



ISLE OF MAN **BUDGET**

2017-18

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Isle of Man
Government
Riljtya Ellan Vannin

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1. OVERALL FINANCIAL SUMMARY FOR REVENUE & CAPITAL

1.1. Government Revenue Forecast 2017-18 to 2019-20

In line with the Treasury Act 1985, the Treasury is pleased to present the revenue forecasts for the Isle of Man Government for the financial year 2017-18, together with provisional projections for the following two years to 2019-20.

TABLE 1

| GOVERNMENT REVENUE FORECAST 2017-18 TO 2019-20 | | | | | |
|--|------------------|--------------------------|------------------|---------------------|------------------|
| Restated Budget | Probable | | Budget | Provisional Budgets | |
| 2016-17 £,000 | 2016-17 £,000 | | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 |
| (920,053) | (947,331) | Income | (964,052) | (991,393) | (1,017,325) |
| 919,759 | 936,196 | Expenditure | 961,188 | 975,290 | 984,935 |
| (294) | (11,135) | (Surplus)/Deficit | (2,864) | (16,103) | (32,390) |

1.2. Government Capital Forecast 2017-18 to 2019-20

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, 2017-18. As above, provisional projections have also been provided for the following two years to 2019-20.

TABLE 2

| GOVERNMENT CAPITAL FORECAST 2017-18 TO 2019-20 | | | | | |
|--|------------------|------------------------------------|------------------|------------------|------------------|
| Budget | Probable | | Projected | | |
| 2016-17 £,000 | 2016-17 £,000 | | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 |
| (59,737) | (54,138) | Receipts | (60,861) | (68,195) | (70,070) |
| 92,590 | 69,721 | Payments | 66,272 | 59,312 | 63,638 |
| 32,853 | 15,583 | (Surplus)/Deficit | 5,411 | (8,883) | (6,432) |
| 33,952 | 46,728 | CAPITAL ACCOUNT BALANCE B/F | 31,145 | 25,734 | 34,617 |
| (32,853) | (15,583) | Surplus/(Deficit) on Capital Acc | (5,411) | 8,883 | 6,432 |
| 1,099 | 31,145 | CAPITAL ACCOUNT BALANCE C/F | 25,734 | 34,617 | 41,049 |

2. BUDGET REPORT 2017-18

This Budget sets out to provide more clarity and transparency to public finances and instil a new sense of purpose and confidence in our future. There is a need to dispel some of the myths that surround Government finances in order to bring a more balanced perspective to our economic position and there is certainly a need for us to stop looking backwards pre 2009. We need to recognise and accept the new realities of public finances and acknowledge that action, hard work and determination to succeed are vital pre-requisites if we are to make real progress in the next five years.

That is why the Government has been working hard on a Programme for Government that sets out a firm course of direction for the next five years and why this Budget works together with the Programme for Government to deliver sustainable public finances with strong support for working people.

Therefore in this Budget, the Government will take action to:

- support working people by increasing personal allowances to £12,500;
- maintain the integrity of our 0% corporate taxation supporting business and jobs;
- put in place a five year predicted Capital Spending programme of nearly £400m, creating better public facilities, jobs and investment on our Island;
- boost enterprise with a continued programme of support via the Enterprise Development Fund and grant funding;
- raise Child Benefit Rates by an additional 2% to help support our young families;
- provide an additional £11m funding for our stretched NHS resources.

The Island's overall economic performance remains above global averages but generally the economic climate is fragile with the post-BREXIT challenges ahead. Although we can be optimistic about the general level of economic activity on the Island and the returns that we are seeing from both direct and indirect taxation, nevertheless the pressure remains to deliver more sustainable public finances and reduce the use of our reserves. This Budget therefore:

- maintains public expenditure cost controls, including a pay cost cap at 1%;
- incorporates £33m of allocated savings and cost avoidance measures over the five year term;
- challenges DHSC to deliver a £10m savings programme;
- reveals an as yet unallocated £25m of savings by 2022;
- uses the interest and returns from Reserves to help meet the deficit;
- effectively reduces the structural deficit from £79m to £23m by 2022.

The Public Sector Pension liability remains the key threat to the long term stability of public finances. This Budget:

- imposes a new cost control cap of 15% employer contributions;
- draws more heavily on the Public Service Pension Reserve to depletion in 2021 when the burden of funding the deficit will again fall to general taxation;
- plans for that eventuality.

This Budget sets out to meet our challenges head on. It is a Budget that recognises challenges but also opportunity. It is a Budget that demonstrates we have sound financial resources and sound financial management. It is a Budget for our future success.

A.L. Cannan MHK, Minister for the Treasury

21st February 2017

3. 2017-18 BUDGET HEADLINES

Overview

- Higher personal allowances will help household budgets
- More support for nursing care
- New cost control and savings initiatives
- Programme of investment in public infrastructure, economy and jobs
- £11m additional investment in health
- Five Year Financial Plan to secure a sustainable reserve position by 2021-22

The Reserves

- Estimated level of reserves is £1.6 billion, projected to rise to £1.66 billion by 2021-22
- Use of reserves of £82.4m budgeted for 2017-18
- Public Service Pensions Reserve to be depleted by 2020-21
- £1m to establish new BREXIT Fund

Revenue Income

- 2016-17 taxation income expected to exceed budget by 3%
- Gross income expected to increase by 5% to £964m in 2017-18
- Forecast growth of 3% assumed year on year for taxation income

Revenue Expenditure

- Protecting and investing in Public Services
- Gross revenue spending due to increase by 1.7% to £1,030m in 2017-18 (£961m after reserve transfers)
- Pay costs expected to be £357 million in 2017-18

Benefits

- Basic state pension to rise by 2.5%
- Nursing care contribution scheme to rise by £25 per week
- Child Benefit to rise by 2%
- Most other benefits unchanged or increased by 1%

Taxation Policies

- Personal income tax allowance increased by £2,000 from £10,500 to £12,500
- 20% personal tax threshold remains at £19,000
- Maximum permitted deduction for nursing expenses increased from £9,300 to £12,500
- New benefit in kind incentive for cycling to work
- From 2018-19, Tax Cap for new elections to be increased from £125,000 to £150,000
- Maximum deduction for interest paid on loans or mortgages to be reduced from £7,500 to £5,000

Capital Budget

- Capital expenditure of £88m budget for 2017-18
- Five year programme of £388m to invest in Island infrastructure
- Programme includes £298m engineering and construction projects including the Statutory Boards supporting the economy and employment

