund at this



time. Treasury will continue to liaise with the Department for Enterprise to assess the ongoing need for this Fund.

- c. Commitment was also given to reviewing the ongoing viability of the **Legal Costs Reserve**. Given that the balance on this fund was projected in the Pink Book to fall below £1m by the end of 2017-18, concerns have been made regarding the ability of this fund to meet ongoing commitments. It is now clear that there is a continued demand for access to this fund from a number of different areas of Government, and it is unrealistic to expect that the relevant costs can be effectively budgeted for in the relevant areas, given the variable and unpredictable nature of such costs.
- d. **The Invest to Save Fund** was established in 2016-17 in order to support Departments in the generation of revenue savings projects to deliver the Financial Plan. In order to provide additional incentive for Departments to make greater use of the Fund, it is proposed that the terms of reference for this fund are amended to allow Departments to retain 50% of the revenue savings generated from savings project (currently the terms of reference only allows for 25% of the savings generated to be retained).
- e. **The Academic Business Planning Fund** was established on a trial basis as part of the 2017-18 Budget proposals in order to support those areas of operations within the Department of Education, Sport and Culture where the academic year does not coincide with the financial year. The Department has made good use of the fund to help facilitate the delivery of a wide variety of projects overlapping the financial year end, and so this fund should be retained for the Department's use into future years. There has been little justified demand for the fund to be extended for wider use by other departments, it is not proposed that the scope of the fund is widened beyond the remit of DEC.

### **8.3. Reserves 2017-18 Performance**

The projected Probable Income and Expenditure for 2017-18 in respect of each of the internal and externally managed funds is presented in the following table:





**TABLE 22 - Probable Income & Expenditure 2017-18**

	Balances B/f At 01/04/2017 £,000	Projected Income & Expenditure 2017-18					Balances C/f At 31/03/18 £,000
		Transfers To/from the Operating Account £,000	Con-tributions Seizures & Other £,000	Realised Investment Income £,000	Transfer to Rev/Capital Accounts £,000	Other Expense s £,000	
	1	2	3	4	5	6	7
<b><u>Managed External Invested Funds</u></b>							
Enterprise Development Fund	1,380	2,000	3,000	10	5,000	264	1,126
Hospital Estate Development Fund	37,580			870	3,439	85	34,926
Manx Currency Account - Notes	33,382		34,000	672	414	59	67,581
Media Development Fund	10,085				755	300	9,030
MUA Bond Repayment Fund	52,891		1,500	1,254		119	55,526
National Insurance Fund	743,600			19,035	3,980	1,821	756,834
Public Service Employees' Pension	161,918	(41,000)		3,420		379	123,959
Reserve Fund	332,733		50,000	7,927	8,000	821	381,839
<b>Total - External Funds</b>	<b>1,373,569</b>	<b>(39,000)</b>	<b>88,500</b>	<b>33,188</b>	<b>21,588</b>	<b>3,848</b>	<b>1,430,821</b>
<b><u>Internal Funds</u></b>							
Academic Business Planning Fund	450	1,000		6	450		1,006
Agricultural & Forestry Fund	2,338			29	1,000		1,367
BREXIT Fund		1,000			50		950
Contingency Fund	5,194			65	1,386		3,873
Digital Strategy Fund	7,452	2,000	662	93	3,097		7,110
Economic Development Fund	9,298			116	471		8,943
Healthcare Transformation Fund	3,814		1,000	48	2,290		2,572
Housing Reserve Fund	8,021	1,500	3,000	100	3,350		9,271
Invest to Save Fund	3,949			49	2,184		1,814
Land & Property Acquisition Reserve	1,699	1,000		21	92		2,628
Legal Costs Reserve	1,359	1,000		17	1,788		588
Marketing Initiatives Fund	4,846			60	750		4,156
Medical Indemnity Fund	3,441	1,000		43	1,000		3,483
Seized Assets Fund	2,479		250	31	2,339		421
Town & Village Centre Regeneration	1,614	150		20	1,050		735
<b>Total - Internal Funds</b>	<b>55,954</b>	<b>8,650</b>	<b>4,912</b>	<b>698</b>	<b>21,297</b>		<b>48,917</b>
Manx Currency Account - Other	48,204		(34,000)	135		771	13,568
Media Development Fund	12,659						12,659
Public Service Employees' Pension	4,460	41,000			41,000		4,460
Enterprise Development Fund	8,356		(3,000)				5,356
<b>Sub-total: Internal Funds</b>	<b>73,679</b>	<b>41,000</b>	<b>(37,000)</b>	<b>135</b>	<b>41,000</b>	<b>771</b>	<b>36,043</b>
<b>TOTAL</b>	<b>1,503,202</b>	<b>10,650</b>	<b>56,412</b>	<b>34,021</b>	<b>83,885</b>	<b>4,619</b>	<b>1,515,782</b>

Note - The balances of the externally managed invested funds are shown at book rather than market value.



#### 8.4. Reserves 2018-19 Projected Income & Expenditure

The projected Income and Expenditure for 2018-19 in respect of each of the internal and externally managed funds is presented in the table below:

**TABLE 23 - Projected Income & Expenditure 2018-19**

	Balances B/F At 01/04/2018 £,000	Projected Income & Expenditure 2018-19					Balances C/f At 31/03/19 £,000
		Transfers To/from the Operating Account £,000	Con- tributions Seizures & Other £,000	Realised Investment Income £,000	Transfer to Rev/Capital Accounts £,000	Other Expense £,000	
	1	2	3	4	5	6	7
<b><u>Managed External Invested Funds</u></b>							
Enterprise Development Fund	1,126	3,000	5,000	20	8,000	264	882
Hospital Estate Development Fund	34,926			870	3,786	90	31,920
Manx Currency Account - Notes	67,582			673	414	61	67,780
Media Development Fund	9,030				1,000	100	7,930
MUA Bond Repayment Fund	55,526		1,500	1,250		124	58,152
National Insurance Fund	756,834		2,722	18,912		1,835	776,634
Public Service Employees' Pension	123,959	(40,000)		3,510		396	87,073
Reserve Fund	381,839			8,090	6,000	725	383,204
<b>Total - External Funds</b>	<b>1,430,822</b>	<b>(37,000)</b>	<b>9,222</b>	<b>33,325</b>	<b>19,200</b>	<b>3,595</b>	<b>1,413,575</b>
<b><u>Internal Funds</u></b>							
Academic Business Planning Fund	1,006	1,000		14	1,000		1,020
Agricultural & Forestry Fund	1,367			20	1,388		(2)
BREXIT Fund	950	1,000		14	1,000		964
Contingency Fund	3,873			55	1,000		2,928
Digital Strategy Fund	7,110		662	101	2,796		5,077
Economic Development Fund	8,943			128	2,125		6,946
Healthcare Transformation Fund	2,572		1,000	37	1,392		2,217
Housing Reserve Fund	9,271	4,000	3,000	132	5,667		10,737
Invest to Save Fund	1,814	1,000		26	1,750		1,090
Land & Property Acquisition Reserve	2,628			38	1,000		1,666
Legal Costs Reserve	588	2,000		8	1,250		1,347
Marketing Initiatives Fund	4,156			59	897		3,319
Medical Indemnity Fund	3,483	2,500		50	1,500		4,533
Seized Assets Fund	421		1,000	6	1,202		224
Town & Village Centre Regeneration	735	500		10	700		545
<b>Total - Internal Funds</b>	<b>48,917</b>	<b>12,000</b>	<b>5,662</b>	<b>698</b>	<b>24,667</b>		<b>42,611</b>
Manx Currency Account - Other	13,568			135		771	12,932
Media Development Fund	12,659						12,659
Public Service Employees' Pension	4,460	40,000			40,000		4,460
Enterprise Development Fund	5,356		(5,000)				356
<b>Sub-total: Internal Funds</b>	<b>36,043</b>	<b>40,000</b>	<b>(5,000)</b>	<b>135</b>	<b>40,000</b>	<b>771</b>	<b>30,407</b>
<b>TOTAL</b>	<b>1,515,782</b>	<b>15,000</b>	<b>9,884</b>	<b>34,158</b>	<b>83,867</b>	<b>4,366</b>	<b>1,486,593</b>

Note - The balances of the externally managed invested funds are shown at book rather than market value.



## 8.5. Reserves Projected Future Expenditure

The projected future expenditure of each fund for the duration of the Five Year Plan is presented in the below table:

**TABLE 24 - Probable Expenditure Future Years**

<b>PROJECTED FUTURE EXPENDITURE</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b><u>Managed External Invested Funds</u></b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Enterprise Development Fund	5,264	8,264	10,264	10,264	10,264	6,358
Hospital Estate Development Fund	3,524	3,876	3,741	3,695	3,650	3,604
Manx Currency Account - Notes	473	475	790	790	790	790
Media Development Fund	1,055	1,100	50	50	50	50
MUA Bond Repayment Fund	119	124	100	100	100	100
National Insurance Fund	5,801	1,835	1,835	1,835	1,835	1,835
Public Service Employees' Pension Reserve Fund	379	396	324	324	324	324
Reserve Fund	8,821	6,725	4,725	2,275	275	275
<b>Total - External Funds</b>	<b>25,436</b>	<b>22,795</b>	<b>21,829</b>	<b>19,333</b>	<b>17,288</b>	<b>13,012</b>
<b><u>Internal Funds</u></b>						
Academic Business Planning Fund	450	1,000	500	500	500	500
Agricultural & Forestry Fund	1,000	1,388				
BREXIT Fund	50	1,000	1,000			
Contingency Fund	1,386	1,000	1,000	1,000	1,000	1,000
Digital Strategy Fund	3,097	2,796	3,000	3,000	3,000	3,000
Economic Development Fund	471	2,125	2,500	1,500	750	750
Healthcare Transformation Fund	2,290	1,392	1,500	1,500	1,000	1,000
Housing Reserve Fund	3,350	5,667	1,298	1,330	3,080	2,730
Invest to Save Fund	2,184	1,750	1,000	1,000	1,000	1,000
Land & Property Acquisition Reserve	92	1,000	1,000	1,000	1,000	1,000
Legal Costs Reserve	1,788	1,250	1,500	1,500	1,500	1,500
Manx Currency Account - Other	135	770	770	770	770	770
Marketing Initiatives Fund	750	897				
Media Development Fund						
Medical Indemnity Fund	1,000	1,500	3,250	4,250	4,500	4,500
Public Service Employees' Pension	41,000	40,000	38,000	37,000	40,000	
Seized Assets Fund	2,339	1,202	1,000	1,000	1,000	1,000
Town & Village Centre Regeneration	1,050	700	250	250	250	250
<b>Total - Internal Funds</b>	<b>62,432</b>	<b>65,437</b>	<b>57,568</b>	<b>55,600</b>	<b>59,350</b>	<b>19,000</b>
<b>TOTAL DRAWDOWN</b>	<b>87,868</b>	<b>88,232</b>	<b>79,397</b>	<b>74,933</b>	<b>76,638</b>	<b>32,012</b>

The Enterprise Development Fund shows expenditure each year and assumes that the full £50m expenditure will eventually be incurred. The nature of the Enterprise Development Scheme is such that there will be returns into the fund from the investments made; however, due to uncertainties regarding the timing and quantum of such returns, they are not included in the analysis above.

Please note that the amounts included in this table are indicative only for years beyond 2018-19 and are included to provide information on the likely use of reserves given current expectations and policies. These are therefore subject to change and will be updated at each budget.



## APPENDIX 1 - ANALYSIS OF TREASURY INCOME

This table shows the estimated revenue to Government of the Treasury as provided by Customs & Excise, Income Tax and the Treasury Investment Team.

**Table 25 - Analysis of Treasury Income**

Budget 2017-18	Projected 2017-18	ANALYSIS OF TREASURY INCOME	Budget 2018-19	Budget 2019-20	Budget 2020-21
£,000	£,000		£,000	£,000	£,000
		<b>CUSTOMS &amp; EXCISE</b>			
		<u>Shared Revenue</u>			
268,351	268,351	Value Added Tax	276,836	286,219	295,535
73,500	74,100	Excise Duty	75,600	77,600	79,500
6,400	6,400	Customs Duty	6,500	6,700	7,000
(800)	(1,100)	Cost of Collection Adjustment	(1,200)	(1,300)	(1,400)
		<u>Non-Shared Revenue</u>			
4,700	5,800	Gambling Duty	4,900	4,500	4,500
4,800	5,300	Air Passenger Duty	5,000	5,000	5,000
1,325	1,500	Lottery Duty	1,400	1,400	1,400
400	435	Non-Revenue Receipts	400	400	400
<b>358,676</b>	<b>360,786</b>	<b>TOTAL CUSTOMS &amp; EXCISE</b>	<b>369,436</b>	<b>380,519</b>	<b>391,935</b>
		<b>INCOME TAX</b>			
182,403	192,580	Resident Income Tax	191,550	193,850	200,300
19,250	17,220	Company Tax	12,500	12,900	14,200
9,600	14,700	Non-Resident Tax	19,150	19,550	23,500
<b>211,253</b>	<b>224,500</b>	<b>TOTAL INCOME TAX</b>	<b>223,200</b>	<b>226,300</b>	<b>238,000</b>
<b>241,500</b>	<b>244,610</b>	<b>NI Operating Account</b>	<b>250,948</b>	<b>258,528</b>	<b>266,179</b>
		<b>OTHER TREASURY INCOME</b>			
750	750	Fines	750	700	700
8,453	8,453	Interest on Investments	6,771	5,222	4,487
1,112	1,312	Miscellaneous	1,312	1,113	1,015
1,700	1,500	IOMPO – Revenue Contribution	500	500	500
<b>12,015</b>	<b>12,015</b>	<b>TOTAL OTHER TREASURY INCOME</b>	<b>9,333</b>	<b>7,535</b>	<b>6,702</b>
<b>823,444</b>	<b>841,911</b>	<b>TOTAL</b>	<b>852,917</b>	<b>872,882</b>	<b>902,816</b>



## APPENDIX 2 - NATIONAL INSURANCE ACCOUNT

TABLE 26 - National Insurance Account

National Insurance Account	Provisional Budgets					
	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
<b>Income</b>						
NI Contributions	195.3	200.2	206.2	212.3	218.7	225.3
Agency Income	49.3	50.8	52.4	53.8	55.5	57.1
	<b>244.6</b>	<b>251.0</b>	<b>258.6</b>	<b>266.1</b>	<b>274.2</b>	<b>282.4</b>
<b>Expenditure</b>						
NI Funded Welfare Payments	200.1	212.0	218.4	224.9	231.7	238.6
Administration Costs	2.0	2.0	2.1	2.1	2.2	2.3
NHS Allocation (DHSC)	38.5	39.7	40.9	42.1	43.3	44.6
	<b>240.6</b>	<b>253.7</b>	<b>261.4</b>	<b>269.1</b>	<b>277.2</b>	<b>285.5</b>
<b>NIF (est Value) B/F</b>	<b>756.4</b>	<b>785.3</b>	<b>808.5</b>	<b>832.4</b>	<b>856.9</b>	<b>882.3</b>
Investment Return	24.9	25.9	26.7	27.5	28.4	29.3
National Insurance Deficit	4.0	(2.7)	(2.8)	(3.0)	(3.0)	(3.1)
<b>NIF (est Value) C/F</b>	<b>785.3</b>	<b>808.5</b>	<b>832.4</b>	<b>856.9</b>	<b>882.3</b>	<b>908.5</b>



## APPENDIX 3 - WELFARE BENEFIT PAYMENTS 2018-19

TABLE 27 - Welfare Benefits Payments 2018-19

Benefit/Payment	Base Cost 2018-19	Up-rating %	Cost of up-rating	Up-rated Cost
<b>National Insurance Benefits</b>	£	%	£	£
Retirement Pension (see note 2)	143,500,000	3.0%	4,305,000	147,805,000
Age addition	455,000	0.0%	0	455,000
Pension supplement (RP)	36,750,000	0.0%	0	36,750,000
Retirement pension premium	1,580,000	3.0%	47,000	1,627,000
Old person's pension	155,000	3.0%	5,000	160,000
Nursing Care Contribution Scheme	2,300,000	10.0%	230,000	2,530,000
Long term Incapacity benefit	8,600,000	3.0%	258,000	8,858,000
Short term Incapacity benefit	2,900,000	3.0%	87,000	2,987,000
Incapacity benefit Youth	35,000	1.0%	1,000	36,000
Pension supplement (Incapacity)	500,000	0.0%	0	500,000
Bereavement allowances	560,000	3.0%	17,000	577,000
Pension supplement (Bereavement)	80,000	0.0%	0	80,000
Bereavement lump sum payment	50,000	0.0%	0	50,000
Widows Pension	120,000	3.0%	4,000	124,000
Pension supplement (Widows Pension)	25,000	0.0%	0	25,000
Guardian's allowance	0	0.0%	0	0
Funeral payments	50,000	0.0%	0	50,000
Maternity allowance	3,810,000	0.0%	0	3,810,000
Adoption allowance	10,000	0.0%	0	10,000
Paternity allowance	100,000	0.0%	0	100,000
Carer's Allowance	2,600,000	3.0%	78,000	2,678,000
Industrial Disablement Benefit	750,000	3.0%	23,000	773,000
Contribution based jobseeker's allowance	400,000	0.0%	0	400,000
Redundancy payments/rebates	165,000	-	0	165,000
Insolvency payments	400,000	-	0	400,000
Christmas bonus	1,000,000	0.0%	0	1,000,000
<b>N.I. Benefits - Total</b>	<b>206,495,000</b>		<b>5,055,000</b>	<b>212,000,000</b>
<b>General Revenue Benefits</b>	£	%	£	£
Disability Living Allowance (see note 3)	10,500,000	3.3%	347,000	10,847,000
Attendance allowance	4,100,000	3.3%	135,000	4,235,000
Severe disablement allowance	559,750	3.0%	17,000	576,750
Child benefit	10,100,000	3.3%	333,000	10,433,000
Income Support	35,000,000	3.3%	1,155,000	36,155,000
Winter Bonus	825,000	0.0%	0	825,000
Exceptional Needs grants	150,000	0.0%	0	118,000
Maternity payments	75,000	0.0%	0	75,000
Employed Person's Allowance	10,000,000	3.3%	330,000	10,330,000
Income based jobseeker's allowance	3,000,000	3.3%	99,000	3,099,000
T.V. Licence Refunds/Payments	900,000	-	0	900,000
<b>G. R. Benefits - Total</b>	<b>75,209,750</b>		<b>2,416,000</b>	<b>77,625,750</b>
<b>Grand Total</b>	<b>282,154,750</b>		<b>7,471,000</b>	<b>289,625,750</b>

### Notes

1. Uplifting % based on projected caseloads for 2017-18 & anticipated spend in 2018-19
2. The rates of both basic pension and additional pension are increased by 3.0%
3. Rates of DLA generally are increased by 3.3%, however the higher rate of the mobility component is increased by 3%



## APPENDIX 4 - REVENUE EXPENDITURE IN DETAIL BY DEPARTMENT, OFFICE OR BOARD

*Note: The Budget is prepared using figures extracted from the Government's financial systems which are rounded to the nearest penny, but presented in this section of the Budget in rounded thousands of pounds which may cause some totals to appear not to add up.*

### Department for Enterprise

The Department of Economic Development was restructured in November 2017 following a high-level strategic review, becoming the Department for Enterprise. The Department is a key partner in the achievement of the Government's key strategic objective, to be '*An Island of Enterprise and Opportunity*'.

To that end, the Department for Enterprise is aligned in its mission *to create an environment, through innovation and collaboration, where the economy thrives*. It is a modern department for a modern economy.

#### Department Aims:

- To understand, propose and oversee sustainable economic development opportunities.
- To lead on broad research, horizon scanning, competitor and market analysis and economic insights and manage the relationship and input from the economic policy advisory panel.
- To be outwardly focused, working in partnership with the private sector through an Agency-based approach, supporting the growth and prosperity of Island-based businesses leading to increased tax receipts.
- To promote diversification and further develop the economy by encouraging new, high value, sustainable businesses and skilled individuals to become established on the Island.
- To work collaboratively across the Department and across Government on economic development matters to ensure joined-up thinking and synergy.
- To manage the resources of the Department effectively and ensure effective internal controls, information governance and risk management.

#### The Organisational Structure:

The strategy and policy function brings together professionals from business intelligence, marketing, finance, governance, and corporate

services, creating a significant pool of talent and knowledge underpinning all service delivery to our current and potential customers.

The Department's new approach to business development is based around an Executive Agency Model.

1. Finance Isle of Man
2. Digital Isle of Man
3. Business Isle of Man
4. Visit Isle of Man

The Agencies' initiatives include:-

- leading on developing the product and proposition, agreeing the promotion opportunities and driving the key policy considerations for each agency's sectors;
- supporting target sectors where the Island can compete globally;
- attracting more businesses through marketing and financial support, including the EDS, FAS and employee incentive schemes;
- raising the image and awareness of the Isle of Man through international marketing;
- growing the economically active population by helping to attract the skilled workers our economy needs through a dedicated Locate team.

The Department is the lead agency for the promotion, organisation and delivery of the TT and Festival of Motorcycling. The Department is also home to the Aircraft Registry, Central Registries and Ship Registry delivering outstanding service for which they are globally recognised and well respected. The completion of the current transition to a fully functioning Department for Enterprise will enable us to work effectively towards the achievement of our vision: *"to be a forward thinking, valued partner, supporting Island businesses and people to fulfil their potential."*



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Department for Enterprise – Financial Summary

**TABLE 28 - Department for Enterprise Net Expenditure By Division**

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Chief Executive's Office	1,514	1,866	4,793	2,464	2,329
Finance, Digital and Business Agencies	3,237	2,771	1,798		1,798
Visit Agency	1,549	1,465	2,233	730	1,503
Motorsport	5,233	5,535	7,663	3,021	4,642
Financial Assistance Scheme	2,248	2,789	3,500		3,500
Ship Registry	(1,154)	(1,155)	3,102	3,779	(677)
Aircraft Registry	(1,761)	(1,501)	2,519	3,594	(1,075)
Central Registry	(10,304)	0	744	12,740	(11,996)
Registries	(2,583)	(11,996)			
Training & Employment Group	2,984	3,114			
Villa Gaiety	1,684	522			
<b>NET EXPENDITURE</b>	<b>2,646</b>	<b>3,410</b>	<b>26,352</b>	<b>26,328</b>	<b>24</b>

**TABLE 29 - Department for Enterprise Income & Expenditure By Category**

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	2,206	1,575	1,193	1,193	1,217
Third Party Contributions	394	490	470	470	481
Operating Income	27,377	26,653	24,658	24,733	25,266
Other Non-Trading Income	87	41	7	7	8
<b>TOTAL INCOME</b>	<b>30,064</b>	<b>28,759</b>	<b>26,328</b>	<b>26,403</b>	<b>26,972</b>
<b>EXPENDITURE</b>					
Employee Costs	11,741	11,054	9,317	9,636	9,904
Infrastructure Costs	1,408	979	788	788	788
Transport Costs	12	20	13	13	13
Supplies & Services	14,082	13,643	11,599	11,599	11,599
Loan Charges	1,475	1,463	1,048	1,069	1,091
Other	3,992	5,010	3,587	3,587	3,587
<b>TOTAL EXPENDITURE</b>	<b>32,710</b>	<b>32,169</b>	<b>26,352</b>	<b>26,692</b>	<b>26,981</b>
<b>NET EXPENDITURE</b>	<b>2,646</b>	<b>3,410</b>	<b>24</b>	<b>289</b>	<b>10</b>





## Department for Enterprise – Financial Summary (cont'd)

TABLE 30 - Department for Enterprise Reconciliation from 2018-19

<b><u>CHANGE FROM 2017-18 TO 2018-19</u></b>			
	<b>Gross Spend</b> £,000	<b>Gross Income</b> £,000	<b>Net Expenditure</b> £,000
<b>2017-18 Budget</b>	31,305	(27,807)	3,498
Transfer of budget between departments	(6,598)	3501	(3,097)
Loan charge adjustment	(415)		(415)
<u>Growth items</u>			
Civil legislation preparation	137	(316)	(179)
Motorsport expenditure	900		900
Aircraft registry	500	(395)	106
Ship registry	408	(789)	(381)
<u>Other</u>			
Employer pension contributions	53		53
Fee increases		(524)	(524)
Pay award allowance	61		61
<b>2018-19 Budget</b>	<b>26,352</b>	<b>(26,328)</b>	<b>24</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Department of Education, Sport and Culture

Our vision is to ensure a world-class education system for all, providing educational experiences which inspire, engage and enable children to become successful motivated learners, confident individuals, responsible citizens and effective contributors to society. We also strive to enhance and enrich the lives of the Island's people by providing opportunities for sporting, physical, artistic and cultural activity.

The Department's net revenue budget has been increased by £2.5 million, as a result of transfers from other Departments. During 2017, responsibility for the Villa Marina and Gaiety Theatre was transferred from the Department for Enterprise (DfE) to the renamed Department of Education, Sport and Culture. This transfer supports the broader strategy of closer working between agencies that represent cultural activity on the island.

In addition to the Villa Gaiety, training, apprenticeships and careers advice has also been transferred from the DfE. This will support the Department in promoting lifelong learning, expanding vocational training linked to social and economic need and ensuring our workforce is equipped with the skills and training employers need. Responsibility for secondary school catering has also been returned to the Department from the Catering Shared Service.



*Villa Marina and Gaiety Theatre*

The Department's expenditure budget has been increased by £1.4 million to fund an increase to pre-school credits in 2018. This funding will provide a credit of £3,420 per child per annum, sufficient to provide 20 hours of childcare per

week during the academic year prior to entering primary school.

As part of the quality assurance of pre-school settings, the additional funding will provide for a pre-school inspector and an additional advisory teacher, this will ensure the additional funding is linked to quality.

The Department's employee cost budget has been increased to provide for 2018 pay awards of 1%. The Department has been able to accommodate recent pay awards whilst continuing to protect front line services.

2017 saw the introduction of the Academic Business Planning Fund. This fund has been very well received, particularly by our schools, providing the means to action projects utilising funding from the previous financial year. The upper limit for the scheme will be increased to £1 million. Through this fund, University College Isle of Man has developed a modern informal learning space (hashtag 1), providing a positive learning environment and improving the facilities to support our drive to promote on-Island study.



*Hashtag 1, University College Isle of Man*

Subject to further Tynwald approval, a major extension and refurbishment scheme at St Mary's RC Primary school is due to commence at Easter 2018, for completion by Summer 2019.

In August 2018, works are due to start on a major refurbishment of the NSC Pools, with replacement of the floating floor and boom, new flumes and improved leisure features.

The Department will also progress with the new Castle Rushen High school development, and a Science and Technology building at Queen Elizabeth II High school.



## Department of Education, Sport and Culture – Financial Summary

TABLE 31 - Department of Education, Sport &amp; Culture Net Expenditure By Division

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Primary Education	21,975	22,285	21,918	66	21,852
Secondary Education	26,958	27,145	29,971	1,964	28,008
University College Isle of Man	9,577	9,631	11,534	1,624	9,910
Universities etc. Awards	10,236	9,881	10,034	320	9,715
Youth & Community Services	1,027	1,024	1,101	63	1,038
Education Improvement Service	2,377	2,378	2,536	95	2,442
Safeguarding & Inclusion	9,824	9,935	10,171		10,171
Central	9,236	10,958	13,625	179	13,446
Sports and Recreation, Facility Support	4,187	3,492	4,886	1,307	3,579
Arts Council	22	22	22		22
Villa Marina & Gaiety Theatre			3,956	3,501	455
Training & Employment			1,800		1,800
<b>NET EXPENDITURE</b>	<b>95,418</b>	<b>96,751</b>	<b>111,557</b>	<b>9,120</b>	<b>102,438</b>

TABLE 32 - Department of Education, Sport &amp; Culture Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Third Party Contributions	24	43	160	160	160
Operating Income	2,879	3,109	8,138	8,367	8,449
Grant Income	73	46			
Other Non-Trading Income	602	558	822	832	882
<b>TOTAL INCOME</b>	<b>3,578</b>	<b>3,756</b>	<b>9,120</b>	<b>9,359</b>	<b>9,491</b>
<b>EXPENDITURE</b>					
Employee Costs	68,960	70,174	73,933	76,654	77,735
Infrastructure Costs	3,671	3,895	4,258	4,258	4,258
Transport Costs	601	322	338	338	338
Supplies & Services	6,462	5,580	8,827	8,827	8,827
Loan Charges	6,124	7,236	7,633	7,786	7,941
Other	13,179	13,300	16,569	16,569	16,569
<b>TOTAL EXPENDITURE</b>	<b>98,996</b>	<b>100,507</b>	<b>111,557</b>	<b>114,431</b>	<b>115,668</b>
<b>NET EXPENDITURE</b>	<b>95,418</b>	<b>96,751</b>	<b>102,438</b>	<b>105,072</b>	<b>106,177</b>



## Department of Education, Sport and Culture – Financial Summary (cont'd)

TABLE 33 - Department for Education, Sport &amp; Culture Reconciliation from 2018-19

<b><u>CHANGE FROM 2017-18 TO 2018-19</u></b>			
	<b>Gross Spend</b> £,000	<b>Gross Income</b> £,000	<b>Net</b> £,000
2017-18 Budget	100,817	(3,956)	96,861
Transfer of budget between departments	7,741	(5,237)	2,505
Loan charge adjustment	398		398
<u>Growth items</u>			
Reduction in income target (NSC closure)		215	215
Pre-school credit scheme	1,492		1,492
Fee increases		(143)	(143)
<u>Other</u>			
Employer pension contributions	445		445
Pay award allowance	598		598
Decrease in grants and subsidies	(3)		(3)
Increase in supplies and services	69		69
<b>2018-19 Budget</b>	<b>111,557</b>	<b>(9,120)</b>	<b>102,438</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Department of Environment, Food & Agriculture

Our vision is a clean, safe, healthy, attractive and vibrant natural and built environment which will be enjoyed by present and future generations alike.

We will protect and enhance our natural and built environment, guided by the core principles of environmental, economic and social sustainability whilst optimising quality of life, international reputation, food security, energy security and outdoor amenity, and enhancing the health and safety of the public and those at work.



#### **Departmental Priorities**

In line with the overarching Government priorities, the Department's specific priority areas are to:

- ensure that within its areas of responsibility the Island is prepared to minimise the negative impacts and maximise the opportunities arising from Brexit
- facilitate economic development through enabling appropriate development of the built environment;
- deliver the Food Matters Strategy to achieve alignment of production to consumer demand; 2017 Awards for Excellence winner – Public Sector Achievement of the Year
- deliver the Future Fisheries Strategy including a common approach with our neighbours to fisheries management in the Irish Sea;
- maximise the benefits of UNESCO Biosphere Accreditation for the Isle of Man;
- deliver better outcomes and value through the Agricultural Development Scheme;

- deliver the Our Landscape Our Legacy Amenity & Landscape strategy;
- implement strategies to address the effects of climate change, especially in terms of coastal and inland flooding;
- advise and assist in the development of potential offshore energy production in the territorial seas whilst ensuring appropriate protection of the environment;
- redesign the planning system to facilitate economic development, whilst ensuring an appropriate balance with the needs of the wider community;
- manage the sea fishing pressure on vulnerable stock in a sustainable way to combat the risks of over-exploitation. The Department is working with the industry to address the issues in an appropriate way.

#### **Financial Performance**

The Department is on track to remain within budget for the financial year 2017-18. For 2018-19, budgets include the Office of Fair Trading and the Road Transport Licensing Committee. Whilst these bodies remain independent from the Department, since 2016 the Department is providing the administrative support necessary for their respective statutory functions.

The operation and cost of the Meat Plant poses significant challenges and the Department continues to work with the agricultural sector and the Meat Plant; and any solution will have major implications across the whole livestock sector.

*Continued...*

**Road Transport Licensing Committee (RTLCL)**

Since 2016, officers of the RTLCL have been 'stationed employees' of DEFA. The RTLCL remains an independent body of Government with responsibility for regulating the transport of passengers by road. DEFA provides the necessary support to enable the RTLCL to fulfil its regulatory functions. RTLCL budget reporting can be found within the DEFA section. During 2018-19 RTLCL will be working closely with DoI and DfE to improve training and safeguarding within the taxi and private hire sector.

**Office of Fair Trading (OFT)**

Since 2016, officers of the OFT have been 'stationed employees' of DEFA. The OFT continues to operate as a separate and distinct entity. DEFA now provides the necessary support to enable the OFT to fulfil its wide range of regulatory and consumer protection functions. OFT budget reporting can be found within the DEFA section.

The OFT's top priority remains to update the Island's consumer protection and competition legislation to achieve an effective legal framework to deal with a changing world whilst avoiding unnecessary obstacles to legitimate businesses which wish to trade fairly.

It remains a challenge to adequately resource levels of service required by our customers. This is particularly apparent in those areas of our work activities which are fixed by statute, or which are entirely demand-led, such as provision of adjudications under our Financial Services Ombudsman Scheme. We hope to meet this challenge through intelligence-led enforcement, increased multi-tasking by staff and increased co-operation with other agencies.



## Department of Environment, Food and Agriculture – Financial Summary

TABLE 34 – Department for Environment, Food &amp; Agriculture Net Expenditure By Division

<b>NET EXPENDITURE – BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Corporate Services	1,224	1,443	1,587	183	1,404
Agriculture	7,590	7,424	7,517	42	7,476
Fisheries	923	869	1,058	190	868
Forestry, Amenity & Lands	1,835	1,745	2,585	1,075	1,510
Environment	1,280	1,367	1,489	88	1,401
Government Laboratory	881	755	869	106	763
Wildlife Park	447	526	714	284	431
Animal & Plant Health	787	589	970	271	700
Planning	(184)	34	1,547	1,161	386
Office of Fair Trading	750	654	750	48	702
Road Transport Licensing Committee	85	78	144	47	97
Eco Systems Policy Unit			319	2	317
Energy Unit (DED)					
<b>NET EXPENDITURE</b>	<b>15,618</b>	<b>15,484</b>	<b>19,550</b>	<b>3,496</b>	<b>16,054</b>

TABLE 35 – Department for Environment, Food &amp; Agriculture Reconciliation from 2018-19

<b>INCOME &amp; EXPENDITURE – BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	102	102	97	97	98
Third Party Contributions	2	2	6	6	6
Operating Income	3,146	3,052	3,284	3,304	3,370
Other Non-Trading Income	133	69	109	109	112
<b>TOTAL INCOME</b>	<b>3,383</b>	<b>3,225</b>	<b>3,496</b>	<b>3,516</b>	<b>3,587</b>
<b>EXPENDITURE</b>					
Employee Costs	7,663	7,863	8,599	8,888	9,021
Infrastructure Costs	921	771	725	725	725
Transport Costs	53	69	45	45	45
Supplies & Services	3,077	2,221	1,945	1,945	1,945
Agency & Contracted Services	0	1	1	1	1
Loan Charges	785	796	901	919	938
Other	6,503	6,988	7,334	7,334	7,334
<b>TOTAL EXPENDITURE</b>	<b>19,002</b>	<b>18,709</b>	<b>19,550</b>	<b>19,856</b>	<b>20,008</b>
<b>NET EXPENDITURE</b>	<b>15,618</b>	<b>15,484</b>	<b>16,054</b>	<b>16,340</b>	<b>16,421</b>



## Department of Environment, Food and Agriculture – Financial Summary (cont'd)

TABLE 36 – Department for Environment, Food &amp; Agriculture Reconciliation from 2018-19

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend</b> £,000	<b>Gross Income</b> £,000	<b>Net</b> £,000
2017-18 Budget	19,147	(3,433)	15,714
Loan Charges adjustment	105		105
<u>Other</u>			
Employer pension contributions	50		50
Fee increases		(61)	(61)
Pay award allowance	47		47
Increase in grants & subsidies	200		200
<b>2018-19 Budget</b>	<b>19,550</b>	<b>(3,496)</b>	<b>16,054</b>





## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Department of Health & Social Care

The Department's vision is to provide better health and social care services for the people of the Isle of Man by achieving the strategic goals set out in 'Health and Social Care in the Isle of Man – the next 5 years' which was approved by Tynwald in October 2015.

The five-year strategic goals are:

- for people to take greater responsibility for their own health;
- to help people stay well in their own homes and communities, avoiding hospital or residential care wherever possible;
- to improve services for people who really do need care in hospital;
- to provide safeguards for people who cannot protect themselves; and,
- to ensure that people receive good value health and social care.

The main challenges faced by the Department have not changed during the year since the last budget.

- The Department recognises that it must improve its financial position and has put in place a number of cost improvement programmes. Difficult choices will need to be made in the near future regarding the allocation of resources: choices which may affect services.
- The population profile of the Isle of Man is shifting as people live longer: and they may sometimes have more complex health and social care needs.
- Maintaining and improving the quality of care provided by the Department requires a wide-ranging and sustained programme of work.
- There are shortages in many health and social care professions in the British Isles and beyond. Filling vacancies is often difficult, and when they are in vital front-line roles the Department must rely upon expensive agency staff to ensure that essential services are delivered. Maintaining good morale in these circumstances is difficult, and two consequences

of this are higher than expected rates of staff absence and staff turnover.

The Department's forecast overspending in 2017-18 will come mainly from staff costs at Noble's Hospital: particularly expenditure on agency and locum staff required to cover vacancies and absences through illness.

The Department's budget for 2018-19 has been increased, which has allowed additional funding to be allocated to Noble's Hospital.

Some investment in services will be made in 2018-19:

- care packages for adults with complex needs;
- forensic mental health care;
- mental health after-care;
- radiology; and,
- dermatology.

Capital projects in 2018-19 will include:

- building a new day care services centre on the Noble's Hospital estate to replace the Eastcliffe Resource Centre;
- building an older persons' residential and resource centre for the East of the Island (Summerhill View); and,
- commencing a five year programme of replacing radiology equipment at Noble's Hospital.

The independent review of service delivery and funding options for health care, which was approved at the January 2018 Tynwald, is welcomed; and will assist the Department in planning for sustainable services in the long-term.