Savings

- Commit to £25m p.a. savings by 2021-22
- Target £10m Cost Improvement Programme savings in DHSC
- Ongoing cost controls across Government include capping employee cost growth at 1%
- New Cross Government Savings Team to identify transformational savings projects

4. THE FIVE YEAR FINANCIAL PLAN

This Budget represents the beginning of a 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 will deliver:

Financially Responsible Government

A 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 Agreement (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

Strong cost control

- Holding employee cost increases to 1% per annum
- Containing non-pay costs to within inflation
- Targeting efficiencies and opportunities for a smarter Government through:
 - Establishing a Cross Government Savings Team to:
 - Review services, service levels and deliver savings
 - Ensure efficiency in our processes
 - Ensure excellence through procurement
- Challenging existing spending through more effective budgeting

The Five Year Financial Plan

In summary, the Five Year Financial Plan seeks to readjust our income and expenditure to reduce the ongoing reliance on reserves and the interest from those reserves to maintain ongoing operations. Delivery of the plan will allow a proportion of investment returns to be retained to maintain and build the value of the reserves by the end of the five years.

Over the five year period, through the strength provided by the FERSA and economic growth we anticipate that Government's overall income levels will rise by an average of 2.75% per annum, whilst the cost control measures incorporated into the Budget and delivery of the savings levels will mean that expenditure will be controlled to an average increase of 2.28% per annum.

A summary of the Five Year Financial Plan is shown in the table below. To aid transparency, the format of the income and expenditure account has been restated to provide greater information on the budgeted use of reserves.

TABLE 3

| FINANCIAL PLAN 2016-17 TO 2021-22 | | | | | | | |
|--|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|
| | Re-stated Budget | Forecast | Budget | Provisional Budgets | | | |
| | 2016-17 £,000 | 2016-17 £,000 | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 | 2020-21 £,000 | 2021-22 £,000 |
| GROSS INCOME | | | | | | | |
| Treasury Income | | | | | | | |
| Customs and Excise | 336,500 | 348,229 | 358,676 | 369,436 | 380,519 | 391,935 | 403,692 |
| Income and Other Taxes | 212,000 | 213,500 | 211,253 | 217,591 | 224,118 | 230,842 | 237,767 |
| Other Treasury Income | 11,572 | 11,621 | 12,015 | 10,253 | 8,455 | 6,624 | 4,757 |
| Other Income | | | | | | | |
| Department Fees & Charges | 120,041 | 120,041 | 119,908 | 121,463 | 122,453 | 124,902 | 127,400 |
| Employee Pension Contributions | 17,940 | 17,940 | 20,700 | 24,900 | 26,600 | 27,200 | 28,300 |
| TREASURY INCOME | 698,053 | 711,331 | 722,552 | 743,643 | 762,145 | 781,503 | 801,916 |
| NI Operating Account | 222,000 | 236,000 | 241,500 | 247,750 | 255,180 | 262,836 | 270,718 |
| TOTAL INCOME | 920,053 | 947,331 | 964,052 | 991,393 | 1,017,325 | 1,044,338 | 1,072,634 |
| GROSS EXPENDITURE | | | | | | | |
| Employee Costs | 309,465 | 314,966 | 315,448 | 317,933 | 320,925 | 324,226 | 328,573 |
| <i>Employer Pension Contribution</i> | 39,000 | 39,000 | 41,946 | 42,038 | 42,148 | 42,569 | 42,995 |
| <i>Pension Costs (net departmental)</i> | 68,000 | 54,565 | 57,292 | 65,200 | 76,781 | 80,431 | 85,005 |
| Pension Costs | 107,000 | 93,565 | 99,238 | 107,238 | 118,929 | 123,000 | 128,000 |
| <i>Non-Employee Costs</i> | 249,961 | 260,042 | 261,649 | 263,559 | 266,805 | 270,007 | 273,247 |
| <i>NHS Allocation</i> | (38,000) | (38,000) | (38,500) | (39,655) | (40,845) | (42,070) | (43,332) |
| Net non-Employee Costs | 211,961 | 222,042 | 223,149 | 223,904 | 225,960 | 227,937 | 229,915 |
| NI Funded Payments | 240,728 | 236,000 | 246,500 | 254,420 | 263,130 | 272,236 | 281,450 |
| Revenue Funded Welfare Payments | 79,608 | 77,108 | 80,927 | 82,990 | 82,990 | 84,650 | 86,343 |
| Loan Charges (Capital Funding) | 37,059 | 37,061 | 45,366 | 49,998 | 51,369 | 53,754 | 55,124 |
| Internal Fund Expenditure | 27,513 | 27,513 | 19,446 | 17,620 | 16,370 | 16,220 | 16,220 |
| Unallocated savings /income | 0 | 0 | 0 | (6,000) | (12,000) | (19,000) | (25,000) |
| EXPENDITURE | 1,013,334 | 1,008,255 | 1,030,074 | 1,048,103 | 1,067,673 | 1,083,023 | 1,100,624 |
| Transfer from internal funds | (27,513) | (27,513) | (19,446) | (17,620) | (16,370) | (16,220) | (16,220) |
| Hospital Estates Development Fund | (3,546) | (3,546) | (3,473) | (3,786) | (3,741) | (3,778) | (3,816) |
| Transfer from the NI Fund | (18,000) | (3,000) | (7,967) | (9,694) | (11,027) | (12,581) | (14,109) |
| Transfer from the PSEPR | (44,516) | (38,000) | (38,000) | (41,713) | (51,600) | (54,600) | 0 |
| <i>Transfer from reserves</i> | (93,575) | (72,059) | (68,886) | (72,813) | (82,738) | (87,179) | (34,145) |
| Expenditure after reserves transfer | 919,759 | 936,196 | 961,188 | 975,290 | 984,935 | 995,843 | 1,066,479 |
| SURPLUS | 294 | 11,135 | 2,864 | 16,103 | 32,390 | 48,495 | 6,155 |

The Five Year Financial Plan

To improve transparency and clarity over Government's operating position and the quantum of the overall structural deficit, Table 4 below shows a financial analysis setting out the General Revenue Account income and expenditure from the operation of Government, the operating deficit from the National Insurance Fund and the funding outcome for Capital Expenditure.