## Department of Health &amp; Social Care – Financial Summary

TABLE 37 – Department of Health &amp; Social Care Net Expenditure By Division

<b>NET EXPENDITURE – BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Chief Operating Officer's Office	683	736			
Public Health	1,309	1,239	1,798		1,798
Noble's Hospital	92,482	93,891	90,606	2,933	87,673
Tertiary Referrals	19,752	20,931	19,500		19,500
Mental Health	20,246	19,412	20,281		20,281
Administration and Grants	140				
Ambulance Service	3,352				
Practitioner Services	37,795				
Prison Health Service	417				
Ramsey Hospital	3,963				
Allied Health Professionals	5,314				
Government Catering Services	3,262	3,512	5,085	3,021	2,064
NI Contributions	(37,908)	(38,500)		39,665	(39,665)
Children & Family Services	15,162	15,314	15,857		15,857
Adult Services Area	28,004	28,926	35,970	5,849	30,121
DHSC Corporate Services	6,765	11,789	13,450	84	13,366
Primary Health Care Services		60,794			
Occupational Health					
Commissioning & Contracted Services			43,960	3,636	40,324
Digital Transformation			1,006		1,006
Community Health Care Services	8,846		23,983	200	23,784
<b>NET EXPENDITURE</b>	<b>209,583</b>	<b>218,044</b>	<b>271,495</b>	<b>55,388</b>	<b>216,107</b>



## Department of Health &amp; Social Care – Financial Summary (cont'd)

TABLE 38 – Department of Health &amp; Social Care Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE – BY CATEGORY</b>					
	<b>Actual</b>	<b>Probable</b>	<b>Budget</b>	<b>Provisional Budgets</b>	
	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>INCOME</b>					
Taxation Income	38,010	38,600	39,749	40,939	42,156
Third Party Contributions	1,156	1,173	23	23	23
Operating Income	14,261	14,933	15,603	15,885	16,199
Other Non-Trading Income	45	15	13	13	15
<b>TOTAL INCOME</b>	<b>53,472</b>	<b>54,721</b>	<b>55,388</b>	<b>56,860</b>	<b>58,394</b>
<b>EXPENDITURE</b>					
Employee Costs	150,864	152,815	151,159	155,929	157,445
Infrastructure Costs	1,659	1,868	1,663	1,663	1,663
Transport Costs	4,941	4,947	4,804	4,804	4,804
Supplies & Services	25,164	26,969	25,907	25,845	25,845
Agency & Contracted Services	74,916	78,547	79,921	79,921	79,921
Loan Charges	8,539	9,261	9,892	9,968	10,047
Other	(3,028)	(1,642)	(1,851)	(1,806)	(1,760)
<b>TOTAL EXPENDITURE</b>	<b>263,054</b>	<b>272,765</b>	<b>271,495</b>	<b>276,325</b>	<b>277,965</b>
<b>NET EXPENDITURE</b>	<b>209,583</b>	<b>218,044</b>	<b>216,107</b>	<b>219,465</b>	<b>219,571</b>



TABLE 39 – Department of Health &amp; Social Care Reconciliation from 2018-19

<b><u>CHANGE FROM 2017-18 TO 2018-19</u></b>			
	<b>Gross Spend</b>	<b>Gross Income</b>	<b>Net</b>
	£,000	£,000	£,000
2017-18 Budget	263,852	(53,855)	209,997
Transfer of budget between departments	(2,139)	1,736	(404)
Loan charge adjustment	631		631
<u>Growth items</u>			
Nobles Budget adjustment	2,901		2,901
Adult Social Care	711		711
Forensic Mental Health	700		700
Section 115 Aftercare	500		500
CFS/ME Multi-Disciplinary Team	90		90
Radiology	164		164
Dermatology	383		383
Soft Drinks Levy	100		100
Fee increases		(1,449)	(1,449)
<u>Other</u>			
Employer pension contributions	754		754
Residential service costs & income	1,810	(1,810)	0
Pay award allowance	1,105		1,105
Other costs	246		246
Increase to NHS allocation		(10)	(10)
HEDF Increase	(312)		(312)
<b>2018-19 Budget</b>	<b>271,495</b>	<b>(55,388)</b>	<b>216,107</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Department of Home Affairs



The Department of Home Affairs plays an essential part in supporting the Programme for Government Strategic Objective of an inclusive and caring society. The work of the Department is carried out 24 hours a day, 365 days a year in order to ensure we can all live our lives safe from crime and danger. The core priority of the Department is to improve the quality of life for the Island's communities by developing effective integrated services for their safety and protection. This priority is multi-faceted and includes:

- Prevention and detection of crime (IOM Constabulary budget £12.7m)
- Reducing reoffending through community rehabilitation and restorative justice programmes (Prison and Probation budget £7.3m)
- Maintaining the high levels of fire safety through fire safety prevention regimes and when required, responding to incidents (Fire and Rescue Service budget £4.4m)
- Having a communications network which supports the work of our emergency services (Communications Division budget £1.2m)
- Working with volunteers to help with the emergency needs of the Island (Civil Defence budget £141k)
- Budgetary and performance management; responsive legislative programme; leadership and strategic development (Chief Executive's Office budget £7.3m)

Some of the key strategic challenges facing the Department are:

- Staff resilience and succession management – the loss of key individuals or groups has been identified as a major risk across all operational services
- Modernisation of the Criminal Justice System – working with GTS and accessing the Digital Strategy continues to be a key enabler in making progress in this project
- Changes to crime patterns – more complex and technological cases such as financial crime and money laundering, on-line abuse, etc, all require investment in equipment, training and increased pressure on officer resources
- Linked to the above, improving the awareness of cyber security and the prevalence of financial crime are challenges to be addressed as a priority
- Progressing the Department's demanding legislative programme – this is critical to supporting our modernisation agenda and ensuring that legislation is kept up to date to meet changing demands

### **Financial Performance**

Subject to draw down on internal funds, the Department remains focused on, again, remaining within budget for 2017/2018. The outlook on the three-year budget continues to be challenging and will require close monitoring. The key financial risks the Department faces over the next year are funding in relation to any serious incidents that may occur, complex police operations, the cost of Manx prisoners in the UK and ongoing pay pressures.

There are however, a number of projects that will be undertaken as a priority which include the continued rationalisation of the DHA estate, modernisation of the Criminal Justice System and a review of youth offending.



## Department of Home Affairs – Financial Summary

TABLE 40 - Department of Home Affairs - Net Expenditure By Division

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Chief Executive's Office	2,349	7,577	7,547	64	7,484
Civil Defence	178	135	141	1	140
Fire & Rescue Service	4,597	4,238	4,427	42	4,384
Prison & Probation	8,056	7,197	7,449	95	7,354
Communications	2,201	1,191	1,600	496	1,104
Constabulary	14,147	12,616	13,147	359	12,789
<b>NET EXPENDITURE</b>	<b>31,528</b>	<b>32,954</b>	<b>34,312</b>	<b>1,057</b>	<b>33,255</b>

TABLE 41 - Department of Home Affairs Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Third Party Contributions	86	97	117	117	119
Operating Income	763	646	650	664	664
Other Non-Trading Income	315	320	290	290	296
<b>TOTAL INCOME</b>	<b>1,164</b>	<b>1,063</b>	<b>1,057</b>	<b>1,071</b>	<b>1,079</b>
<b>EXPENDITURE</b>					
Employee Costs	26,033	26,096	26,872	27,772	28,008
Infrastructure Costs	1,338	1,095	1,021	1,021	1,021
Transport Costs	13	15	15	15	15
Supplies & Services	3,668	3,163	2,710	2,710	2,710
Loan Charges	2,310	3,648	4,063	4,144	4,227
Other	(670)		(368)	(368)	(369)
<b>TOTAL EXPENDITURE</b>	<b>32,692</b>	<b>34,017</b>	<b>34,312</b>	<b>35,292</b>	<b>35,611</b>
<b>NET EXPENDITURE</b>	<b>31,528</b>	<b>32,954</b>	<b>33,255</b>	<b>34,221</b>	<b>34,532</b>



## Department of Home Affairs – Financial Summary (cont'd)

TABLE 42 - Department of Home Affairs Reconciliation from 2018-19

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend</b>	<b>Gross Income</b>	<b>Net</b>
	£,000	£,000	£,000
2017-18 Budget	33,996	(1,042)	32,953
Transfer of budget between departments	(245)		(245)
<u>Growth items</u>			
Loan charge adjustment	414		414
SAF Realignment*	0		0
Fee increases		(15)	(15)
<u>Other</u>			
Employer pension contributions	145		145
Pay award allowance	202		202
Reduction in supplies and services	(200)		(200)
<b>2018-19 Budget</b>	<b>34,312</b>	<b>(1,057)</b>	<b>33,255</b>

\*SAF Realignment: £368,000 additional funding granted as bid to be netted off as reclaim from the Seized Asset Fund



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Department of Infrastructure

The Department provides the infrastructure that the Island and its people need to build social and economic success and the foundation needed for the delivery of key items in the Programme for Government.



The Department is a diverse organisation whose employees ensure that the services for which the tax payer funds the Department are delivered in a timely and professional manner.

Together, these people enable us all to:

- travel safely and efficiently around the Island whether by foot, cycle, bus or motorised transport;
- move between the Island and other places;
- have appropriately maintained Government buildings, such as schools, the airport, sea terminal and the hospital, and vehicles such as fire appliances and buses;
- have access to affordable housing if they need it;
- have proper disposal methods for our waste.

The Department has set a number of key priorities to ensure that its resources are properly targeted.

These are:

- securing off-Island links that meet the social and economic needs of the Isle of Man;
- planning for infrastructure that enhances and creates sustainable communities and is able to accommodate future Island requirements;
- maintaining assets appropriately to make best use of resources;
- providing on-Island transport that meets the needs and requirements of our customers;
- ensuring that we have affordable and accessible housing to meet our social and economic needs

- managing the government estate to derive the best overall outcome for the Island.

The Department is therefore allocating the resources provided for in this budget as summarised in the tables overleaf.

### **Financial Performance**

In spite of increased demands on the services provided across the Divisions, the Department is working hard to ensure that it ends 2017-18 within its pre-agreed budget. Delays experienced in recruiting skilled workers have led to difficulties in progressing works in some areas, which has inadvertently helped to ensure that savings targets will be achieved. This is far from an ideal situation as while it means the Department will operate within its allocated annual budget, the result is that not all planned works have been completed. As a consequence, this will put extra pressure on the 2018-19 budget to carry out all planned works as well as any works from the current year that are incomplete.

### **Aims for 2018-19**

The Department is responsible for a wide range of valuable infrastructure assets and has a continued focus on maintenance. Funding constraints mean that difficult choices have to be made; reduced maintenance spend helps achieve short-term savings but at the risk of long-term asset viability. The Department continues to improve its asset management techniques and is concentrating on maintaining existing assets other than in cases where replacement offers better value.

### **Capital Project Schemes**

The Department progressed a number of capital schemes and minor capital works during 2017-18. These schemes included the first stage of the Government's Climate Change Adaptation Programme whereby 151 properties in Castletown have been protected against a 1 in 200 year tidal surge, without which parts of the town would become uninhabitable as sea levels rise. The Crossag Road (A26) between Black Hill and





Abbotswood Ballasalla was upgraded and the old Mwyllin-e-Quinney Bridge has been replaced ahead of a major refurbishment on the New Castletown Road at Santon. 2017-18 also saw the opening of the replacement Laxey Bridge, the completion of regeneration projects in the Port Erin, Castletown and Peel and the maintenance of large sections of the Mountain Road. Significant highway maintenance was also carried out in Foxdale, Circular Road and Lord Street. Work started improving conditions in residential areas with work in Hillside Avenue. The Department also carried out extensive structural maintenance on retaining walls, bridges and harbour structures all around the Island, as part of an injection of funding into basic maintenance.

Projects to be progressed for 2018-19 will include:

- Douglas Promenade
- Liverpool Landing Stage
- Reconstruction of the carriageway on Lezayre Road in Ramsey
- Raggatt Leachate Pumping Station
- Strathallan Tram Depot
- Heritage Trail Improvements
- Upgrade of the Energy from Waste Plant Control Emission Monitoring system
- Castle Street and Duke Street - Douglas Regeneration schemes
- Residential Streets
- Active Travel promoting walking and cycling as an alternative to motorised travel
- Supporting the move towards electric vehicles



## Department of Infrastructure – Financial Summary

TABLE 43 - Department of Infrastructure Net Expenditure By Division

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Minister & Chief Executive's Office	181	190	2,343		2,343
Strategy, Policy & Performance	674	651	852		852
Finance & Governance	(6,733)	7,581	32,949	8,866	24,083
Ports Division	4,541	5,077	12,576	11,131	1,444
Highway Services Division	13,628	(1,405)	12,157	16,129	(3,972)
Public Estates & Housing Division	25,177	29,335	39,056	12,521	26,535
Transport Services Division	15,000	16,895	19,304	7,362	11,943
Housing Division	1,060	0			
<b>NET EXPENDITURE</b>	<b>53,529</b>	<b>*58,324</b>	<b>119,238</b>	<b>56,009</b>	<b>63,228</b>

TABLE 44 - Department of Infrastructure Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	12,604	12,898	13,568	13,568	13,840
Third Party Contributions	3,068	3,607	3,846	3,846	3,911
Operating Income	35,018	34,749	35,066	35,575	36,286
Other Non-Trading Income	3,915	3,657	3,530	3,532	3,602
<b>TOTAL INCOME</b>	<b>54,604</b>	<b>54,911</b>	<b>56,009</b>	<b>56,521</b>	<b>57,639</b>
<b>EXPENDITURE</b>					
Employee Costs	41,483	42,149	43,069	44,542	44,996
Infrastructure Costs	39,063	35,335	33,734	33,734	33,734
Transport Costs	4,304	5,273	5,700	5,700	5,700
Supplies & Services	8,826	9,026	11,056	10,525	10,450
Agency & Contracted Services	2,455	2,098	3,213	3,213	3,213
Loan Charges	12,652	17,322	20,159	20,562	20,973
Other	(652)	2,032	2,307	2,307	2,307
<b>TOTAL EXPENDITURE</b>	<b>108,133</b>	<b>113,235</b>	<b>119,238</b>	<b>120,582</b>	<b>121,372</b>
<b>NET EXPENDITURE</b>	<b>53,529</b>	<b>*58,324</b>	<b>63,228</b>	<b>64,061</b>	<b>63,733</b>

\*The projected 17-18 overspend of £615k quoted in the above tables excludes the Department's proposed bid to the Invest to Save fund concerning office rationalisation which is currently being processed. When this is taken into account, the Department is projected to end the year in a breakeven position



## Department of Infrastructure – Financial Summary (cont'd)

TABLE 45 - Department of Infrastructure Reconciliation from 2018-19

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend</b> £,000	<b>Gross Income</b> £,000	<b>Net</b> £,000
2017-18 Budget	112,234	(54,525)	57,709
Transfer of budget between departments	218		218
Loan charge adjustment	2,838		2,838
<u>Growth items</u>			
Fee increases		(873)	(873)
Reduction to proposed fee increase		334	334
Closed Landfill Monitoring	138		138
Electrical maintenance (EPPM)	250		250
Wildlife Park Electrics (DEFA)	50		50
Railway Asset Manager (2 year LTA)	44		44
DHSC Transport Services	442		442
Horse Tram Operation	298	(138)	160
Management of small plant	169		169
Road maintenance	1,100		1,100
Local authority housing deficiency	422		179
<u>Other</u>			
Reversal of 17-18 HDP Increase	(243)		(243)
Employer pension contributions	236		236
Pay award allowance	236		236
In year adjustment (MUA & Horse Trams)	807	(807)	0
<b>2018-19 Budget</b>	<b>119,238</b>	<b>(56,009)</b>	<b>63,228</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### The Treasury

The Treasury delivers a wide range of services to high standards; across the various parts of the public sector; to the Manx community; and, in some cases, internationally. The quality of our services must be maintained in accordance with statutory requirements and to meet the needs of our customers.



#### **IOM Currency - £1 Coin**

The functions of the Treasury include collection of revenue for the funding of public services; distribution of payments such as benefits; financial governance through financial oversight, international engagement, financial reporting and asset management.

The Department has continued to pursue various work programmes and restructuring in order to

achieve a desired Target Operating Model for the Treasury.

Treasury has also made bids as part of this year's budget process in order to improve its systems as well as its ability to respond to growing work streams such as international taxation.

These bids included additional funding for the Customs & Excise VAT system, known as VIPS, as well as the provision of a new international tax team for the Income Tax Division to deal with the growing demands of international tax standards.

From a capital viewpoint, the Department is about to embark on a significant programme of work through the delivery of a new Target Operating Model (TOM) which will see a complete review and rescope of how the Department provides its services to its customers. The next 5 years will see a number of workstreams that will revamp our ICT systems and many other systems that users of our services utilise to interact with all areas of Treasury.



## The Treasury – Financial Summary

TABLE 46 - The Treasury Net Expenditure By Division

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Actual Spend* 2016-17 £,000</b>	<b>Probable Spend* 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Financial Governance Division	10,931	10,590	10,945	9,040	1,905
Customs & Excise Division	2,277	2,116	2,425	369,436	(367,011)
Income Tax Division	4,731	4,439	4,724	223,200	(218,476)
Assurance Advisory Division	564	630	742	93	648
Manx Radio Subvention	875	875	955		955
Grants	5,469	4,205	3,006		3,006
Government Contingency		3,000	3,000		3,000
Lottery Duty Distribution	1,352	1,325	1,400		1,400
Non-Contributory Benefits	69,661	73,415	77,626		77,626
National Insurance Operating Account	210,138	206,100	250,948	250,948	
Social Security Administration	3,811	5,233	5,359	200	5,159
Criminal Injury Compensation		239	240		240
<b>NET EXPENDITURE</b>	<b>309,809</b>	<b>312,167</b>	<b>361,371</b>	<b>852,918</b>	<b>(491,547)</b>



## The Treasury – Financial Summary (cont'd)

TABLE 47 - The Treasury Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Customs & Excise	348,549	360,786	369,436	380,519	391,935
Income Tax	216,819	224,500	223,200	226,300	238,000
Other Treasury Income	11,341	12,015	9,333	7,535	6,702
NI Operating Account	248,046	244,610	250,948	258,528	266,179
<b>TOTAL INCOME</b>	<b>824,755</b>	<b>841,911</b>	<b>852,918</b>	<b>872,882</b>	<b>902,816</b>
<b>EXPENDITURE</b>					
Employee Costs	13,516	13,535	14,744	18,573	22,159
Infrastructure Costs	17	7	86	86	86
Transport Costs	1				
Supplies & Services	2,211	6,039	5,379	8,090	10,821
Agency & Contracted Services	3,391	3,570	3,719	3,719	3,719
Loan Charges	241	660	481	490	500
Social Security Clients	319,035	318,025	331,296	339,682	349,654
Other	9,304	8,842	5,666	5,645	6,089
Unallocated Savings				(3,000)	(8,000)
<b>TOTAL EXPENDITURE</b>	<b>347,717</b>	<b>350,678</b>	<b>361,371</b>	<b>373,286</b>	<b>385,029</b>
<b>NET EXPENDITURE</b>	<b>(477,038)</b>	<b>(491,233)</b>	<b>(491,547)</b>	<b>(499,596)</b>	<b>(517,787)</b>



TABLE 48 - The Treasury Reconciliation from 2018-19

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend</b>	<b>Gross Income</b>	<b>Net</b>
	£,000	£,000	£,000
2017-18 Budget	356,207	(823,444)	(467,237)
Transfer of budget between departments	727		727
Loan charge adjustment	(179)		(179)
<u>Growth items</u>			
Customs & Excises VIPS System	160		160
Income Tax International Team	235		235
Reduction in Post Office Dividend		1,000	1,000
Income Adjustment		(30,474)	(30,474)
<u>Other</u>			0
Employer pension contributions	92		92
Pay award allowance	104		104
Reduction in transport costs	(352)		(352)
Increase in supplies and services	308		308
Increase in agency costs	94		94
Contributory benefits increase	7,170		7,170
Non-Contributory benefits decrease	(3,301)		(3,301)
Reduction in internal fund reimbursements	1,348		1,348
Reduction in grants and subsidies	(1,273)		(1,273)
Miscellaneous adjustments	31		31
<b>2018-19 Budget</b>	<b>361,371</b>	<b>(852,918)</b>	<b>(491,547)</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Cabinet Office



The Cabinet Office is a Government Department which supports the Chief Minister, the Minister for Policy and Reform, the Chief Secretary, His Excellency the Lieutenant Governor, and the Council of Ministers. We also provide corporate services across the public sector in technology, human resources, communications, learning and organisational development and change management. We have responsibility for planning policy and provide economic advice and statistics to inform Government planning and policy making.