Returns from our Externally Invested Funds and other reserves and cash balances are also shown in the table below. Whilst higher returns have been achieved in the past, this is a prudent forecast and is reflective of ongoing uncertainties in the financial markets. The analysis demonstrates that a substantial proportion of our investment income will be retained to allow the overall level of reserves to grow by around £32m by 2021-22. To support expenditure we will need to draw on reserves and use all or a proportion of the investment income to support Government spending in the first three years of the plan.

TABLE 4

| | Summary position | | | | | |
|---|------------------|------------------|---------------------|------------------|------------------|------------------|
| | Probable | Projected | Provisional Budgets | | | |
| | 2016-17 £,000 | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 | 2020-21 £,000 | 2021-22 £,000 |
| Income | 947,331 | 964,052 | 991,393 | 1,017,325 | 1,044,338 | 1,072,634 |
| Less NI | (236,000) | (241,500) | (247,750) | (255,180) | (262,836) | (270,718) |
| Less Reserve Fund Interest | (8,000) | (8,000) | (6,000) | (4,000) | (2,000) | 0 |
| Operating Income | 703,331 | 714,552 | 737,643 | 758,145 | 779,503 | 801,916 |
| Expenditure | 1,008,255 | 1,030,074 | 1,048,103 | 1,067,673 | 1,083,023 | 1,100,624 |
| Less NI | (236,000) | (249,500) | (257,510) | (266,210) | (275,508) | (284,721) |
| Operating Expenditure | 772,255 | 780,574 | 790,593 | 801,463 | 807,515 | 815,903 |
| Operating Deficit | (68,924) | (66,022) | (52,950) | (43,318) | (28,012) | (13,987) |
| NI Deficit | (3,000) | (7,967) | (9,694) | (11,027) | (12,581) | (14,109) |
| Capital | (15,583) | (5,411) | 8,883 | 6,432 | 3,002 | 4,702 |
| Structural Deficit | (87,507) | (79,400) | (53,761) | (47,913) | (37,591) | (23,394) |
| Estimated returns held in the reserves | 42,625 | 41,782 | 44,722 | 45,473 | 50,963 | 55,811 |
| Reserve Fund Interest | 8,000 | 8,000 | 6,000 | 4,000 | 2,000 | 0 |
| Overall Net (Deficit)/Surplus after interest | (36,882) | (29,618) | (3,039) | 1,560 | 15,372 | 32,417 |

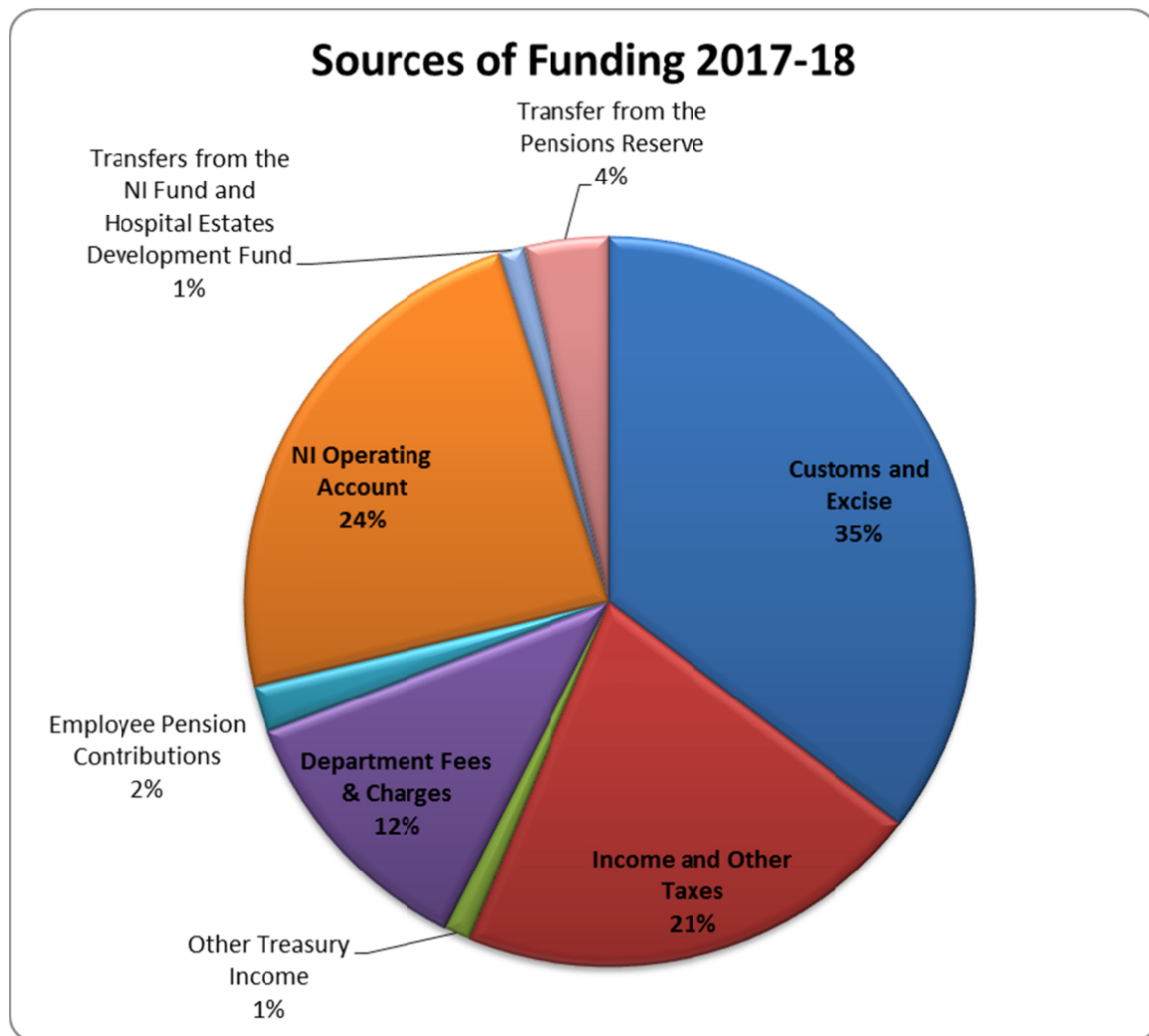
The Five Year Financial Plan

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 funding 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 is significantly reduced from 9.2% of operating income for 2017-18 to 1.7% by 2021-22.

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.

Income – Where the money comes from

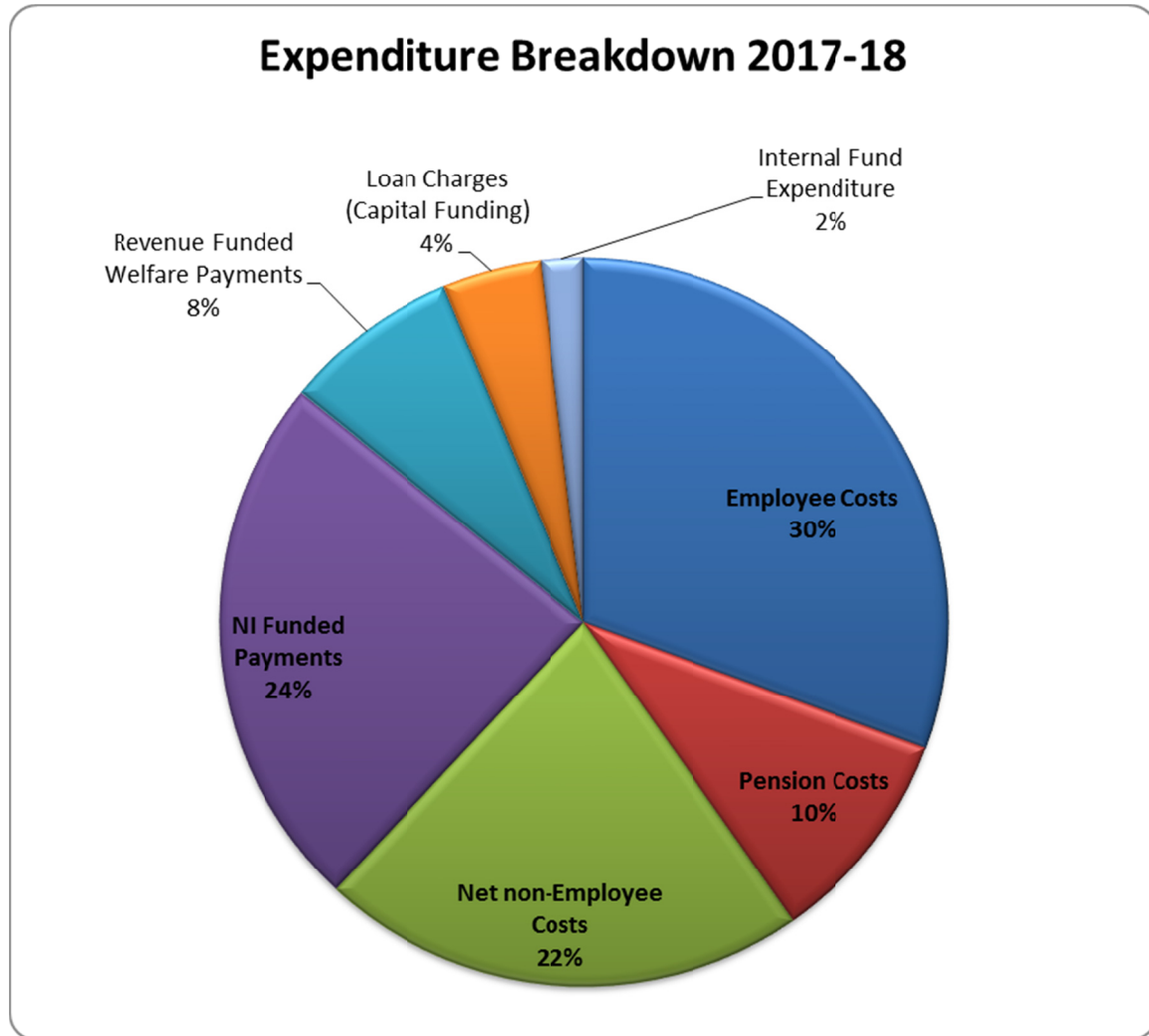
Government relies upon income from a variety of sources in order to meet its expenditure commitments. The following chart presents at a high level the proportion of income derived from each source, based on the 2017-18 revenue budget proposals.



The Five Year Financial Plan

Expenditure – Where the money goes

The revenue expenditure is broken down by type in the following chart.



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 80%, though 75% delivery is expected for the current 2016-17 year).

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.

The Five Year Financial Plan

TABLE 5

| <u>Capital Account (Projected)</u> | Probable | | | Projected | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2016-17 £,000 | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 | 2020-21 £,000 | 2021-22 £,000 |
| Income | | | | | | |
| Loan Charges | 36,674 | 45,366 | 49,998 | 51,369 | 53,754 | 55,124 |
| MUA Repayment | 16,000 | 14,495 | 17,197 | 17,701 | 18,178 | 18,508 |
| Capital Receipts | 1,464 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| | 54,138 | 60,861 | 68,195 | 70,070 | 72,932 | 74,632 |
| Expenditure | | | | | | |
| Capital Programme | 69,721 | 66,272 | 59,312 | 63,638 | 69,930 | 69,930 |
| | 69,721 | 66,272 | 59,312 | 63,638 | 69,930 | 69,930 |
| Capital Fund B/F | 46,728 | 31,145 | 25,734 | 34,617 | 41,049 | 44,051 |
| Surplus/(deficit) | -15,583 | -5,411 | 8,883 | 6,432 | 3,002 | 4,702 |
| Capital Fund C/F | 31,145 | 25,734 | 34,617 | 41,049 | 44,051 | 48,753 |

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.

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.

TABLE 6

| <u>Reserves estimated value with investment returns and stable market</u> | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2016-17 £m | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m |
| National Insurance Fund | 796 | 815 | 832 | 849 | 864 | 879 |
| Public Service Employees Pension Reserve | 170 | 138 | 101 | 53 | 0 | 0 |
| Other reserves and cash including Reserve Fund | 680 | 663 | 680 | 713 | 766 | 783 |
| Estimated Value | 1,646 | 1,616 | 1,613 | 1,615 | 1,630 | 1,662 |

Note: External fund balances are presented here at market value rather than book value, and it should be noted that market values can go down as well as up.