We work to support the Council of Ministers and Government Departments in developing and setting policy. We lead, drive and support corporate change and reform and are accountable for the implementation of the corporate decisions of the Council of Ministers. We also provide timely, reliable and accurate information to support better policy and decision making in Government. In addition, we ensure that our residents are kept informed of Government policy and decisions through our news and social media updates.

We support regular and targeted political engagement with the UK Government, UK Parliament and other influential and relevant international partners to defend and protect the interests of the Island. We are also responsible for the conduct of House of Keys elections, including registration of electors; the administration of passport, immigration, nationality services; Freedom of Information; and provide media and public relations advice and support to all parts of Government on internal, national and international matters.

#### Key Priorities

- to lead and manage the implications for the Isle of Man arising from the UK's withdrawal from the EU, co-ordinating and supporting work across Government;
- to champion and deliver technology-led reform through the Digital Strategy which will provide more efficient public services;
- to ensure that the Isle of Man complies with obligations under international conventions and other recognised international standards, in particular those with, economic or reputational, challenges or opportunities for the Island;
- to support GDPR legislation and ensure the public sector is ready for its implementation;
- to support pay restraint and drive sustainable HR initiatives to meet legal, economic and technical challenges facing Government;
- bring into operation a complete and up to date Island Development Plan alongside the delivery of improvements to our planning system;
- to co-ordinate the roll out of the Equality Act for the public, private, third and voluntary sectors through the provision of support, advice and guidance;
- to support the Council of Ministers' policy and reform agenda;
- prioritising the 2018-19 Surveys that will underpin the first review of the Isle of Man's Revenue Sharing arrangement;
- to report on Government's progress towards the Programme for Government.

#### Risks

The impact of Brexit on the Cabinet Office is likely to be significant. The Cabinet Office faces the challenge of meeting ongoing demands for its services while, at the same time, planning for and then implementing the new arrangements.

#### Digital Strategy

Through the establishment of Government's Digital Strategy, the Cabinet Office leads a digital transformation initiative of 9 digital programmes and in excess of one hundred projects. The strategic financial aims of the Digital Strategy are;





## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board



- A minimum saving of £5m to be achieved within five years ensuring the programme is cost neutral across the period.
- Further indirect savings and service improvements of £5m to be achieved within five years.

Key focus areas for 18/19 include; Criminal Justice, Health and modernisation of Government's HR systems. The Departments' progress on the Digital Strategy can be followed at:

<https://www.gov.im/digitalstrategy>.

### Anti-Money Laundering/Combating the Financing of Terrorism

The Cabinet Office has established an AML/CFT Policy Office which is responsible for co-ordinating the Island's law enforcement authorities and regulators to ensure that the IoM meets international standards on anti-money laundering and countering the financing of terrorism (AML/CFT). The AML/CFT Policy Office also coordinates national risk assessment activities and acts as the main conduit between the IoM Government and relevant international bodies, notably MONEYVAL, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, and is a permanent monitoring body of the Council of Europe.

### Office of Cyber Security and Information Assurance (OCSIA)

In August, 2017 the Council of Ministers, recognising the importance of information security and cyber resilience to the Government and the Island as a whole, issued a directive part of which established an Office of Cyber-Security & Information Assurance (OCSIA) this unit will pull together a central point of advice & guidance in

the area of information assurance including Data Protection (GDPR) and Freedom of Information (FOI) as well as being responsible for the drafting and subsequent delivery of a National Cyber Security Strategy (NCSS).

### Equality Act

The Cabinet Office has responsibility for ensuring the successful implementation of the Equality Act, the most important piece of social legislation in the Isle of Man in the past thirty years. This is a complex and wide-ranging piece of legislation which will affect public, private third and voluntary sectors. We will be providing advice and support in respect of implementation of the Act as well as ensuring the supporting legislation and guidance is in place.

### Financial performance

In the lead up to 2018-19, the Cabinet Office through the Office of Human Resources and Government Technology Services (GTS) will have delivered a total saving in excess of £5m for Government since the Department's creation in 2014.

### Key headline changes to the Cabinet Office budget in 2018-19 include;

1. Significant budgetary changes have been made during 2017-18, these include the refocussing of almost £1m of Government Technology Services' budget to ensure best value for money in how ICT services are provisioned.
2. The 2018-19 budget targets see refinement of income targets for the Crown and External Relations, Passport Service to reflect previous reductions in the cost of passport and seasonal demand profile.
3. In 2018-19 Cabinet Office will introduce a minor capital works programme. This is to support investment in Government ICT systems where these are becoming aged or need enhancement.
4. 2018-19 will see the formation of the Office of Cyber Security and Information Assurance, funded from savings driven from within the Cabinet Office's existing revenue budget.
5. 2018-19 will also see the addition of funding to ensure appropriate oversight for the provision of the Equality Act.



## Cabinet Office – Financial Summary

TABLE 49 - Cabinet Office Net Expenditure By Division

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Exec Office/Office of Chief Secretary	1,475	1,698	1,645		1,645
Government Technology Services	19,324	19,359	20,113	371	19,741
Policy & Reform	700	667	851	74	776
Office of Human Resources	5,947	5,863	5,969	7	5,962
Policy & Strategy	811	535	602		602
Crown & External Relations	2,129	1,815	2,785	1,063	1,722
<b>NET EXPENDITURE</b>	<b>30,385</b>	<b>29,937</b>	<b>31,965</b>	<b>1,516</b>	<b>30,448</b>

TABLE 50 - Cabinet Office Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	(1)				
Third Party Contributions	557	415	42	43	43
Operating Income	1,088	1,243	1,466	1,498	1,531
Other Non-Trading Income	(19)	13	8	8	8
<b>TOTAL INCOME</b>	<b>1,625</b>	<b>1,671</b>	<b>1,516</b>	<b>1,549</b>	<b>1,582</b>
<b>EXPENDITURE</b>					
Employee Costs	16,009	16,867	17,170	17,698	17,906
Infrastructure Costs	118	110	135	135	135
Transport Costs	11	8	11	11	11
Supplies & Services	18,960	14,800	14,747	14,666	14,666
Loan Charges	99	74	88	90	91
Other	(3,188)	(252)	(186)	(291)	(291)
<b>TOTAL EXPENDITURE</b>	<b>32,009</b>	<b>31,608</b>	<b>31,965</b>	<b>32,308</b>	<b>32,518</b>
<b>NET EXPENDITURE</b>	<b>30,385</b>	<b>29,937</b>	<b>30,448</b>	<b>30,759</b>	<b>30,936</b>



## Cabinet Office – Financial Summary (cont'd)

TABLE 51 - Cabinet Office Reconciliation from 2018-19

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend</b> £,000	<b>Gross Income</b> £,000	<b>Net</b> £,000
2017-18 Budget	31,607	(1,651)	29,956
Transfer of budget between departments	(73)		(73)
Loan charge adjustment	14		14
<u>Growth items</u>			
Passport income reduction		168	168
Equality advisor	70		70
Fee increases		(33)	(33)
<u>Other</u>			
Increase in supplies and services	178		178
Increase in internal fund reimbursements	(6)		(6)
In year adjustments	70		70
Reduction in FOI budget	(100)		(100)
Employer pension contributions	97		97
Pay Award allowance	107		107
<b>2018-19 Budget</b>	<b>31,965</b>	<b>(1,516)</b>	<b>30,448</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Executive Government

#### **MANX INDUSTRIAL RELATIONS SERVICE**

The Manx Industrial Relations Service (MIRS) provides a free and impartial industrial and employment relations service, which although funded by Government is an independent organisation. The service helps employers, employees and trade unions to work together for the prosperity of Isle of Man business and the benefit of employers and employees.

#### **VETERANS WELFARE SERVICE**

The Veterans Welfare Service provides assistance, support and advice to ex-service personnel and their dependants in association with Veterans UK, part of the Ministry of Defence.

The Veterans Welfare Service is committed to enhancing the quality of life for veterans and beneficiaries of Veterans UK Pensions and Compensation Schemes, and all their dependants.

They provide support for bereaved families, respond to life events that present welfare needs, and facilitate access to all appropriate services, pensions and benefits.

#### **ISLE OF MAN INFORMATION COMMISSIONER**

The Information Commissioner is the independent supervisory body for the Data Protection Act 2002, the Freedom of Information Act 2015, the Unsolicited Communications Regulations 2005 and the Code of Practice on Access to Government Information. The Commissioner's Office has continued to operate within budget and has managed the implementation of the Freedom of Information Act without an increase in staff.

New legislation to implement the General Data Protection Regulations (GDPR) in the Island by May 2018 is awaited. Until that legislation is known it is not possible to identify what resources will be required

#### **GENERAL REGISTRY**

##### **Departmental Vision**

Proud to support the Administration of Justice and the Rule of Law in the Isle of Man

##### **Departmental Priorities**

Having an effective Courts & Tribunals service, which enables the judicial process to uphold the Rule of Law. This is vital to our nation, and we are proud to play our part in supporting that.

##### **Departmental Challenges**

- Increasing demands on Courts and Tribunals which are seeing more complex civil and other proceedings coming before the courts and tribunals
- Ensuring that Chairs and Tribunals members are appropriately trained for the increasing roles that are being taken on
- Allocating appropriate resources in a timely manner to minimise the risk of limiting access to justice
- External factors impacting on the ability to provide the necessary services in efficient and effective manner
- I.T. systems within the Courts and Tribunals are in need of replacement/modernisation and progress will need to continue to be made if there is not to be a detrimental impact on services
- Further phases of organisational change to be progressed

##### **Financial Performance**

There is no indication that 2018-19 will be any different than recent years with continuing pressure on expenditure and no tangible reduction in the workload within the Courts and Tribunals. Exceptional expenditure will still be reliant on drawdowns from the Legal Cost Reserve and the Treasury Contingency budget.



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### ATTORNEY GENERAL'S CHAMBERS (AGC)

The Attorney General's Chambers (AGC) aims to be a centre of excellence for legal services provided to Government for the benefit of the Isle of Man community. It is committed to an ongoing programme of change as detailed in its published Business Plan 2017-2020, which will help AGC focus its efforts to make efficiency savings in its own budget requirements, or by doing so supporting other areas of Government to make savings. However AGC must always stand ready to be flexible and ready to redeploy legal resources to national or demand-led priorities when required.

Her Majesty's Attorney General published the first Annual Operating Report of AGC in September 2017 in order to demonstrate, in a transparent manner, how its legal resources were utilised by Government. It is hoped that publishing an Operating Report annually will support a culture of continuous improvement in AGC and will be of value to the public and other stakeholders.

AGC has not requested additional revenue funding this year and will continue to try to absorb any rising employee costs within AGC's existing budget; however year on year absorbing rising costs is becoming an increasingly difficult challenge. The ability to recruit high quality, enthusiastic and suitably experienced legal officers who are flexible in their specialist legal areas has also become increasingly difficult. To help meet this difficulty AGC is keen to play its part in 'growing our own' by starting a trainee legal officer scheme as soon as possible, subject to funding being made available.

The AGC's has identified potential significant contributions to the savings of Government by:-

- Supporting the Treasury's SAVE programme of reforms through its work to identify ways to reduce costs, particularly in relation to criminal legal aid funding.
- Working with the DHSC to improve the consistency of case management and legal

representation in respect of potential litigation related to health care.

- Ensuring that no external legal advice is commissioned without the express approval of the Attorney General, thereby achieving a significant reduction in legal expenditure within Department's, Boards and Offices.

AGC has also re-deployed resources to setting up a new team within the Prosecution function which now has a dedicated International Cooperation and Asset Recovery Team (ICART) which works with other stakeholders in the Criminal Justice system to ensure criminals are deprived of any ill-gotten gains at the very earliest opportunity.

Through the Attorney General's role as Chair of the Board of the Financial Intelligence Unit (FIU), he has provided supervision to the team at the FIU to support the team's continuing transition to an entity which operates to the standards which are expected by the international community. No additional resources have been requested or allocated to the AGC in respect of its new responsibilities of supervision of the FIU.

In common with many small jurisdictions, the call upon legal services is continuing to grow in a number of areas; priorities identified which AGC must continue to address and a corresponding commentary on related developments for each priority are as follows:-

- **Keep our community safe from serious crime and financially motivated crime by providing effective and timely support to the international community to deter criminals including terrorists, from using the Isle of Man as a harbour for financial crime, money laundering or terrorist financing activities.**

This area of work has required improved policies to be developed, published, applied and evidenced. Additional resources have been deployed to ICART in order to ensure that AGC meets the international standards and obligations in this regard. A revenue



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

bid will need to be made next year to continue that work.

- **Provide legal support to Government in delivering its objectives.**

AGC aims to provide legal support to help Government to avoid litigation wherever possible. Where formal proceedings become necessary, AGC provides legal representation for Government Departments, Boards and other offices in defending against any civil litigation claim. We are mindful of Government's aim to be more responsive and provide value for money and AGC has absorbed increases in work wherever possible. This is particularly true in relation to the levels of litigation which have increased. This is in part due to a general increase in actions brought against Government and in part due to AGC broadening the scope of the legal specialisms it covers in this regard. This produces savings in other organisational budgets in relation to reduced external legal related spending.

- **Ensure that the Isle of Man is a safe place to live by protecting vulnerable children and adults through the statutory functions entrusted to the Attorney General and by ensuring an effective criminal prosecution service is provided for the community.**

AGC is experiencing an increased number of referrals relating to Children and Family Courts and also in relation to Mental Health receivership; both areas have required additional administrative and financial support. In line with the Chief Constable's Annual Report, criminal prosecution cases are tending to be of increased complexity and an increase in the seriousness of the offence.

- **Improving our relationship with our clients and building relationships in the community.**

We are aiming to improve the quality of advice, trust in our service and our reputation. We are committed to making best use of Information Technology and recognising our responsibilities in relation to data security. AGC is supporting the

Government wide preparation for the introduction of the legislation relating to the General Data Protection Regulations.

- **Provide more efficient drafting services to Government bodies in line with the Council of Ministers' priorities for Legislative Drafting.**

Following successful recruitment campaigns and the necessary periods of training, the numbers of Drafters available has now increased our capacity to a more realistic level in order to meet the Council of Ministers' programme requirements.



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Executive Government – Financial Summary

**TABLE 52 - Executive Government Net Expenditure By Division**

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Industrial Relations	181	175	229		229
Veterans Welfare Service	84	99	101		101
Information Commissioner	141	183	273	88	185
General Registry	2,041	2,159	4,698	2,059	2,639
Attorney General	4,182	4,575	4,878	65	4,813
Overseas Aid	2,400	2,400	2,500		2,500
<b>NET EXPENDITURE</b>	<b>9,029</b>	<b>9,591</b>	<b>12,679</b>	<b>2,212</b>	<b>10,467</b>

**TABLE 53 - Executive Government Income & Expenditure By Category**

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	59,899	86	88	88	90
Third Party Contributions	94	64	64	64	65
Operating Income	2,116	2,431	2,056	2,090	2,134
Other Non-Trading Income	15	4	4	4	4
<b>TOTAL INCOME</b>	<b>62,124</b>	<b>2,585</b>	<b>2,212</b>	<b>2,246</b>	<b>2,293</b>
<b>EXPENDITURE</b>					
Employee Costs	98,825	8,123	8,533	8,854	8,936
Infrastructure Costs	9	124	80	80	80
Supplies & Services	1,424	1,528	1,566	1,583	1,583
Other	(29,104)	2,400	2,500	2,500	2,500
<b>TOTAL EXPENDITURE</b>	<b>71,153</b>	<b>12,176</b>	<b>12,679</b>	<b>13,017</b>	<b>13,099</b>
<b>NET EXPENDITURE</b>	<b>9,029</b>	<b>9,591</b>	<b>10,467</b>	<b>10,772</b>	<b>10,806</b>



## Executive Government – Financial Summary (cont'd)

TABLE 54 - Executive Government Reconciliation from 2018-19

<b><u>CHANGE FROM 2017-18 TO 2018-19</u></b>			
	<b>Gross Spend</b> £,000	<b>Gross Income</b> £,000	<b>Net</b> £,000
2017-18 Budget	12,176	(2,585)	9,591
Transfers between Departments	153		153
<u>Growth items</u>			
MIRS Officer (Industrial Relations)	52		52
Judicial Costs (General Registry)	64		64
Reduction in Income Target (General Registry)		117	117
Fee increases		256	256
Increase to International Development Fund	100		100
<u>Other</u>			
Increase in supplies and services	10		10
Employer pension contributions	50		50
Adjustment to staffing costs:			
Communications Commission	13		13
Pay award allowance	61		61
<b>2018-19 Budget</b>	<b>12,679</b>	<b>(2,212)</b>	<b>10,467</b>





## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Manx Museum and National Trust



#### **The 2017 MNH TT pin badge. Attracting new audiences!**

The Manx Museum and National Trust (trading as Manx National Heritage (MNH)) is a highly successful and innovative organisation, widely respected by its users and a key contributor to many parts of the Manx community and economy. About half a million people each year engage with us by visiting our sites, having coffee at our cafes, walking their dogs on our footpaths, watching seals or birds from our land, enjoying our exhibitions, volunteering with us or just following us online.

The Trust's new Statement of Purpose is:  
Manx National Heritage exists to take the lead in protecting, conserving, making accessible and celebrating the Island's natural and cultural heritage for current and future generations whilst contributing to the Island's prosperity and quality of life.