Revenue Budget

5. REVENUE BUDGET 2017-18 TO 2019-20

TABLE 7

| GENERAL REVENUE ACCOUNT SUMMARY | | | | | |
|--|----------------|-----------------|----------------|-----------------|------------------|
| | Restated | | | | |
| | Budget | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| | £,000 | £,000 | £,000 | £,000 | £,000 |
| INCOME | | | | | |
| Treasury Income (Appendix 1) | | | | | |
| Customs and Excise | 336,500 | 348,229 | 358,676 | 369,436 | 380,519 |
| Income and Other Taxes | 212,000 | 213,500 | 211,253 | 217,591 | 224,118 |
| Other Treasury Income | 11,572 | 11,621 | 12,015 | 10,253 | 8,455 |
| TREASURY INCOME | 560,072 | 573,350 | 581,944 | 597,280 | 613,092 |
| Other Income | | | | | |
| Departmental Fees & Charges | 120,041 | 120,041 | 119,908 | 121,463 | 122,453 |
| Pension Contributions | 17,940 | 17,940 | 20,700 | 24,900 | 26,600 |
| NI Operating Account | 222,000 | 236,000 | 241,500 | 247,750 | 255,180 |
| TOTAL INCOME | 920,053 | 947,331 | 964,052 | 991,393 | 1,017,325 |
| EXPENDITURE | | | | | |
| Employee Costs | 309,465 | 313,466 | 315,448 | 317,933 | 320,925 |
| Employer Pension Contribution | 39,000 | 39,000 | 41,946 | 42,038 | 42,148 |
| Pension Costs (net departmental) | 68,000 | 54,565 | 57,292 | 65,200 | 76,781 |
| Pension Costs | 107,000 | 93,565 | 99,238 | 107,238 | 118,929 |
| <i>Non-Employee Costs</i> | 249,961 | 258,542 | 261,649 | 263,559 | 266,805 |
| <i>NHS allocation</i> | (38,000) | (38,000) | (38,500) | (39,655) | (40,845) |
| Net non-Employee Costs | 211,961 | 220,542 | 223,149 | 223,904 | 225,960 |
| NI Funded Payments | 240,728 | 239,000 | 246,500 | 254,420 | 263,130 |
| Revenue Funded Welfare Payments | 79,608 | 77,108 | 80,927 | 82,990 | 82,990 |
| Loan Charges | 37,059 | 37,061 | 45,366 | 49,998 | 51,369 |
| Unlocked Savings | | | | (6,000) | (12,000) |
| Transfer from HEDF | (3,546) | (3,546) | (3,473) | (3,786) | (3,741) |
| Transfer from NI Fund | (18,000) | (3,000) | (7,967) | (9,694) | (11,027) |
| Transfer from the PSEPR | (44,516) | (38,000) | (38,000) | (41,713) | (51,600) |
| TOTAL EXPENDITURE | 919,759 | 936,196 | 961,188 | 975,290 | 984,935 |
| (SURPLUS)/DEFICIT | (294) | (11,135) | (2,864) | (16,103) | (32,390) |
| Operating Account B/F | | | | | |
| Transfer from General Reserve | 33,917 | 65,387 | 74,522 | 67,736 | 69,839 |
| Transfers (to)/from Reserves: | 20,000 | 20,000 | | | |
| Brexit Fund | | | (1,000) | | |
| Contingency Fund | (5,000) | (5,000) | | | |
| Digital Strategy Fund | (5,000) | (5,000) | (2,000) | | |
| Enterprise Development Fund | (10,000) | (10,000) | (2,000) | (10,000) | (10,000) |
| Land & Property Acquisition | | (2,000) | (1,000) | | |
| Legal Costs Reserve | | | (1,000) | | |
| Housing Reserve | | | (1,500) | (4,000) | (4,000) |
| Medical Indemnity Fund | | | (1,000) | | |
| Town & Village Regeneration | | | (150) | | |
| Surplus/(Deficit) on the General Revenue Account | 294 | 11,135 | 2,864 | 16,103 | 32,390 |
| Operating Account C/F | 34,211 | 74,522 | 67,736 | 69,839 | 88,229 |

Revenue Budget

The Operating Account acts as a buffer to protect the Revenue Reserve Fund from fluctuations on the Revenue Account. The 2017-18 Budget forecasts that the Operating Account will retain an operating balance of around 7% of gross revenue expenditure for the financial year.

It is proposed that £1m is transferred from the Operating Account in 2017-18 to establish the new BREXIT Fund outlined within Section 9. A further £8.65m transfers into existing reserves from the Operating Account are also required.

2016 Budget Restatement

The table above provides an improved presentation from that shown in the Pink Book last year. In particular the way in which the Pensions and National Insurance income and expenditure is shown has changed to provide a more transparent representation. In addition the Contingency Account, see Section 7.8), has been included with non-pay expenditure and some changes in presentation between pay and non-pay have also been included.

Reconciliation between the two approaches is shown in the table below.

TABLE 8

| Reconciliation Pink Book 2016 Budget to Restated Budget 2016 | |
|---|--------------|
| | £'000 |
| Income | |
| Pink Book 2016 | 955,568 |
| NI Account | -18,100 |
| Pensions Contributions | -17,415 |
| Revised Presentation | 920,053 |
| Expenditure | |
| Pink Book 2016 | 955,274 |
| Pension Costs | -11,871 |
| Non-Employee Costs | -23,644 |
| Revised presentation | 919,759 |
| Surplus | 294 |

6. REVENUE – INCOME

TABLE 9

| <u>Budget Projections</u> | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|----------------------------------|----------------|----------------|------------------|------------------|------------------|
| | £,000 | £,000 | £,000 | £,000 | £,000 |
| Customs & Excise | 358,676 | 369,436 | 380,519 | 391,935 | 403,692 |
| Income & Other Taxes | 211,253 | 217,591 | 224,118 | 230,842 | 237,767 |
| Other Treasury Income | 12,015 | 10,253 | 8,455 | 6,624 | 4,757 |
| National Insurance Contributions | 241,500 | 247,750 | 255,180 | 262,836 | 270,718 |
| Departmental Fees & Charges | 119,908 | 121,463 | 122,453 | 124,902 | 127,400 |
| Pension Contributions | 20,700 | 24,900 | 26,600 | 27,200 | 28,300 |
| <u>Updated Income Forecast</u> | 964,052 | 991,393 | 1,017,325 | 1,044,339 | 1,072,634 |

6.1. Overview

Income

The Pink Book presents income figures as gross, before any netting off by expenditure items. This budget presents income projections broken out into each of the relevant revenue streams to provide transparency and a greater understanding of areas of high dependence, volatility or risk.

A further breakdown of income due to Treasury is included at Appendix 1.

2016-17

Income from indirect and direct taxation for 2016-17 is expected to exceed budget. Income from indirect taxation, through the FERSA, is projected to be £7.5m higher, income tax receipts are expected to exceed budget by around £1m, whilst receipts from National Insurance are projected to be £6m higher than budget. Overall income for 2016-17 is forecast around 3% higher than budget.

2017-18 Budget proposals

6.2. Customs & Excise

Common Shared Duties

These currently include VAT, Excise (alcohol, tobacco and hydrocarbon oil - HCO) and Customs (import duty). 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. HCO is shared on the basis of actual consumption during a 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 our share for 2013-14 using actual consumption data obtained that year through a series of income and expenditure surveys. In following years FERSA provides that the Island's provisional share is calculated by indexation of the base year at 4.5% per annum until the next survey year, in 2018-19.

Revenue - Income

Those surveys will be used to rebase the Island's indirect tax share from the 2018-19 indexed figure to the actual reported consumption in that year. This figure will in turn determine the Island's actual shares for 2014-15 to 2017-18 on a straight line revision basis back to 2013-14 as well as becoming the base for the Island's indexed share for the following four years. Only at this point will our final share be determined.

Whilst there is absolute 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 currently are Air Passenger Duty, Gambling Duty (includes on-line and machine games), 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 them. No changes from existing policy are proposed within this Budget.

6.3. Income Tax

The budgeted growth rates for both Income Tax and National Insurance revenues are assumed at 3%, which is consistent with the approach taken with VAT income. Growth has been assumed at a lower rate than the budget for 2016-17 and is reflective of the prevailing economic situation.

This table summarises tax rates and allowances.

TABLE 10

| INDIVIDUAL TAX | |
|--|---------|
| Lower rate (£12,500-£19,000) | 10% |
| Higher rate (£19,001+) | 20% |
| Personal Allowances: | |
| Single Person | £12,500 |
| Jointly Assessed Couples | £25,000 |
| Single Parent | £6,400 |
| Blind Person | £2,900 |
| Disabled Person | £2,900 |
| Age Allowance | £0 |
| Personal Allowance Credit | |
| Low Income Threshold | £9,500 |
| Single Person | £400 |
| Jointly Assessed Couples | £800 |
| COMPANY TAX | |
| Standard Rate | 0% |
| Banking Business Rate | 10% |
| Land and Property on-Island (Including Property Development) | 20% |
| Retail Trade (Small companies limit of £500,000) | 10% |

Revenue - Income

Individual Tax

For 2017-18, 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 is reduced to £6,500 for a single person and £13,000 for a jointly assessed couple. The Personal Allowance will increase to £12,500 for a resident individual or £25,000 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 age allowance for individuals aged 65 or over is reduced to nil.

The maximum permitted deduction for nursing expenses is increased to £12,500 from £9,300.

The deduction available to an individual in respect of interest paid on loans or mortgages will be limited to a maximum of £5,000 for a single person and £10,000 for a jointly assessed couple.

A benefit in kind exemption is introduced for employers providing employees with bicycles and related safety equipment for use between their home and place of work.

For new Tax Cap elections commencing from the 2017-18 tax year, the maximum income tax liability for an individual will remain at £125,000 and £250,000 for a jointly assessed couple. These figures also apply to existing five year Tax Cap elections which commenced in the 2015-16 and 2016-17 tax years, while for elections that commenced in the 2014-15 tax year, the maximum income tax liability for an individual is £120,000 and £240,000 for a jointly assessed couple.

For new Tax Cap elections commencing from the 2018-19 tax year, the maximum income tax liability for an individual will be increased to £150,000 and £300,000 for a jointly assessed couple.

From 6 April 2017, a Personal Allowance Credit cannot be claimed for, or paid in respect of, the year of assessment in which an individual dies, provided that the death occurs on or after that date. The Personal Allowance Credit remains at £400 for a qualifying individual and £800 for a qualifying jointly assessed couple. The payment will be made to individuals whose income for the year ended 5 April 2017 is equal to or less than £9,500 and to jointly assessed couples whose income for the same period is equal to or less than £19,000 providing the individuals and couples satisfy the relevant conditions.

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

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%.

Revenue - Income

Deductions granted during 2014-15

During the financial year 2014-15, the latest full year for which figures are available, other deductions that were granted are outlined for information in the table below:

TABLE 11

| Cost of Income Tax Deductions 2014-15 | | | |
|---------------------------------------|---------------|------------------------|---------------------|
| Deduction type | No. of claims | Avg relief per claim £ | Total tax relief £m |
| Mortgage interest | 12,256 | 273 | 3.34 |
| Loan interest | 11,656 | 85 | 0.99 |
| Charitable deed of covenant | 409 | 147 | 0.06 |
| Charitable giving | 2,309 | 108 | 0.25 |
| Private medical insurance | 904 | 177 | 0.16 |
| Nursing expenses | 482 | 249 | 0.12 |

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 2017-18 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 Level (LEL) will increase from £112 per week to £113 per week from April 2017 to reflect the equivalent change announced in the UK Autumn Statement.

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 Level 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 2017-18 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 2017, the Class 2 contribution payable by a volunteer development worker while employed as such will increase automatically from £5.60 per week to £5.65 as a result of the increase in the Lower Earnings Level. 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 2018.

The table overleaf summarises the contribution rates for 2017-18 for workers and employers:

Revenue - Income

TABLE 12

| Employed Contributors | | |
|-----------------------------------|--|-----------------------------|
| Total Weekly Earnings | Class 1 Employee NIC | Class 1 Employer NIC |
| Up to £118.00 | Nil | Nil |
| £118.01 - £784.00 | 11% | 12.8% |
| £784.01 and over | 1% | 12.8% |
| Self-Employed Contributors | | |
| Total Weekly Profits | Self Employed Class 2 and 4 NIC | |
| Below £118 | Nil | |
| £118.00 | £5.40 | |
| £118.01 - £784.00 | As above + 8% | |
| £784.01 and over | As above + 1% | |

Other Contributors

From April 2017, the voluntary Class 3 NIC rate will increase from £14.10 per week to £14.25 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.

6.4. Departmental Fees & Charges

As per the presentational changes made to the 2016-17 Budget, the gross income generated by Departments is now shown along with gross expenditure. The detailed breakdown for each area is shown by Department within Appendix 4. Departmental income targets have been uplifted this year to include a 2% increase on revenue from fees and charges payable for Government services. Exceptions to this rule are in place for certain types of more commercial activity such as the ship and aircraft registries.

6.5. Investment Income

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

As of 1st April 2016, following the most recent tender for the five year appointment of external investment managers on a discretionary basis, there are five managers providing 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 Statutory Accounts (Dark Blue Book).