Our critical success factors are:

- Responsible management of the IOM's natural and cultural heritage
- Accessible assets and services
- Coordinated natural and cultural heritage activity on the Island
- Accepted as an essential part of the visitor economy
- A positive working relationship with our supporters and members
- Delivery against agreed performance measures
- MNH internationally respected as a National Heritage organisation

The organisation holds a significant legacy of iconic historic buildings and landscapes which it maintains in Trust for current and future generations. A

major challenge is to prioritise routine and specialist maintenance across the Island so that sites and other assets are properly cared for and remain fit for purpose. This includes preparing for the implementation of the Disability Discrimination Act.

Many users of MNH are incoming visitors to the island and MNH is a key player in the visitor economy. A major challenge is to keep investing in the "product" both to grow local audience participation and to keep sites open into the shoulder months to benefit the wider visitor sector. We work very closely with incoming tour operators and target the groups market in collaboration with Isle of Man Railways.

MNH has reduced running costs by around £1m in the last six years and largely maintained income in difficult trading conditions. Trading now contributes in the region of £1m but income targets are very stretching and with consumer confidence still low there is a real risk of not meeting them. We do not control our environment, for example the weather or the number of visitors to the island.

Capital funding from the minor capital works and heritage property conservation schemes continues to be invested into several areas of operation to ensure visitor satisfaction is retained and essential conservation works completed. The nature of MNH activity (historic and inefficient buildings; and sites operated for public services rather than commercial functions) means it has high fixed overhead costs and specialist staffing needs which cannot always be outsourced on Island. Recent building tenders have been higher than planned – implying a general increase in construction costs.



In 2018-19 we will continue to invest in the physical needs of the monuments in our care such as a part of the roof at Castle Rushen. We will also invest in new visitor facilities there. A new direction for MNH is a significant “value added” approach to sharing of costs with Treasury. The majority of funds for new visitor facilities at the Laxey Wheel will come from charitable reserves.

Our key risk remains that staffing numbers decline to the level where MNH no longer has the critical mass to manage specialist conservation work on buildings, undertake display renewal or progress digital development. Activity and turnover may also decline – thus removing income-generating opportunities on which we are increasingly reliant. Reductions in MNH activity would make the island less attractive to visitors with a negative knock on effect on the wider visitor economy and the Department for Enterprise’s Island Destination Plan. Reducing resources would lead to MNH no longer able to offer specialist advice to developers and Departments.



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Manx Museum & National Trust – Financial Summary

**TABLE 55 - Manx Museum & National Trust Net Expenditure By Division**

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Manx Museum & National Trust	4,289	4,410	5,312	861	4,451
<b>NET EXPENDITURE</b>	<b>4,289</b>	<b>4,410</b>	<b>5,312</b>	<b>861</b>	<b>4,451</b>

**TABLE 56 - Manx Museum & National Trust Income & Expenditure By Category**

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Operating Income	798	787	814	829	845
Other Non-Trading Income	73	58	47	47	48
<b>TOTAL INCOME</b>	<b>870</b>	<b>845</b>	<b>861</b>	<b>876</b>	<b>893</b>
<b>EXPENDITURE</b>					
Employee Costs	2,894	3,138	3,174	3,279	3,333
Infrastructure Costs	761	548	548	548	548
Transport Costs	0	0			
Supplies & Services	653	597	597	597	597
Loan Charges	847	973	993	1,013	1,033
<b>TOTAL EXPENDITURE</b>	<b>5,156</b>	<b>5,255</b>	<b>5,312</b>	<b>5,437</b>	<b>5,511</b>
<b>NET EXPENDITURE</b>	<b>4,285</b>	<b>4,410</b>	<b>4,451</b>	<b>4,561</b>	<b>4,618</b>

**TABLE 57 - Manx Museum & National Trust Reconciliation from 2018-19**

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend £,000</b>	<b>Gross Income £,000</b>	<b>Net £,000</b>
2017-18 Budget	5,256	(845)	4,411
Loan charge adjustment	20		20
Fee increases		(16)	(16)
Pay award allowance	18		18
Employer pension contribution	18		18
<b>2018-19 Budget</b>	<b>5,312</b>	<b>(861)</b>	<b>4,451</b>



**Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board**

**Legislature (Parliament)**

Expenses of the Legislature are split between Members’ Emoluments, Employee Costs, Supplies and Services and Loan Charges.

Within Supplies and Services overall spending has decreased year on year from a high of £630,000 in 2008-09 to £371,000 in 2014-15, see Figure 1.

In 2016-17, the expenditure increased to £415,179 but remained within budget. Spending is also predicted to be within budget for 2017-18. The annual budgets for 2017-21 will not increase so, as stated previously, the challenge will continue to be to maintain services while containing costs.

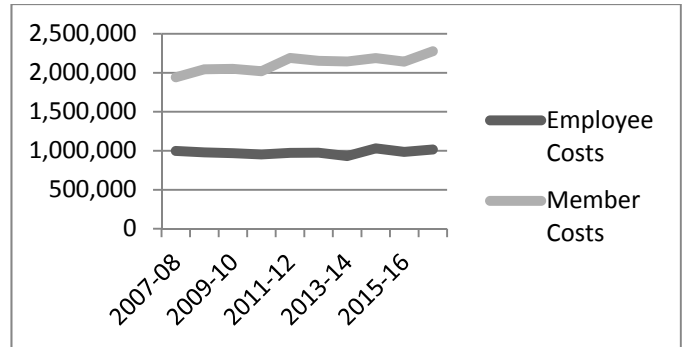


Figure 2 – Member and Staff Costs 2007-17

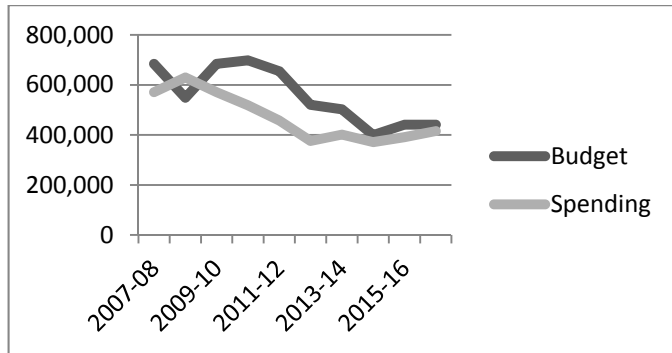


Figure 1- Supplies and Services: Budget v Spending 2007-17

Information regarding Members’ Emoluments, which have risen in line with annual pay awards, and Employee Costs is shown in Figure 2.

Employee costs have been controlled by a headcount reduction from 26 FTE in 2007 to 21 which has been achieved in the 2017-18 financial year. Salary increases are being managed and the overall costs remain +/- 5% of the average annual cost over the 10 years.

Spending for both Members’ Emoluments and Employee Costs are predicted to be within budget for 2017-18.



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Legislature (Parliament) - Financial Summary

**TABLE 58 - Legislature Net Expenditure By Division**

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Legislature	4,448	4,722	4,799	9	4,790
<b>NET EXPENDITURE</b>	<b>4,448</b>	<b>4,722</b>	<b>4,799</b>	<b>9</b>	<b>4,790</b>

**TABLE 59 - Legislature Income & Expenditure By Category**

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	(4)				
Third Party Contributions	10				
Operating Income	62	9	9	9	9
<b>TOTAL INCOME</b>	<b>68</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>EXPENDITURE</b>					
Employee Costs	3,673	3,866	3,914	4,028	3,973
Supplies & Services	415	441	441	441	441
Loan Charges	428	423	443	452	461
<b>TOTAL EXPENDITURE</b>	<b>4,517</b>	<b>4,731</b>	<b>4,799</b>	<b>4,921</b>	<b>4,875</b>
<b>NET EXPENDITURE</b>	<b>4,448</b>	<b>4,722</b>	<b>4,790</b>	<b>4,912</b>	<b>4,866</b>

**TABLE 60 - Legislature Reconciliation from 2018-19**

<b>CHANGE FROM 2017-18 TO 2018-19</b>			
	<b>Gross Spend £,000</b>	<b>Gross Income £,000</b>	<b>Net £,000</b>
2017-18 Budget	4,731	(9)	4,722
Loan charge adjustment	20		20
Pay award allowance	31		31
Employer pension contributions	17		17
<b>2018-19 Budget</b>	<b>4,799</b>	<b>(9)</b>	<b>4,790</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### **Statutory Boards (Revenue Funded)**

Note: The narrative and budgets for the Office of Fair Trading and Road Transport Licensing Committee, as per last year, are included within the Department of Environment, Food & Agriculture pages.

### **Communications Commission**

The Commission contributes to the Government priorities of empowering enterprise for innovation and economic growth by ensuring balanced and proportionate regulation of the communications sectors and it returns a surplus to Government and is essentially self-funding. However, the pay cap control/savings initiative presents challenges, particularly as the Commission only employs four staff. The Commission's income is dependent to a large extent on the success of its licensees to generate revenue from its regulated activities. This can be difficult to predict but there has been a reduction in voice and SMS traffic with increasing usage of unlicensed services such as Skype, Messenger, WhatsApp and social media such as Facebook and Twitter. This downward trend in the use of traditional telephony services may have an effect on the Commission's income from telecoms operators in the long term, though new services are likely to counterbalance this.

It is important to give consumers, companies and investors a modern, flexible and responsive regulatory environment, increasing the Isle of Man's competitive advantage in attracting global businesses and inward investment. A sound regulatory system promotes long term stability which encourages investment and innovation which, in turn, will contribute to achieving the Programme for Government.

The Commission aims to introduce the Communications Bill to the House of Keys in 2018. This legislation will update the existing legislation to keep pace with changes in technology, networks and services which have evolved significantly over recent years.

A further focus for the Commission will be working more closely with Government Departments to create an environment that will encourage Operators to invest in the telecoms infrastructure. Working groups between the Chief Officers of licenced operators have been set up to enable facilitation of discussions to allow the Isle of Man to keep up with the pace of technological change.

### **Financial Services Authority**

The Financial Services Authority is an independent statutory board which was established in November 2015. The regulatory objectives of the Authority are:

- securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
- the reduction of financial crime; and
- the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

The Authority operates in accordance with the IOM Government's Financial Regulations. The Authority is efficient in the discharge of its responsibilities, ensuring its expenditure meets its agreed annual budget.

During 2017-18 the Authority progressed a number of initiatives to enhance its position as a forward looking, integrated organisation. This programme of work arose from its formation by the merger of the two former regulatory bodies, the Financial Supervision Commission and the Insurance and Pensions Authority, in November 2015. Significant elements completed during the period include the harmonisation of staff terms and conditions and the definition of the Authority's core purpose, values and long term goals. A review and enhancement of the Authority's key business processes continues with, for example, proposed changes to its "fitness and propriety" process applying to those appointed to senior roles within



regulated entities, which are being trialled with the industry during the latter part of 2017.

The breadth of the Authority's activities has expanded during 2017-18; changes have included the commencement of the Authority's role to oversee the Island's beneficial ownership database. The Authority is also adapting to new approaches to traditional services. Such developments include increased interest in authorisation under the Island's alternative banking regime, introduced in 2016, and prospective entrants seeking to leverage technological developments, such as block chain technology. The increased demands are largely being handled within the Authority's existing headcount.

The Authority seeks to ensure that the regulatory regime provides a suitable environment for the development of the Island's financial services industry whilst complying with international standards. During 2017-18, the Authority has issued consultations on proposed legislative changes including the ongoing Insurance Core Principles project, modernising the Island's Credit Union regime and developing the regulations relating to collective investment schemes, with changes introduced in late 2017 for the latter. A similarly busy programme of legislative development is anticipated for 2018-19.

As well as directing its staff to these new developments, the Authority continues to undertake a robust supervisory program with on-site visits to regulated entities, complemented by an increased schedule of annual business meetings, thematic reviews and attendance at supervisory colleges. In addition the Authority continues to support Government-wide initiatives including a lead role on some of the priority work streams arising from MONEYVAL's Mutual Evaluation Report.

A joint project with the Gambling Supervision Commission to develop a regulatory platform is ongoing. During 2018-19 the project will move

into the implementation phase with functionality being rolled out to both the Authority's staff and the regulated entities that it oversees. The joint development of the platform has led to expertise and costs being shared. In addition the development will utilise existing IOM Government infrastructure, which is expected to lead to cost savings compared to a standalone development. The implementation phase will help the Authority to improve the quality, effectiveness and efficiency of its work. This phase, involving detailed design, testing and training, will also require a significant contribution from front-line staff alongside their day-to-day supervisory work.

### **Gambling Supervision Commission**

The Gambling Supervision Commission ('GSC') is an independent statutory board established in 1962. In addition to the licensing and regulation of land based gambling operations (casino, amusement and slot machines, betting offices and lotteries), the Commission also regulates all IOM based online gambling activities, which have grown significantly in recent years. The core principles the Commission upholds are:

- to keep the gambling industry crime free;
- to protect the young and those at risk;
- to ensure that the services offered by licence holders are fair and that players receive their true winnings.

The GSC ensures that its expenditure remains well within its revenue and that it operates with financial responsibility. Its largest expenditure is consistently attributable to staffing costs.

The retention of experienced staff continues to be a significant area of risk recognised by the GSC, primarily as its staff still prove to be attractive to the private sector. A review of terms & conditions to address this risk is currently being undertaken.

The GSC is also focussing its efforts on legislation in response to recommendations made by the Council of Europe's MONEYVAL group. When the law has been introduced, the GSC will have a



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

modern suite of internationally recognised powers which will allow it to inspect, enforce and if necessary, sanction licensees that do not comply with anti-money laundering and countering the financing of terrorism requirements. It is hoped that this legislation will be in place for quarter 1, 2018.

### **Public Sector Pensions Authority (PSPA)**

Our role is to deliver high quality pension and superannuation benefit services, which are customer focused and cost effective for all stakeholders. In June 2016 Tynwald approved measures to improve the future sustainability of schemes and in relation to the Unified Scheme the PSPA brought forward an Amending Scheme which was approved at the February 2017 sitting of Tynwald. Discussions have been ongoing with the Teachers and Police in relation to their pension provision and amendments to the Police Scheme were submitted to the December 2017 sitting of Tynwald, with a target date of April 2018 for amendments to the Teachers Scheme. The budget originally estimated and approved for the actuarial, software and administrative work associated with making the changes in 2015-16 to 2017-18, was only started in the latter half of 2016 and early 2017 due to the process of negotiation, consultation and approval of amendments to Schemes taking longer than anticipated.

### **Financial Intelligence Unit**

The Financial Intelligence Unit (FIU) is a statutory body established in April 2016. The FIU plays a key role in the global fight against terrorism and financial crime with the FIU's functions being:

- Receiving, gathering, analysing, storing and sharing information about financial crime (whether in the Island or elsewhere);
- Assisting with the prevention and detection of crime, and in particular, financial crime (whether in the Island or elsewhere);
- Cooperating with law enforcement agencies;
- Contributing to the reduction of crime, and in particular, financial crime and to the mitigation of its consequences.

The FIU's budget reflects the fact that, as a stand-alone entity, the resources of the FIU (both in terms of staff and technology) must be increased to not only improve the effectiveness of the FIU but also to act as a deterrent against financial crime and thereby enhance the Island's international reputation. The salaries and other expenditure of the FIU are funded from sources which include the general revenue and approved re-claims from the Seized Assets Fund.

As the 2017-18 and 2018-19 FIU budget requirements were considered at a time when the FIU was not fully operational, it has been necessary for the FIU to make further bids to Treasury in order for the FIU to meet its key priorities identified below. With the continued support of Treasury, and the other agencies with which it deals on a regular basis, the FIU fully expects to meet its priorities during the forthcoming year.

For the forthcoming financial year the FIU has identified its key priorities as:

- Continuing to develop and implementing a training and development programme for FIU staff;
- Continuing to provide education, guidance and training for industry on Suspicious Activity Reports (SARs) and to publish typologies from the analysis of SARs;
- Continuing to improve the level of analysis of SARs and to undertake regular strategic analysis of threats based upon intelligence received;
- Continuing to build strategic and productive relationships with the financial and non-financial sectors and law enforcement agencies both on and off the Island.

The overall objective of the FIU is to help the Island achieve excellence in the gathering, analysis and dissemination of intelligence in order to assist in the global fight against financial crime and the funding of terrorism.





## Statutory Boards (Revenue Funded) - Financial Summary

TABLE 61 - Statutory Boards Net Expenditure by Division

<b>NET EXPENDITURE - BY DIVISION</b>					
	<b>Net Actual 2016-17 £,000</b>	<b>Net Probable 2017-18 £,000</b>	<b>Gross Spend 2018-19 £,000</b>	<b>Gross Income 2018-19 £,000</b>	<b>Net 2018-19 £,000</b>
<b>DIVISION</b>					
Communications Commission	(593)	(251)	527	789	(262)
Financial Services Authority			6,061	6,061	
Gambling Supervision Commission	(567)	(492)	1,076	1,445	(369)
Financial Intelligence Unit		98	722		722
Public Sector Pensions Authority					
<b>NET EXPENDITURE</b>	<b>(1,160)</b>	<b>(645)</b>	<b>8,386</b>	<b>8,295</b>	<b>91</b>

Notes: FSA deficit (£0.541m in 2018-19) is met by Treasury grant.

Gross cost of PSPA (£1.4m in 2018-19) is met by a transfer from the PSEPR.

The Office of Fair Trading and RTLC are now included with DEFA's budget.

The budget for the Financial Intelligence Unit excludes the expenditure met from the Seized Assets Fund

TABLE 62 - Statutory Boards Income &amp; Expenditure By Category

<b>INCOME &amp; EXPENDITURE - BY CATEGORY</b>					
	<b>Actual 2016-17 £,000</b>	<b>Probable 2017-18 £,000</b>	<b>Budget 2018-19 £,000</b>	<b>Provisional Budgets</b>	
				<b>2019-20 £,000</b>	<b>2020-21 £,000</b>
<b>INCOME</b>					
Taxation Income	4,625	4,588	4,822	4,863	5,035
Operating Income	1,196	899	566	463	473
Grant Income	2,689	2,865	2,906	3,069	3,100
Other Non-Trading Income	115	1			
<b>TOTAL INCOME</b>	<b>8,625</b>	<b>8,351</b>	<b>8,295</b>	<b>8,395</b>	<b>8,608</b>
<b>EXPENDITURE</b>					
Employee Costs	6,405	6,841	7,510	7,771	7,870
Infrastructure Costs	306	283	334	334	334
Transport Costs	3				
Supplies & Services	1,734	1,945	1,955	1,953	2,000
Loan Charges	24	38	56	57	58
Other	(908)	(1,400)	(1,469)	(1,502)	(1,520)
<b>TOTAL EXPENDITURE</b>	<b>7,564</b>	<b>7,706</b>	<b>8,386</b>	<b>8,613</b>	<b>8,742</b>
<b>NET EXPENDITURE</b>	<b>(1,060)</b>	<b>(645)</b>	<b>91</b>	<b>218</b>	<b>134</b>


**Statutory Boards (Revenue Funded) - Financial Summary (cont'd)**
**TABLE 63 - Statutory Boards Reconciliation from 2018-19**

<b><u>CHANGE FROM 2017-18 TO 2018-19</u></b>			
	<b>Gross Spend</b>	<b>Gross Income</b>	<b>Net</b>
	£,000	£,000	£,000
2017-18 Budget	7,660	(8,701)	(1,041)
Transfer of budget between Departments	215		215
Loan charge adjustment	18		18
<u>Growth items</u>			
Reduced fee income FSA		500	500
Reduced fee income GSC		301	301
FIU Budget	452		452
Fee reductions		146	146
FSA grant adjustment		(541)	(541)
Additional Inspectors (GSC)	87		87
<u>Other</u>			
Employer pension contributions	38		38
Pay award allowance	43		43
Reduction in supplies and services	(128)		(128)
<b>2018-19 Budget</b>	<b>8,386</b>	<b>(8,295)</b>	<b>91</b>



## Appendix 4 - Revenue Expenditure In Detail By Department, Office or Board

### Manx Utilities Authority<sup>2</sup>

Manx Utilities is committed to delivering quality utilities services for the benefit of the Isle of Man in a financially sustainable manner. Its vision is 'one team, delivering life's essential services for our Island'.