The performance and delivery requirement of the investment managers is to grow the reserves under management over and above 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.

Revenue - Expenditure

7. REVENUE – EXPENDITURE

7.1. Overview

The following table indicates the departmental gross income and expenditure targets for 2017-18 in accordance with Section 3 of the Budget 2017-18 Order Paper. In line with Financial Regulation FD18, a Department or other body may transfer budget between the main heads (i.e. the divisions) within their area as long as the overall budgets outlined below are not exceeded, subject to the approval of the Financial Controller.

This table shows the total income and expenditure that is approved by Tynwald.

TABLE 13

| <u>Net Revenue Budgets</u> | 2017-18 Budget | | |
|-----------------------------------|------------------|----------------------|--------------------|
| | Gross Income | Gross Expenditure | Net Expenditure |
| | £,000 | £,000 | £,000 |
| Economic Development | 27,806 | 31,305 | 3,499 |
| Education & Children | 3,956 | 100,817 | 96,861 |
| Environment, Food & Agriculture | 3,433 | 19,147 | 15,714 |
| Health & Social Care | 53,855 | 263,852 | 209,997 |
| Home Affairs | 1,042 | 33,996 | 32,954 |
| Infrastructure | 54,525 | 112,234 | 57,709 |
| Treasury (see Note 1) | 823,444 | 356,207 | (467,237) |
| Cabinet Office | 1,651 | 31,607 | 29,956 |
| Executive Government | 2,585 | 12,176 | 9,591 |
| Manx Museum & National Trust | 845 | 5,256 | 4,411 |
| Statutory Boards | 8,701 | 7,660 | (1,041) |
| Legislature | 9 | 4,731 | 4,722 |
| Employees' Pension Contributions* | 20,700 | 20,700 | -- |
| TOTAL | 1,002,552 | 999,688 | (2,864) |

Note 1 – Gross income and expenditure figures for 2017-18 include National Insurance Contributions NHS allocation of £38.5m.

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

7.2. 2016-17 Performance

The overall level of expenditure expected in 2016-17 is approximately 0.5% lower than budget.

The Department of Health and Social Care has projected a potential overspend of over £11m, predominantly due to budget pressures at Noble's Hospital (in particular, agency and bank staff costs - necessary to provide vacancy and staff absence/illness cover), although there are also other pressures from higher than budgeted UK specialist referrals costs and prescription drugs costs. Tynwald has already approved a Supplementary Vote for £11.1m additional expenditure in January 2017.

Given that this is now the second year that a supplementary vote has been requested, it has been recognised as an operating budget shortfall. This issue is addressed as part of the proposed 2017-18 budget settlement for the Department with an additional £11m budget increase.

Within Treasury, the level of revenue-funded welfare benefits are projected to be underspent by approximately £2.6m, mainly due to low levels of Job Seekers Allowance and Income Support benefits, reflecting the decreases experienced in the numbers registered as unemployed. The £5m Treasury Central Contingency Account remains largely unspent as at the end of December 2016. The probable position for the Government Revenue account is shown below as extracted from the November Management Accounts.

Revenue - Expenditure

TABLE 14

| 2016-17 Budget against Probable | Budget | Approved virements/ Inter-Dept Transfers | Revised Budget | Probable | Variance |
|--|--------------------------|---|--------------------------|--------------------------|--------------------------|
| As at 30 November 2016 | 2016-17 £,000 | 2016-17 £,000 | 2016-17 £,000 | 2016-17 £,000 | 2016-17 £,000 |
| INCOME | | | | | |
| Customs & Excise | 336,500 | 0 | 336,500 | 348,229 | 11,729 |
| Income & Other Taxes | 212,000 | 0 | 212,000 | 213,500 | 1,500 |
| NI Operating Account | 240,100 | 0 | 240,100 | 240,100 | 0 |
| Other Treasury Income | 11,572 | 305 | 11,877 | 11,621 | (256) |
| Sub-total | 800,172 | 305 | 800,477 | 813,450 | 12,973 |
| EXPENDITURE - VOTED SERVICES | | | | | |
| <u>Government Departments</u> | | | | | |
| Cabinet Office | 30,533 | (141) | 30,392 | 30,391 | 1 |
| Economic Development | 4,008 | 0 | 4,008 | 4,008 | 0 |
| Education & Children | 95,456 | 0 | 95,456 | 95,107 | 349 |
| Environment, Food & Agriculture | 14,812 | 0 | 14,812 | 14,219 | 593 |
| Health & Social Care | 198,385 | 98 | 198,483 | 209,578 | (11,095) |
| Home Affairs | 31,480 | 0 | 31,480 | 31,430 | 50 |
| Infrastructure | 52,256 | 43 | 52,299 | 52,290 | 9 |
| Treasury | 354,283 | 305 | 354,588 | 347,296 | 7,292 |
| Sub-total | 781,213 | 305 | 781,518 | 784,319 | (2,801) |
| <u>Other Bodies</u> | | | | | |
| Executive Government | 10,112 | 0 | 10,112 | 9,913 | 199 |
| Manx Museum & National Trust | 4,289 | 0 | 4,289 | 4,288 | 1 |
| Road Transport Licencing Committee | 116 | 0 | 116 | 92 | 24 |
| Statutory Boards | (549) | 0 | (549) | (650) | 101 |
| Sub-total | 13,968 | 0 | 13,968 | 13,643 | 325 |
| Legislature | 4,697 | 0 | 4,697 | 4,353 | 344 |
| TOTAL VOTED SERVICES | 799,878 | 305 | 800,183 | 802,315 | (2,132) |
| Excess of Income over Expenditure/(Deficit) | 294 | 0 | 294 | 11,135 | 10,841 |

Notes

1. Income figures exclude employee pension contributions and also the department fees and charges, which are reflected within the expenditure figures (net).
2. Office of Fair Trading and Road Transport Licencing Committee are included under Environment, Food & Agriculture throughout the rest of this document.

7.3. 2017-18 Budget

Government's total expenditure after the use of reserves for 2017-18 is forecast to be £961,188,000 and is analysed by each Department at Appendix 4. In overall terms this gives a net expenditure surplus of £2,864,000 indicating that no transfer from the General Reserve is required for revenue purposes, other than the utilisation of £8.5m of interest on the General Reserve that is included in Treasury Other Income.