Manx Utilities remains focussed on the delivery of the Long-Term Financial Plan. It has been reducing its operating losses and improving efficiency and is on track to deliver its operating profitability targets. During October 2017 Tynwald agreed to reduce Manx Utilities' debt by £95 million and Manx Utilities will undertake a pricing review in 2018-19 to provide as much customer benefit as possible whilst maintaining agreed financial metrics.

Key challenges facing Manx Utilities include developing an acceptable pricing strategy for its principle services, declining energy demand, the cost of maintaining key infrastructure assets and managing strategic risks. Manx Utilities' high fixed-cost base and capital requirement, whilst consistent with industry peers, means that declining energy volumes result in pricing pressures. The electricity business is also exposed to significant natural gas price changes and foreign currency exchange volatility. Appropriate strategies are in place to mitigate these risks in the short-term, although medium-term exposures remain.

The budget forecasts that water and sewerage revenues will not increase and electricity charge increases will be capped at 2% (off-setting demand reductions) for 2018-19 as determined by Tynwald.

Loan charges reduced in 2018-19 are due to the debt reduction agreed by Tynwald.

Manx Utilities' capital programme comprises a combination of ongoing regional sewage treatment strategy together with a number of long-term infrastructure upgrade and essential replacement schemes. Sites have been secured for possible sewage treatment plants in Laxey and Peel and, subject to appropriate approvals, Manx Utilities hopes to bring schemes to construct these plants to Tynwald during the next 24 months.



<sup>2</sup> The detailed accounts for the MUA can be accessed at:  
<https://www.manxutilities.im/about-us/corporate/functions-and-responsibilities/>



TABLE 64 - Manx Utilities Authority Income &amp; Expenditure By Category

<b>Income &amp; Expenditure – By Category</b>					
	<b>Actual</b>	<b>Probable</b>	<b>Budget</b>	<b>Provisional Budgets</b>	
	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>INCOME</b>					
Operating Income	102,639	102,121	102,763	103,735	104,701
<b>TOTAL INCOME</b>	<b>102,639</b>	<b>102,121</b>	<b>102,763</b>	<b>103,735</b>	<b>104,701</b>
<b>EXPENDITURE</b>					
Employee Costs	18,501	16,945	18,556	18,928	19,306
Infrastructure Costs	6,707	8,724	8,014	8,094	8,175
Transport Costs	1,351	1,326	1,353	1,367	1,380
Supplies & Services	36,506	37,034	37,333	35,847	37,331
Loan Charges	19,502	18,240	15,718	15,777	15,817
Other	22,089	22,759	22,862	23,091	23,322
<b>TOTAL EXPENDITURE</b>	<b>104,656</b>	<b>105,028</b>	<b>103,836</b>	<b>103,104</b>	<b>105,331</b>
<b>NET EXPENDITURE</b>	<b>2,017</b>	<b>2,907</b>	<b>1,073</b>	<b>(631)</b>	<b>630</b>



### Isle of Man Post Office

Despite another challenging year for the postal market, Isle of Man Post Office (IOMPO) delivered a strong financial performance. Much of our revenue now comes from off-Island clients which reflects the growing globalisation of the postal market, and the need for our business model to remain agile and able to adapt to, and meet the needs of our customers' ever-changing expectations.

Since the approval by Tynwald to diversify in 2006, we have expanded into new markets, competing and successfully winning business from mainly off-Island companies. This strategy has enabled the business to remain profitable despite its traditional core services in decline and as the commercial side of the business has grown, the revenue from this activity has enabled the business to support its public services.

Like other postal operators, especially those in public or former public ownership, we have high fixed costs and less flexible operating models than our competitors. Our services, the prices and the Government levy have only been sustainable in recent years due to the profits from our commercial services, primarily large corporate commercial print and postage contracts. IOMPO has needed to find £1m of new income every year just to stand still. The business has successfully achieved this until now but for the first time in its history, it is forecasting a loss with this revenue no longer sufficient to ensure the overall profitability of the business without material change.

As a postal business, we must perform commercially to make a profit and compete fairly, but also serve the community and that is consistent with our strategy as a community-based business that has both commercial objectives and social services to uphold. However, gaining the balance can be no mean feat.

We are committed to providing our universal service obligations (USO) however as mail volumes continue to decline each year and the number of customers using their local post offices fall, it is not financially viable to continue maintaining such levels of service at any cost and it is essential we review, as part of our new five year strategy, what our customers' needs are and how our services match these requirements for the future. Our challenge is to make our USO activities to be as close to breakeven as possible and to reduce the deficit which year on year is increasing. We need long term sustainability of our four business divisions: Letters & Parcels, Retail, IMS and Stamps and Coins in order to protect the USO aspect of our business.

But we are facing many challenges. Our profitability is by no means certain; there is greater competition and no guarantee of success. Many of our key services are in decline (mail volumes have halved in the past 10 years), we've lost significant UK contracts due to off-Island competitors offering cheaper alternatives, the retraction of the banking industry, fledgling new services currently only make small levels of contribution, customer digital strategies are accelerating and the cost for the future provision of our pension scheme is increasing. The industry in which we operate is changing too, creating challenging times for IOMPO and the need for us to undergo significant transformation.

The new Board and Executive Team have reviewed the business's strategy and as we look to the year ahead, all our stakeholders need to understand the major challenges the business is facing and support its revised strategy which will be brought before the Council of Ministers and all Tynwald Members in due course. This strategy will more accurately reflect our current challenges in order to sustain the business in the long term, developing a sustainable and modern Post Office for the future and avoiding the need for a subsidy from Government.



Much of the business's revenue in 2016-17 came in from off-Island customers which reflected the growing globalisation of the postal market but this area is now the biggest challenge to overcome as we see a decline in large corporate mailings due to digitalisation of these services.

Mail volumes fluctuated slightly in 2016-17 mainly due to our off-Island customer large mailings, a general election and the Census which generated one-off local mailings. 2017-18 however, is forecasting significantly lower mail volumes at an overall 8% decline. Our packet and parcel volumes saw a rise of 3% on the previous year. To concentrate on developing this part of our business IOMPO has implemented a mobiles strategy for smart packet delivery and has won a number of UK retailers who weren't previously delivering to the Island giving residents further choice.

A key challenge for the business is the future cost of its pension scheme which is increasing. The recent triennial valuation stated that a further £700k was required per annum to fund the future provision. This level of funding is not something the business can afford and changes will undoubtedly need to be made to the Scheme. These Scheme changes are in addition to the extra 3.7% of National Insurance contributions IOMPO is required to make from April 2019 (circa. £240k.)

### **Financial Performance**

During 2016-17 turnover increased by 8% from £27m to £29.2m and net profit after interest increased to £1.3m from £883k. This has generated a levy payment to Treasury of £1.5m (2015-16 £1.7m), which remains a challenge when set at this level.



## Isle of Man Post Office – Financial Summary

TABLE 65 - Isle of Man Post Office Income &amp; Expenditure By Category

<b>Income &amp; Expenditure – By Category</b>					
	<b>Actual</b>	<b>Probable</b>	<b>Budget</b>	<b>Provisional Budgets</b>	
	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>INCOME</b>					
Operating Income	29,206	26,916	26,144	24,883	24,379
Non-Trading Income	19	23	25	28	30
<b>TOTAL INCOME</b>	<b>29,225</b>	<b>26,939</b>	<b>26,169</b>	<b>24,911</b>	<b>24,409</b>
<b>EXPENDITURE</b>					
Employee Costs	(12,977)	(13,398)	(12,906)	(12,868)	(12,678)
Infrastructure Costs	(810)	(712)	(727)	(739)	(751)
Transport Costs	(1,234)	(1,302)	(1,341)	(1,384)	(1,430)
Supplies & Services	(12,903)	(12,116)	(11,814)	(11,627)	(11,665)
<b>TOTAL EXPENDITURE</b>	<b>(27,924)</b>	<b>(27,529)</b>	<b>(26,788)</b>	<b>(26,618)</b>	<b>(26,524)</b>
<b>NET EXPENDITURE</b>	<b>1,302</b>	<b>(590)</b>	<b>(619)</b>	<b>(1,707)</b>	<b>(2,114)</b>



## APPENDIX 5 - FULL CAPITAL PROGRAMME INCLUDING 2018-19

(showing "committed" expenditure only – for a breakdown of future schemes names please see Appendix 6)

Table 66

SUMMARISED TOTALS BY DEPARTMENT/BOARD CLF FUNDED (£,000)	Probable 2017-18	ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2018)					
		2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
CABINET OFFICE	230	1,789	250	250	250	250	250
DEPARTMENT OF EDUCATION, SPORTS & CULTURE	1,413	10,208	1,850	900	800	1,300	
DEPARTMENT FOR ENTERPRISE	228						
DEPARTMENT OF ENVIRONMENT, FOOD & AGRICULTURE	1,032	948	350	350	450	450	
DEPARTMENT OF HOME AFFAIRS	2,596	1,555	316	352	200	200	
DEPARTMENT OF HEALTH AND SOCIAL CARE	5,852	7,274	2,450	2,050	1,750	1,750	250
DEPARTMENT OF INFRASTRUCTURE	20,093	62,071	48,045	27,457	23,111	16,720	74,085
SCHEMES FUNDED FROM HOUSING RESERVE (HR)	3,350	8,719	1,998	1,900	1,900	1,900	1,900
MANX MUSEUM & NATIONAL TRUST	610	344	550	400	320	310	680
MANX UTILITIES AUTHORITY	8,828	13,957	1,430	1,024	900	2,250	8,150
FINANCIAL SUPERVISION COMMISSION	100	450					
GAMBLING SUPERVISION COMMISSION	250	250					
MANX RADIO		1,119	150	150	150	150	
TREASURY	5,033	8,098	5,000	5,000	5,000	5,000	5,000
FUTURE SCHEMES			34,179	40,331	29,722	40,082	164,756
<b>CLF TOTAL</b>	<b>49,615</b>	<b>116,782</b>	<b>96,568</b>	<b>80,164</b>	<b>64,553</b>	<b>70,362</b>	<b>255,071</b>

SUMMARISED TOTALS BY DEPARTMENT/BOARD NON-CLF FUNDED (£,000)	Probable 2017-18	ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2018)					
		2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
MANX UTILITIES AUTHORITY (WATER)	3,563	3,691	2,991	5,741	2,600	2,357	21,856
ISLE OF MAN POST OFFICE	670	2,300	1,100	1,100	600	600	
LOCAL AUTHORITY HOUSING	19,803	24,584	22,451	15,935	12,544	8,300	45,064
<b>NON-CLF TOTAL</b>	<b>24,036</b>	<b>30,575</b>	<b>26,542</b>	<b>22,776</b>	<b>15,744</b>	<b>11,257</b>	<b>66,920</b>

<b>GRAND TOTAL</b>	<b>73,651</b>	<b>147,357</b>	<b>123,110</b>	<b>102,940</b>	<b>80,297</b>	<b>81,619</b>	<b>321,991</b>
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CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
CO	Technology - Land Registry IT System	1,950	2,050	230	1,539					
		1,950								
	<b>ONGOING SCHEMES</b>									
CO	MCW - Technology	1,500			250	250	250	250	250	250
	<b>CO Total</b>	<b>3,450</b>	<b>2,050</b>	<b>230</b>	<b>1,789</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>
	<b>SECONDARY EDUCATION</b>									
DESC	Castle Rushen High School Redevelopment	600	155	90	500					
DESC	QEII Science and Technology	450			450					
DESC	St Ninians Lower School, Bemahague	30,718	30,718		210					
	<b>PRIMARY EDUCATION</b>									
DESC	St Mary's Extension Scheme	3,803	172	219	2,901	600				
DESC	Henry Bloom Noble Primary School	10,683	10,783	465	100					
	<b>FURTHER EDUCATION</b>									
DESC	UCM - Nunnery Relocation	500	500						500	
DESC	UCM - Construction Craft & Engineering	4,914	4,884		100					
	<b>SPORT AND RECREATION</b>									
DESC	National Sports Centre - Pool Hall	3,705	1,465	93	3,000	500	100			
DESC	Villa Marina Sound System	800			800					
	<b>WORKS</b>									
DESC	School Security	848	422	50	798					
DESC	Disability Access Works to Department Sites	2,572	67	20	547	500	500	500	500	
DESC	Covered Play and Teaching Areas	253	260	7	246					
DESC	Management of Hazardous Materials	238	294	25	136					
		<b>60,084</b>								
	<b>ONGOING SCHEMES</b>									
DESC	MCW - National Sports Centre	1,893	1,243	360	200	100	150	150	150	
DESC	MCW - Regional Pools	1,074	324	84	220	150	150	150	150	



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
	<b>DESC Total</b>	<b>63,051</b>	<b>51,287</b>	<b>1,413</b>	<b>10,208</b>	<b>1,850</b>	<b>900</b>	<b>800</b>	<b>1,300</b>	
	<b>ONGOING SCHEMES</b>									
DfE	MCW - DfE	884	720	115						
DfE	MCW - Villa/Gaiety	113	500	113						
	<b>DfE Total</b>	<b>997</b>	<b>1,220</b>	<b>228</b>						
DEFA	Wildlife Park - Redevelopment	50			50					
DEFA	Mill Road Yard Development Vacant Units	80	80		80					
DEFA	Mill Road Yard Development	2,576	2,588	37	25					
DEFA	Public Analyst Lab - Equipment Replacement	191	191	83						
DEFA	Ballure Slope Periodic Maintenance	100	100	75	25					
DEFA	Farming Improvement Scheme	1,408	1,420	552						
		<b>4,405</b>								
	<b>ONGOING SCHEMES</b>									
DEFA	Essential Building Maintenance	2,850	1,503	185	368	250	250	250	250	
DEFA	MCW - National Glens & Footpaths	1,000			400	100	100	200	200	
DEFA	MCW - Wildlife Park	400	400	100						
	<b>DEFA Total</b>	<b>8,655</b>	<b>6,282</b>	<b>1,032</b>	<b>948</b>	<b>350</b>	<b>350</b>	<b>450</b>	<b>450</b>	
DHA	Communications Development Programme	4,379	4,379	674	352					
DHA	Rehabilitation and Resettlement Unit	200	200		32					
DHA	Fire Station - Ronaldsway	1,609	1,508	625	70					
DHA	Fire Station - Port Erin	4	50							
DHA	Joint Douglas Fire and Ambulance Station	500	250	25	475					
DHA	TETRA II	4,767	4,953		225					
		<b>11,459</b>								
	<b>ONGOING SCHEMES</b>									
DHA	Equipment Replacement - Fire & Rescue	492	284	64	75	36	72			



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
DHA	Equipment Replacement - Police	722	490	80	126	80	80			
DHA	Communications Development Handsets	1,000			200	200	200	200	200	
DHA	Vehicle Acquisition	3,184	3,184	928						
DHA	MCW - DHA	2,468	2,467	200						
	<b>DHA Total</b>	<b>19,325</b>	<b>17,765</b>	<b>2,596</b>	<b>1,555</b>	<b>316</b>	<b>352</b>	<b>200</b>	<b>200</b>	
	<b>PRIMARY CARE</b>									
DHSC	GP Surgery Development - Peel	400			400					
DHSC	GP Surgery Development - Palatine	635	635	7						
	<b>SECONDARY CARE</b>									
DHSC	Endoscopy Decontamination Unit	1,908	1,998	(94)						
DHSC	Medical Staff Residential Accommodation	2,500	2,511	1,693	150					
	<b>MENTAL HEALTH</b>									
DHSC	Acute Adult Psychiatric In-Patient Facility	8,195	8,874	150	1,475					
	<b>ADULT SERVICES</b>									
DHSC	Older Persons RRU - Summerhill	654	374	250	127					
DHSC	Older Persons RRU - North	251			247					
DHSC	Learning Disabilities - Residential Unit	1,432	1,438	10	40					
DHSC	Learning Disabilities - Thie Quinney	548	521							
DHSC	Day Care Services - Eastcliffe	5,556	5,486	1,750	2,500	700	300			
DHSC	Learning Disabilities - Radcliffe Villas	23	800							
	<b>CORPORATE SERVICES</b>									
DHSC	Purchase of Salisbury Street Nursing Home	8,100	8,100	389						
		<b>30,202</b>								
	<b>ONGOING SCHEMES</b>									
DHSC	MCW - Asset Replacement Scheme	10,287	5,564	1,132	1,300	1,000	1,000	1,000	1,000	
DHSC	MCW - Radiology Equipment Replacement	4,494	2,750	550	550	500	500	500	500	
DHSC	DHSC Strategic Development Fund	1,750	250	15	485	250	250	250	250	250
	<b>DHSC Total</b>	<b>46,733</b>	<b>39,301</b>	<b>5,852</b>	<b>7,274</b>	<b>2,450</b>	<b>2,050</b>	<b>1,750</b>	<b>1,750</b>	<b>250</b>



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
	<b>FINANCE &amp; GOVERNANCE</b>									
DOI	Southern Civic Amenity Site	12	200							
DOI	EFW Control Emissions Monitoring System	385			385					
DOI	Raggatt Landfill	540			300	240				
DOI	Hazardous Waste Treatment Facility	424	480							
		1,361	680		685	240				
	<b>PORTS</b>									
DOI	Airport X-Ray Machines Upgrade	3,200	3,420	500	2,700					
DOI	Instrument Landing System	1,500			1,000	500				
DOI	Runway Visual Range Measurement	100	100		100					
DOI	Liverpool Landing Stage	30,492	3,500	800	10,450	17,240	2,000			
DOI	Airport Rehabilitation (pavements)	250			250					
DOI	Douglas Outer Harbour Development	510	410	100	354					
DOI	Douglas & Peel Cofferdam	351	351	40	49					
DOI	Port St Mary Alfred Pier	400	400		134					
		36,803	8,181	1,440	15,037	17,740	2,000			
	<b>ESTATES AND PUBLIC HOUSING</b>									
DOI	Vehicle Test Centre Relocation	250			250					
DOI	Disability Discrimination Act - Public Buildings	750	750		137	100	30			
DOI	House Purchase Assistance Scheme	3,000	3,000	(500)	1,000	500	500	500	500	500
DOI	Ballacubbon Housing Development	170	180	20	150					
		4,170	3,930	(480)	1,537	600	530	500	500	500
	<b>TRANSPORT - BUSES</b>									
DOI	Ramsey Station	4,589	1,050		1,696	1,796				
DOI	Public Transport - Banks Circus Road Renewal	690			690					
DOI	Public Transport – Bus Fleet Replacement	16,838	12,144		1,571	934	1,044	891		4,606
		22,117	13,194		3,957	2,730	1,044	891		4,606
	<b>TRANSPORT - HERITAGE RAIL</b>									



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
DOI	Heritage Rail - Derby Castle Shed Cladding	510			510					
DOI	Heritage Rail - Horse Tramway Depot	1,500			1,500					
DOI	Heritage Rail - Nunnery Bridge	800	50	30	758					
DOI	Heritage Rail - SMR Track	2,493	1,718	534	775					
DOI	Heritage Rail - Steam Railway Track	2,693	1,500	925	1,210					
DOI	Heritage Rail - MER Track	16,869	2,776	1,125	1,694	1,844	1,830	1,665		7,210
DOI	Heritage Rail - Ballamenaugh Sub-Station	350	350	317						
DOI	Heritage Rail - Meary Veg Railway Sheds	120	120	50	70					
DOI	Heritage Rail - Douglas Railway Station	1,210	1,210	30	45					
DOI	Heritage Rail - Ballure Bridge	1,425	1,425	56						
		27,970	9,149	3,067	6,562	1,844	1,830	1,665		7,210
	<b>HIGHWAYS</b>									
DOI	Douglas Promenade	24,700	24,980	515	7,201	7,000	5,000	1,841		
DOI	Active Travel	3,807			590	1,425	1,303	489		
DOI	Heritage Trail Improvements	845			600	245				
DOI	Lezayre Road	475			475					
DOI	Peel Harbour Bridge Replacement	410	45	45	350	15				
DOI	East Quay Peel	207	30	30	177					
DOI	West Quay Ramsey	90	50	50	40					
DOI	Pulrose River Bridge	200	150	150	50					
DOI	Ballasalla Relief Road	50	50	15	35					
DOI	Castle Street/Duke Street Regeneration	4,380	3,000	550	920	990	920	1,000		
DOI	Climate Change Adaption	4,650	2,550	2,000	2,436					
DOI	Glencrutchery Road Reconstruction	5,095	100	80	170	65	65	2,455	2,260	
DOI	Small Plant Depot	158	158	95						
DOI	Ramsey Swing Bridge Refurbishment	100	1,300	2						
DOI	Residential Road Refurbishment	2,975	475	200	775	500	500	500	500	
DOI	Technology - Asset Management System	120	120	20	75					
DOI	Quarry Plant Replacement	3,859	3,357	1,075	1,425					
		52,121	36,365	4,827	15,319	10,240	7,788	6,285	2,760	



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
	<b>ONGOING SCHEMES</b>									
DOI	Ambulance Fleet Replacement Programme	4,540	1,635	338	347	310	310	310		1,115
DOI	DHA Vehicle Acquisition	3,302			802	500	500	500	500	500
DOI	Plant & Vehicle Replacement Programme	61,129	14,957	3,876	4,029	3,200	3,200	3,200	3,200	31,888
DOI	Site Feasibility Studies	484	202	5	98	50	50	50	50	50
DOI	Strategic Highway Refurbishment Programme	49,503	22,589	1,600	2,900	3,400	3,400	3,400	3,400	17,414
DOI	Strategic Structural Maintenance	18,965	4,612	1,390	1,690	1,540	1,540	1,540	1,540	6,652
DOI	MCW - DHSC	6,850	3,714	454	930	656	500	500	500	500
DOI	MCW - Nobles Hospital (Compliance)	555	370	13	515					
DOI	MCW - Nobles Hospital (Plant & Machinery)	3,126	1,311	418	1,270	675	495			
DOI	MCW - Education and Children	29,437	20,401	1,955	2,710	2,000	2,000	2,000	2,000	2,000
DOI	MCW - Government Estate	8,116	4,501	250	1,838	500	500	500	500	500
DOI	MCW - Public Transport	20,522	13,722	940	1,150	1,150	1,150	1,150	1,150	1,150
DOI	MCW - DfE	600			120	120	120	120	120	
DOI	MCW - Villa/Gaiety	1,000			200	200	200	200	200	
DOI	MCW - Wildlife Park	625			175	150	100	100	100	
DOI	MCW - DHA	1,000			200	200	200	200	200	
		<b>209,754</b>	<b>88,014</b>	<b>11,239</b>	<b>18,974</b>	<b>14,651</b>	<b>14,265</b>	<b>13,770</b>	<b>13,460</b>	<b>61,769</b>
	<b>DOI Total</b>	<b>354,296</b>	<b>159,513</b>	<b>20,093</b>	<b>62,071</b>	<b>48,045</b>	<b>27,457</b>	<b>23,111</b>	<b>16,720</b>	<b>74,085</b>
DOI-HR	Clagh Vane Redevelopment 7/8	8,451	8,440	1,600	6,329	98				
DOI-HR	Crossag Phase 1	714	713	3	490					
		<b>9,165</b>								
	<b>ONGOING SCHEMES</b>									
DOI-HR	MCW - Housing Planned Works	33,341	21,941	1,747	1,900	1,900	1,900	1,900	1,900	1,900



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
	<b>DOI-HR Total</b>	<b>42,506</b>	<b>31,094</b>	<b>3,350</b>	<b>8,719</b>	<b>1,998</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>
	<b>ONGOING SCHEMES</b>									
MNH	Heritage Property Conservation	1,115	1,221	100						
MNH	MCW - MNH	3,376	2,002	240	154	300	190	200	200	370
MNH	MCW - Gallery Redisplay	2,284	1,215	270	190	250	210	120	110	310
	<b>MNH Total</b>	<b>6,775</b>	<b>4,438</b>	<b>610</b>	<b>344</b>	<b>550</b>	<b>400</b>	<b>320</b>	<b>310</b>	<b>680</b>
	<b>ELECTRICITY</b>									
MUA	Combined Cycle Gas Turbine	12,286	8,220	1,037	4,600					
MUA	Essential Upgrade	680	1,478	100	380					
		12,966	9,698	1,137	4,980					
	<b>SEWERS</b>									
MUA	Regional Sewerage Strategy 1	26,700	39,984	91	91					
MUA	Regional Sewerage Strategy 2	3,060	300	1,660	1,400					
MUA	Regional Sewerage Strategy 3	3,498	1,250	1,000	2,454					
MUA	Sewers Network Refurbishment	22,205	19,650	2,780	2,050					
MUA	Sewer Flood Alleviation	1,999	1,600	200	1,300					
		57,462	62,784	5,731	7,295					
	<b>ONGOING SCHEMES</b>									
MUA	MCW - MUA	18,591	3,479	1,960	1,682	1,430	1,024	900	2,250	8,150
	<b>MUA Total</b>	<b>89,019</b>	<b>75,961</b>	<b>8,828</b>	<b>13,957</b>	<b>1,430</b>	<b>1,024</b>	<b>900</b>	<b>2,250</b>	<b>8,150</b>
FSA	Technology - FSA New IT System	550	200	100	450					
	<b>FSA Total</b>	<b>550</b>	<b>200</b>	<b>100</b>	<b>450</b>					
GSC	Technology - GSC New System	500	500	250	250					
	<b>GSC Total</b>	<b>500</b>	<b>500</b>	<b>250</b>	<b>250</b>					
MR	MCW - Broadcasting House Maintenance	1,655			150	150	150	150	150	
MR	Broadcasting House Refurbishment	969			969					



CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
	<b>MANX RADIO Total</b>	<b>2,624</b>			<b>1,119</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	
TSY	Technology - Operational Change Programme	3,131	1,830	33	3,098					
		<b>3,131</b>								
	<b>ONGOING SCHEMES</b>									
TSY	Capital Projects Contingency Fund	39,928		5,000	5,000	5,000	5,000	5,000	5,000	5,000
	<b>TSY Total</b>	<b>43,059</b>	<b>1,830</b>	<b>5,033</b>	<b>8,098</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
	<b>GRAND TOTAL</b>	<b>681,540</b>	<b>391,441</b>	<b>49,615</b>	<b>116,782</b>	<b>62,389</b>	<b>39,833</b>	<b>34,831</b>	<b>30,280</b>	<b>90,315</b>

NON- CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
MUA	Treated Water Transfer Schemes	61,772		2,550	2,400	2,350	2,600	2,100	2,100	16,800
MUA	Raw Water Maintenance Schemes	6,000			500		2,500			3,000
		<b>67,772</b>								
	<b>ONGOING SCHEMES</b>									
MUA	Minor Capital Works (non-CLF)	8,121		1,013	791	641	641	500	257	2,056
	<b>MUA Non-CLF Funded Total</b>	<b>75,893</b>		<b>3,563</b>	<b>3,691</b>	<b>2,991</b>	<b>5,741</b>	<b>2,600</b>	<b>2,357</b>	<b>21,856</b>
LAH	<b>BRADDAN</b> Snugborough Farm New Housing	3,230		200	100	700	2,000			
LAH	<b>CASTLETOWN</b> Planned Maintenance - Castletown	5,936		159	36	136	36	38		5,531
LAH	School Hill/West Hill Redevelopment	16,000		800	2,500	2,500	2,500	2,500		4,860





NON- CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
LAH	<b>CASTLETOWN &amp; MALEW EPHC</b> Planned Maintenance - C&M EPHC	3,132		125	133	22				2,786
	<b>DOUGLAS</b>									
LAH	Planned Maintenance - Douglas	16,487		3,015	2,500	2,500	1,667	1,500	475	750
LAH	Willaston External Refurbishment	30,000		3,206	3,200	3,275	3,275	3,275	3,275	6,450
LAH	Willaston Sheltered Housing Complex	6,100		300	3,000	2,500				
LAH	Willaston Garden Boundary Improvements	3,650		400	800	800	800	700	150	
	<b>ONCHAN</b>									
LAH	Planned Maintenance - Onchan	5,113		290	120	120	515	735	400	2,517
LAH	Marion Road Apartments	1,100		800						
	<b>ONCHAN EPH</b>									
LAH	Planned Maintenance - Onchan EPH	219					150			
	<b>PEEL</b>									
LAH	Slieau Whallian View EPH	3,337		2,812						
	<b>PEEL &amp; WESTERN EPHC</b>									
LAH	Planned Maintenance - Peel & Western EPHC	2,011								2,011
LAH	Planned Maintenance - Peel	1,593		174	295	338	400	190		
LAH	Westlands Phase A	6,526		1,900	100	58				
LAH	Westlands Phase B	4,985		1,552	2,955	100	58			
LAH	Westlands Phase C	5,021		200	350	3,492	650	169		
	<b>PORT ERIN</b>									
LAH	Planned Maintenance - Port Erin	4,870			250	491	400	100	400	3,229
LAH	Ballakilley Housing	858								
LAH	Ballakilley EP Housing Development	2,550		50						
	<b>PORT ST MARY</b>									
LAH	Planned Maintenance - Port St Mary	4,339		24			200	375	500	3,015
	<b>RAMSEY</b>									
LAH	Planned Maintenance - Ramsey	14,926		130	755	1,010	810	785	1,000	10,436



NON- CLF FUNDED CAPITAL SCHEMES					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES AS AT MARCH 2018 (£,000)					
DEPT	Scheme Name	Total Estimated Cost	Amount Approved by Tynwald	Probable 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FURTHER
LAH	Clifton Park/Drive New Units	1,650			1,650					
LAH	Close Woirrey Apartments	1,450		50	1,100	175	50			
	<b>RAMSEY &amp; NORTHERN EPHC</b>									
LAH	Planned Maintenance - R&N EPHC	3,950		5	2,200	1,230	210	25		
LAH	Mayfield Sheltered Housing	6,000		3,400	1,230	780				
	<b>COOIL ROI EPHC</b>									
LAH	Planned Maintenance - Cooil Roi EPHC	819		67	110		50	52		475
	<b>MARASHEN CRESCENT EPHC</b>									
LAH	Planned Maintenance - Marashen Crescent EPHC	2,916		144	100	124	64			2,004
	<b>ADAPTATIONS</b>									
LAH	Planned Maintenance - Adaptations	500			100	100	100	100	100	
	<b>LA SCHEMES</b>									
LAH	New Units (To Be Allocated)	10,000			1,000	2,000	2,000	2,000	2,000	1,000
	<b>LAH Total</b>	<b>169,268</b>		<b>19,803</b>	<b>24,584</b>	<b>22,451</b>	<b>15,935</b>	<b>12,544</b>	<b>8,300</b>	<b>45,064</b>
IOMPO	New Business Development	800			800					
IOMPO	Refurbishment of POs/New safes	1,700		200	500	500	500			
IOMPO	Electric Vehicle equipment	210		10	200					
IOMPO	Sorting Machine enhancements	200			200					
		<b>2,910</b>								
	<b>ONGOING SCHEMES</b>									
IOMPO	Other Machinery/Equipment	1,991		200	200	200	200	200	200	
IOMPO	Vehicle Replacement Programme	3,218		260	400	400	400	400	400	
	<b>IOMPO Total</b>	<b>8,119</b>		<b>670</b>	<b>2,300</b>	<b>1,100</b>	<b>1,100</b>	<b>600</b>	<b>600</b>	



### 'Plan B' Schemes (schemes for potential acceleration)

These are identified as potential schemes for affordable and achievable acceleration should other schemes programmed for 2018-19 become subject to unforeseen slippage or delays.

**Table 67**

<u>Department</u>	<u>'Plan B' Scheme</u>
DESC	QEII Science and Technology
DEFA	Wildlife Park – Redevelopment
DHSC	Older Persons RRU – Summerhill
DOI	Douglas Promenade
DOI	Climate Change Adaption
DOI	Glencrutchery Road



## APPENDIX 6 - CAPITAL PROGRAMME FUTURE SCHEMES

Table 68

PHASING OF FUTURE CAPITAL SCHEMES FROM 2019-20					
SCHEME NAME	2019-20	2020-21	2021-22	2022-23	Further Payments
<b>CABINET OFFICE</b>					
Technology - Passports & Immigration System					
<b>ENVIRONMENT, FOOD &amp; AGRICULTURE</b>					
Ballure Slope Periodic Maintenance					
Mill Road Yard Development Vacant Units					
Wildlife Park - Redevelopment					
<b>EDUCATION, SPORTS AND CULTURE</b>					
Castle Rushen High School Redevelopment					
Willaston School Extension Scheme					
Ballakermeen Special Needs and Science					
QEII Science and Technology					
Ramsey Grammar Arts/Performance					
St Ninians Key Stage 4					
UCM Learning Resources					
Scoil Yn Jubilee					
UCM - Higher Education Expansion					
National Sports Centre - Floodlight Stands					
Fire Certification Work to Schools					
Southern Swimming Pool					
Castletown Youth and Community Centre					
Onchan Primary School					
<b>ENTERPRISE</b>					
Technology - PRO Digital Archive					
<b>HOME AFFAIRS</b>					
Joint Douglas Fire and Ambulance Station					
Fire Station - Ramsey					
<b>HEALTH AND SOCIAL CARE</b>					
Day Care Services - Eastcliffe					
Older Persons RRU - Summerhill					
GP Surgery Development - North West					
GP Surgery Development - Onchan					
<b>INFRASTRUCTURE</b>					
Climate Change Adaption					
Douglas Outer Harbour Development					
Hazardous Landfill Replacement					
New Housing Stock					
Port St Mary Marina Development					
East Quay Peel					
Glen Moar Highway Improvements					
Pulrose River Bridge					
West Quay Ramsey					
Deep Water Berth					
Airport Rehabilitation (pavements)					
Vehicle Test Centre Relocation					
Heritage Rail - Snaefell Mountain Railway Track					
Heritage Rail - Steam Railway Track					

## Appendix 6 – Capital Programme Future Schemes



PHASING OF FUTURE CAPITAL SCHEMES FROM 2019-20					
SCHEME NAME	2019-20	2020-21	2021-22	2022-23	Further Payments
Ballacubbon Housing Development					
<b>SCHEMES FUNDED FROM HOUSING RESERVE</b>					
Crossag Phase 2					
Crossag Phase 3					
<b>MANX UTILITIES AUTHORITY</b>					
Combined Cycle Gas Turbine					
SMART Metering Conversion					
Sewer Flood Alleviation					
Refurbishment of Local Sewage Treatment Works					
Regional Sewage Treatment Works for Peel, Laxey and Baldrine					
<b>TREASURY</b>					
Technology - Operational Change Programme					
<b>Grand Total (£,000)</b>	<b>34,179</b>	<b>40,331</b>	<b>29,722</b>	<b>40,082</b>	<b>164,756</b>



## APPENDIX 7 – EXPLANATION OF COLUMN 2 CAPITAL SCHEMES

Table 69 - Column 2 Capital Schemes

DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (£,000)	DESCRIPTION OF COLUMN 2 SCHEME
CO	MCW - Technology	250	A new minor capital works budget for technology related schemes of less than £250k. No revenue budget in place. Will allow replacement of small scheme ICT systems across Government.
DESC	Castle Rushen High School Redevelopment	445	Design fees for a Column 3 scheme. Significant amount of pre-construction work to be undertaken before overall scheme approved. Will return to Tynwald for future funding requirements.
DESC	Disability Access Works to Department Sites	505	Design/construction works to further improve access to sites owned by the DESC in line with the introduction of the Disability Discrimination Act.
DESC	MCW - National Sports Centre	100	Minor capital improvement/maintenance works on the National Sports Centre Site. This has been reduced temporarily in line with the improvement works to the NSC Pool Hall.
DESC	MCW - Regional Pools	150	Minor capital improvement/maintenance works to the Island's 3 Public Swimming Pools. This does not include the swimming pool at the NSC.
DESC	National Sports Centre - Pool Hall	1,640	An amalgamation of the pool floor replacement, replacement flumes (both of which have Tynwald approval), and additional funding for the upgrade to rest of the Pool Hall – all now incorporated into one scheme.
DESC	QEII Science and Technology	450	Design fees for a Column 3 scheme. Significant amount of pre-construction work to be undertaken before overall scheme approved. Will return to Tynwald for future funding requirements.
DESC	School Security	426	Design/construction works to further improve security across all the Secondary and Primary Schools on the Island.
DESC	UCM – Construction Craft & Engineering	30	Relates to a historic adjustment on actual spend only.
DESC	Villa Marina Sound System	800	A budget to replace the sound system at the Villa Marina.
DEFA	Essential Building Maintenance	347	Ongoing maintenance of DEFA estate as necessary. This includes a new sub-station at Peel Food Park (Mill Road Yard) to increase the freezing capacity required by tenants.
DEFA	MCW - National Glens & Footpaths	400	New programmes of work in the Island's National Glens to include compliance with DDA legislation, improvements to pathways, play areas and car parks. Front loaded in 2018-19.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (£,000)	DESCRIPTION OF COLUMN 2 SCHEME
DEFA	Wildlife Park - Redevelopment	50	Design fees for a C3 scheme. This is the first year of a 2 year scheme to redevelop the visitor facilities and café at the Wildlife Park. This is a modular approach for future redevelopment.
DHA	Communications Development Handsets	200	Relates to a sub project of the Communications Development Project and is for the ongoing replacement of TETRA handsets used by the Police. Moved from a one-off replacement approach.
DHA	Equipment Replacement Programme - Fire & Rescue	46	Ongoing scheme for the replacement of fire and rescue equipment. Will be reviewed in 2018-19 to move into revenue given its low value and the nature of the items purchased.
DHA	Fire Station - Ronaldsway	70	Relates to a historic adjustment on spend.
DHA	Equipment Replacement Programme - Police	72	Ongoing scheme for the replacement of police equipment. Will be reviewed in 2018-19 to move into revenue given its low value and the nature of the items purchased.
DHA	Joint Douglas Fire and Ambulance Station	250	Design fees for a C3 scheme. This will return to Tynwald in due course for approval to construct. The scheme will replace the existing facilities on a combined site.
DHSC	DHSC Strategic Development Fund	250	An annual provision (non-carry forward) to give the Department capability and resources to react to service change requirements to develop reactive schemes for the alteration to properties.
DHSC	GP Surgery Development Scheme - Peel	400	The intention is to build a small extension for an additional 4 consulting rooms to address the short term problem of lack of space and waiting lists in the practice (18/19)
DHSC	MCW - Asset Replacement Scheme	723	Ongoing scheme for the replacement of smaller items across the Department.
DHSC	Older Persons RRU - North	247	Design fees for a C3 scheme.
DHSC	Older Persons RRU - Summerhill	127	Design fees for a C3 scheme to replace the old provision at Glenside.
DOI	Active Travel	590	This scheme will enable the delivery of the Active Travel Strategy by promoting walking or cycling as an alternative to motorised travel. First year of a 5 year programme.
DOI	Airport Rehabilitation (pavements)	250	Design fees for a C3 scheme.
DOI	Ambulance Fleet Replacement Programme	347	Ongoing fleet replacement programme which ensures replacement vehicles for the Department of Health and Social Care on an annual basis. This can be carried forward if required.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (£,000)	DESCRIPTION OF COLUMN 2 SCHEME
DOI	Climate Change Adaption	2,100	A 25 year programme of a number of schemes to deliver climate change adaptations across the Island. Each business case is presented and approved by Treasury as they are ready to be delivered.
DOI	DHA Vehicle Acquisition	802	Ongoing scheme for the replacement of vehicles on behalf of the Department of Home Affairs (including Fire and Police) for which management has transferred from DHA to DOI in 2018-19.
DOI	Douglas Outer Harbour Development	100	Design and enabling for project works within the development of Douglas outer harbour which include works relating to the linkspan, dredging, revetment and the Battery Pier.
DOI	East Quay Peel	177	Design fees for a C3 scheme to address structural failure of the highway and potentially enhance the area around the harbour
DOI	EFW Control Emissions Monitoring System	385	Upgrade of the emissions system required as the result of legislative changes and to meet the requirements of the regulator.
DOI	Glencrutchery Road Reconstruction	150	Design fees for a C3 scheme to address structural failure of the highway on Glencrutchery Road, Douglas.
DOI	Heritage Rail - (MER) Trackwork	1,544	Planned replacement of life expired rail track for the Island's Manx Electric Railway network.
DOI	Heritage Rail - Derby Castle Sheds (MER) Cladding	510	This project will enable the recladding of the roof and exterior walls of the MER tram sheds at the Derby Castle Depot which is in poor condition.
DOI	Heritage Rail - Nunnery Bridge	750	Replacement of the deteriorating bridge structure on the Nunnery Bridge, Douglas.
DOI	Heritage Rail - Snaefell Mountain Railway Track	775	Planned replacement of life expired rail track for the Island's Snaefell Mountain Railway network.
DOI	Heritage Rail - Steam Railway Track	1,193	Planned replacement of life expired rail track for the Island's Steam Railway network.
DOI	Heritage Trail Improvements	600	Improvements to the Douglas to Peel Heritage Trail that follows the old railway track in line with the Active Travel Strategy.
DOI	Liverpool Landing Stage	7,752	This is a limited increase to the expected overall total cost. Designs fees include marine site investigations and Environmental Impact Assessments.





DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (£,000)	DESCRIPTION OF COLUMN 2 SCHEME
DOI	Lezayre Road	475	Design fees for a C3 scheme to address structural failure of the highway on Lezayre Road, Ramsey.
DOI	MCW - DfE	120	A minor capital works budget for properties owned by the Department for Enterprise. DOI maintain and uphold the properties on behalf of the Department under a Service Level Agreement.
DOI	MCW - DHA	200	A minor capital works budget for properties owned by the Department for Home Affairs. DOI maintain and uphold the properties on behalf of the Department under a Service Level Agreement.
DOI	MCW - DHSC	480	This rolling scheme includes expenditure for maintenance and replacement of building and property service relating the Department of Health & Social Care for items ranging from £5,000 to £250,000
DOI	MCW - Government Estate	1,115	This rolling scheme includes expenditure for maintenance and replacement of building and property service related items Government wide ranging from £5,000 to £250,000
DOI	MCW - Noble's Hospital - Plant & Machinery	645	This rolling scheme is related to expenditure for replacement of hospital plant and machinery.
DOI	MCW - Noble's Hospital Compliance	185	This rolling scheme ensures the hospital's services comply with relevant standards.
DOI	MCW - Public Transport	1,050	Due to the nature of the heritage trams, trains and infrastructure (some dating back to 1870's), it is not always possible to anticipate the stocks maintenance and overhaul requirements.
DOI	MCW - Villa/Gaiety	200	Minor capital works transfer from DESC for the upkeep and maintenance of the Villa Marina and Gaiety complex.
DOI	MCW - Wildlife Park	175	Minor capital works transfer from DEFA for the upkeep and maintenance of the Curragh's Wildlife Park.
DOI	Peel Harbour Bridge Replacement	350	Replacement of the time expired wooden bridge structure.
DOI	Plant & Vehicle Replacement Programme	1,484	Ongoing programme for the planned replacement of Government's plant and vehicles.
DOI	Public Transport - Banks Circus Road Renewal	690	The renewal of the road surface within key areas of the bus depot at Banks Circus, Douglas to replace the small concrete blocks currently used that are dislodging.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (£,000)	DESCRIPTION OF COLUMN 2 SCHEME
DOI	Pulrose River Bridge	50	Design fees for a C3 scheme to replace the time expired bridge structure.
DOI	Quarry Plant Replacement	502	Ongoing programme for the replacement of quarry plant and machinery.
DOI	Raggatt Landfill	300	Development of a pumping station at Glenfaba Bridge to allow the transport of leachate from the Raggatt closed landfill site to new sewerage works.
DOI	Residential Road Refurbishment	500	A 10 year scheme starting in 2017-18, to refurbish residential roads. Tackling small-scale neglect should prevent longer term problems for the network but, more importantly, encourage some pride in the roads.
DOI	Runway Instrument Landing System	1,000	Scheduled replacement of existing equipment.
DOI	Site Feasibility Studies	32	To undertake land and property related studies for potential future schemes.
DOI	Strategic Structural Maintenance	1,541	This year on year scheme includes work on both highways and harbours structures. The scope of the work ranges in value up to £300,000, and includes major maintenance up to complete replacement of a structure.
DOI	Vehicle Test Centre Relocation	250	Design fees for a C3 scheme. This will provide a facility for the relocation of the existing Centre at Tromode. Further Tynwald approval will be requested in due course.
DOI	West Quay Ramsey	40	Design fees for a C3 scheme to address the structural failure of the highway and possibly enhance the area around the quay.
DOI-HR	Crossag Ph 1	1	Design fees and potential enabling works to form a site entrance for a future C3 scheme for future housing.
DOI-HR	MCW - Housing Planned Works	1,900	This budget has been used to undertake essential works such as re-roofing, kitchen refurbishments, electrical upgrades, central heating, window/door replacements etc. to the Department's public sector housing stock.
MNH	MCW - MNH	114	A budget to undertake minor planned maintenance or development projects which this year will assist with Castle Rushen, Cregneash and the development of Laxey Wheel Visitor facilities.
MNH	MCW - Gallery Redisplay	69	This programme is underpinned by the MNH Audience Development Plan. During 2018-19 the following projects are planned; Castle Rushen – ground floor exhibition & services, Cregneash and galleries at the Manx Museum.
MUA	Combined Cycle Gas Turbine	4,066	Repairs and maintenance activities at Pulrose Power Station, including routine replacement of plant and equipment.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (£,000)	DESCRIPTION OF COLUMN 2 SCHEME
MUA	MCW - MUA	1,358	Minor Capital works, including small repairs, maintenance schemes and plant replacement (including vehicles).
MUA	Refurbishment of Local Sewage Treatment Works	2,248	Regional Strategy for the Treatment of Sewerage 2 schemes for large sewerage treatment works at Ballagarey, Ballaugh, Crosby, Glen Vine, St Johns and Sulby.
MUA	Regional Sewage Treatment Works for Peel, Laxey and Baldrine	1,400	Regional Strategy for the Treatment of Sewerage 2 schemes for large sewerage treatment works at Peel, Laxey and Baldrine.
MUA	Sewer Flood Alleviation	399	Schemes to reduce sewer flooding arising from surface (rain) water drainage.
MUA	Sewer Network Refurbishment	2,050	Refurbishment of the existing sewerage infrastructure, including lining of existing sewers and manhole repair and replacement.
FSA	Technology - FSA New IT System	350	The budget includes funding for building restructure costs from the merger and £150k in respect of the new IT system. The new system development is being undertaken in conjunction with the GSC.
TSY	Capital Projects Contingency Fund	5,000	Annual £5m capital contingency account included in the Capital Programme. This is made available for any emergency or urgent Capital works which are not listed as part of the current capital programme.
TSY	Technology - Operational Change Programme	1,301	A programme of work to deliver improvement and efficiencies to the existing framework of multiple Treasury systems. This is the first year of a 5 year programme.
MR	MCW - Broadcasting House Maintenance	150	Ongoing Minor Capital Works budget for the maintenance of Broadcasting House and any other sites held by Radio Manx Limited.



## APPENDIX 8 – EXPLANATION OF RESERVES

### The External Reserves

#### **Fund for the Enterprise Development Scheme**

The Enterprise Development Scheme (EDS) provides grant, loan and equity investment to new start-ups, existing expanding businesses and businesses wishing to relocate to the Island. It is a relatively young scheme having been launched in 2016-17 and aims to promote innovation and entrepreneurialism, to increase inward investment to the Island and to encourage job creation opportunities through the establishment of the Island as an enterprise development zone. Up to £50 million is available for investment which is managed by an external fund manager.

#### **Hospital Estates Development Fund**

The purpose of this Fund is to meet the cost of the loan charges arising from the initial capital expenditure incurred in respect of building Nobles Hospital after 1 April 1996 (the loan charges arising from capital expenditure prior to that date are charged to the Votes of the Department of Health and Social Care). The interest earned on this fund is applied directly to the remaining balance of borrowing in relation to the Hospital, reducing the impact on the revenue account.

#### **Manx Currency Account**

The balance on the Currency Account is maintained to ensure that it more than matches the value of the total Manx currency in circulation (both notes and coins).

#### **Media Development Fund**

Together with Isle of Man Film Limited (an incorporated Manx company), the Media Development Fund supported the growth and promotion of the media and film industry by providing funds to invest in large budget film or television productions and other media projects. This was intended to create additional local employment opportunities and enable a greater proportion of film and media related activities to be undertaken on the Isle of Man. The contract with Pinewood Film Advisors for the management of the Fund ended in October 2017, arrangements are underway to allow the transfer of the Fund and its administration back to Treasury and the Department for Enterprise. The future of the Fund will be determined during 2018-19.

#### **Public Service Employees' Pension Reserve**

The reserve was established in 1994 to provide a long term provision for the annual financing of:

- Transfer values payable to outgoing employees;
- Lump sums payable to retiring employees;
- Ongoing costs of administering and implementing the Government Unified Scheme; and
- the emerging pensions liability.

The reserve is made up of an externally invested fund and an internal reserve, which each year receives a drawdown from the invested fund in order to make an annual contribution towards the gross cost of public sector pensions. The Reserve is estimated to become fully depleted by 2021-22, leaving a funding gap shortfall, which will be require to be met from General Revenue.



### **MUA Bond Repayment Fund**

Responsibility for the management of the Manx Utilities Authority Bond Issues transferred from the Authority to Treasury on 1<sup>st</sup> April 2015. The MUA makes annual payments through its Long-Term Financial Plan into a sinking fund in order that the £260m Bond Issues can be repaid upon their maturity in 2030 (£75m) and 2034 (£185m).

### **National Insurance Fund**

The National Insurance Fund is comprised of both the National Insurance Investment Account which is invested by external investment managers on behalf of Treasury and also the National Insurance Operating Account, which represents the operating balance managed by Treasury's Social Security Division. The Operating Account is used to fund NI-funded welfare payments and also makes a significant contribution towards the cost of the Island's Health Service via the NHS Allocation. Since April 2012, an amount has been drawn from the Investment Account to cover the shortfall between National Insurance contributions income and benefit expenditure.

### **Reserve Fund**

The Reserve Fund represents the externally invested central reserve of the Isle of Man Government, designed to provide long term stability and protection to Government's finances. The objective of the Five Year Financial Plan is to grow the Reserve Fund through external management, with the investment income being retained within the Fund rather than drawn upon to support revenue expenditure. From 2018-19, and for the period of the Five Year Financial Plan, the level of this drawdown in support of revenue is projected to reduce steadily year on year.

### **The Internal Reserves**

#### **Academic Business Planning Fund**

This Fund was established as part of the 2017-18 budget on a one year trial basis. This reserve allowed the Department of Education, Sport and Culture to transfer year end underspends into the new financial year for specific identified drawdown needs for the first six months of the new financial year, as agreed with Treasury. This provides the Department with flexibility in its business planning for operations where the financial year does not fit with the academic year. This initiative has proven very successful during 2017-18 therefore will be extended on a permanent basis.

#### **Agriculture and Forestry Fund**

This Fund was originally established in 2007 to assist the Department of Environment, Food and Agriculture in providing funding for additional financial support to the agriculture sector, during its period of transition and adjustment following the loss of red meat derogation. The Fund is utilised to support initiatives that are designed to provide sustainable benefits for the sector in the longer term. More recently the Fund has been changed to include funding to assist the Department with its tree felling programme to combat tree disease within the forestry estate. This Fund is expected to become fully depleted by the end of 2018-19 and will be closed.

#### **BREXIT Fund**

The BREXIT Fund was established as part of the 2017-18 budget, with a balance of £1 million from the Operating Balance. This Fund is available for items of expenditure that help harness the



economic opportunities arising from Britain's departure from the EU, as well as for putting measures in place to mitigate against the risks.

### **Contingency Fund**

Established in 2016-17, with a £5m injection from the Revenue Account's Operating Balance, this Fund arose from a need to ensure that funding is provided to meet any unexpected, unavoidable or unplanned occurrences that are not included in the Departmental Revenue targets. Items granted funding from here must be of a temporary nature or self-sustainable from ongoing savings generated. Recurring expenditure is not eligible.

### **Digital Strategy Fund**

The Digital Strategy Fund arose from a need to ensure that the delivery of the Digital Strategy is fully implemented and that savings arising as required by the Five Year Financial Plan are captured accordingly. The Fund aims to secure a minimum financial saving of £5 million to be achieved within five years ensuring the programme is cost neutral across the period, with ongoing service and savings benefits after the five year period. Savings will be identified, captured and applied to Departmental revenue targets to allow resources to be returned to the General Reserve or realigned to new priorities as defined by the Council of Ministers. Departments are able to retain 25% of the savings arising from successful bids.

### **Healthcare Transformation Fund**

This reserve is designed to provide financing for the implementation of healthcare project initiatives that are of a transformational nature, and are necessary for the delivery of the Department of Health and Social Care's Medium Term Strategy. This includes initiatives to realise ongoing revenue savings, or perhaps allow the double-running of services while transformation takes place. It is intended that any surplus National Insurance receipts due for allocation into the NHS are redirected into this Fund to support future projects.

### **Housing Reserve Fund**

Established in 2002, the Housing Reserve Fund is designed to provide finance for housing related projects, in particular the delivery of the Government's social housing policy. Amounts from this Fund are transferred into the Capital Fund to meet the cost of any housing projects that are approved by Tynwald.

### **Invest to Save Fund**

This Fund, previously known as the Restructuring Fund, was rebranded and refocused to consider upfront proposals that generate savings. This Fund arises from a need to ensure that funding is provided where it can be demonstrated that upfront investment generates short, medium or long-term revenue savings. The terms of reference for this Fund have been amended this year to allow Departments to retain 50% of the savings arising from successful bids. The Fund also remains available for the funding of claims that fall under the previous remit for the Restructure Fund, such as staffing restructures and office refurbishments, with no requirement for a savings recoupment back into the Fund.



### **Land & Property Acquisition Reserve**

This Reserve was established in 2000 to provide additional funding to meet the cost of acquiring land for land bank and other purposes. The Reserve enables Government to react swiftly when land and buildings required for public services becomes available. Land bank transactions, both planned and unplanned, are made through the Capital Account. The expenditure on unplanned land and building transactions are met by transfers from the Land & Property Acquisition Reserve. This Reserve will be reviewed in 2018-19 with a view to determining whether it could be amalgamated into the Capital Contingency Fund.

### **Legal Costs Reserve**

The Isle of Man Government has been subject to several large and complex legal cases which have placed a strain on the resources of the Departments involved. Given the ad hoc nature of these cases, this reserve provides funding to meet the costs of agreed and exceptional legal cases. The high nature of these costs and the reducing balance of this reserve in recent years make this unsustainable. A review into how this funding is provided will be undertaken in the next year to ensure the Fund remains fit for purpose.

### **Marketing Initiatives Fund**

This Fund is designed to provide financial support for marketing initiatives or projects that promote the Island to specific or general markets and encourage access to business development opportunities. The approved initiatives must be able to demonstrate the generation of clear and definable economic benefits to the Island, and must be time-specific. The Fund is scheduled to be closed once it is depleted and ongoing funding needs will be managed from revenue budgets.

### **Medical Indemnity Fund**

Established in 1994, this reserve acts as a cash-limited self-insurance fund to meet valid claims for damages on behalf of patients against health care staff working in the Island's hospitals. A review is underway to ascertain future options to reduce the financial risk faced by the Department of Health and Social Care.

### **Seized Assets Fund**

The purpose of this Fund has been to enable the proceeds of drug seizures and other crimes to be applied to counter criminal activities as well as to promote and implement community safety initiatives including grant assistance to counter the undesirable effects of drugs and alcohol. During 2017-18, the terms of reference for the Fund were updated to realign the delegated authority for approvals from Treasury to the newly formed Financial Intelligence Unit Board.

### **Town & Village Centre Regeneration Fund**

Established in 2008, this reserve provides funding to revitalise the centres of the Isle of Man's towns and villages, through improvements to their retail environments. The reserve has been used to finance both construction schemes and also to provide grant assistance to agencies and bodies outside Government, thereby contributing towards wider economic development. As of 2016-17 funding for new construction projects approved has been through the Capital Programme, whilst the Fund will remain available for grant applications, and pre-existing approved projects. It will be closed once these commitments have been met.

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