Revenue - Expenditure

As part of the budget process, Departments were invited to submit bids for growth, where expenditure pressures could not be accommodated within existing revenue targets. Departments were asked to submit business cases in support of those bids, which were considered by Treasury and the Council of Ministers before incorporation into the proposed targets. Most significant is the request from the Department of Health and Social Care (DHSC) for an £11m increase to its budgets in order to take account of the very real spending pressures which that Department faces.

As noted above there has been an ongoing budget shortfall within DHSC which requires correction and the proposed budget recognises the need to strike a balance between ensuring that the funding needs of the health service are met at a realistic and sustainable level, whilst at the same time ensuring that the Department is fully committed towards delivering wide ranging efficiencies through a comprehensive Cost Improvement Programme (CIP). The £11m restatement incorporates an increase of gross expenditure of £21m, which is partially offset by £10m of savings targets to be secured through its CIP. There are risks attached to the Department's ability to deliver the necessary savings, and work is already underway to implement the CIP measures. It is intended that this approach will assist the Department with the delivery of the change programme needed and in meeting its revenue targets.

A further £3m growth has been incorporated into the Budget, as a result of requests for additional budget from a number of other areas across Government. This includes allocating £1m in respect of costs incurred for providing legal aid, which historically were funded from internal reserves and reflects the ongoing policy of reducing our reliance on reserves for revenue expenditure.

Other items include expenditure growth in respect of increased estate maintenance costs incurred by the Department of Infrastructure, the local authorities' housing deficiency costs and the increased cost of providing adequate IT security.

7.4. Pay Costs

The Employee Costs Cap is the staffing cost budgetary control mechanism, which is based on salary budgets and other employee-related costs. These include superannuation, NI and temporary staffing costs, including recruitment agency costs. This financial control mechanism provides an absolute control limit on staffing expenditure.

The need for pay restraint is key to the success of the Five Year Financial Plan and employee costs are to be controlled at 1% growth. This will exclude exceptional successful growth bids, for example £7m which has been included as part of the Department of Health and Social Care's £11m bid in 2017-18.

Approval of the Budget proposals gives the definitive control on staffing expenditure. The table overleaf presents the proposed Employee Cost Cap for each entity across Government, split by its constituent elements.

Revenue - Expenditure

TABLE 15

| | Total Employee Cost Cap | | | | | | | |
|----------------------------------|-------------------------|--------------|--------------------|---------------|---------------|----------------|----------------|----------------|
| | Basic Pay | Overtime | National Insurance | Pension | Other | 2017-18 | 2018-19 | 2019-20 |
| Department | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| Economic Development | 8,994 | 93 | 274 | 1,290 | 477 | 11,128 | 11,189 | 11,265 |
| Education & Children | 56,225 | 26 | 4,339 | 8,233 | 897 | 69,720 | 70,319 | 71,031 |
| Environment, Food & Agriculture | 6,608 | 79 | 524 | 979 | 312 | 8,502 | 8,550 | 8,612 |
| Health & Social Care | 99,300 | 3,774 | 9,369 | 18,061 | 17,295 | 147,799 | 148,904 | 150,170 |
| Home Affairs | 19,022 | 629 | 1,692 | 2,994 | 1,985 | 26,322 | 26,524 | 26,753 |
| Infrastructure | 29,154 | 3,103 | 3,158 | 4,385 | 1,981 | 41,781 | 42,017 | 42,343 |
| Treasury | 11,801 | 34 | 506 | 1,778 | 228 | 14,347 | 14,410 | 14,508 |
| Cabinet Office | 12,238 | 45 | 991 | 1,745 | 855 | 15,874 | 15,979 | 16,099 |
| Executive Government | | | | | | | | |
| Industrial Relations | 135 | | 12 | 18 | 2 | 167 | 168 | 169 |
| Veterans' Welfare Service | 63 | 2 | 5 | 9 | 8 | 87 | 88 | 89 |
| Information Commissioner | 181 | | 18 | 26 | 20 | 245 | 225 | 220 |
| General Registry | 2,696 | 10 | 238 | 404 | 162 | 3,510 | 3,529 | 3,554 |
| Attorney General's Chambers | 3,314 | | 296 | 472 | 32 | 4,114 | 4,174 | 4,257 |
| Statutory Boards | | | | | | | | |
| Communications Commission | 277 | | 24 | 39 | 5 | 345 | 352 | 355 |
| Financial Services Authority | 3,644 | 1 | 346 | 511 | 263 | 4,765 | 4,794 | 4,830 |
| Gambling Supervision Commission | 540 | 2 | 55 | 82 | 47 | 726 | 732 | 737 |
| Financial Intelligence Unit | 35 | | 3 | 6 | | 44 | 44 | 44 |
| Public Sector Pensions Authority | 792 | | | 115 | 7 | 914 | 920 | 926 |
| Manx Museum & National Trust | 2,427 | 17 | 183 | 355 | 156 | 3,138 | 3,156 | 3,179 |
| Legislature | 2,287 | 7 | 315 | 444 | 813 | 3,866 | 3,897 | 3,932 |
| TOTAL | 259,733 | 7,822 | 22,348 | 41,946 | 25,545 | 357,394 | 359,971 | 363,073 |

Note:

Other costs figure for DHSC comprises £9.4m allowances, £6m agency staff costs and £1.9m miscellaneous costs (travel, training, recruitment etc.)

Pay awards in excess of 1% must be funded by Departments through their existing budgets. Should, a pay award of, for example, 2% be made, this will mean that reductions of circa £3.6m will be needed across Government to remain within the budget. This will need to be delivered through efficiency savings, for example staff and service reductions, where appropriate.

7.5. Public Sector Pensions

One of the most significant pressures on Government's finances over the five year period remains the funding requirements for public sector pensions. The policy adopted in this Budget and Five Year Financial Plan is to cover the 'funding gap' between the overall cost of pensions and the contributions to the scheme (employee and employer contributions) through utilisation of the Public Service Employees Pensions Reserve. Once that reserve is depleted, there is an anticipated additional £58m pressure on the general revenue position, which the Five Year Financial Plan will allow to be accommodated within the revenue targets through a combination of income growth, expenditure restraint and cost savings over that period.

As of 2016-17, the employee costs included the employer's superannuation contributions into the public sector pension scheme. The budget includes the overall minimum level of employer contribution at 15% in common with 2015-16. This is a change to the policy in the previous budget where annual increases of 1% up to 20%, were anticipated. This change in policy has been introduced to help ease pressure on Government's revenue account position through maximising the use of the Public Service Employees Pension Reserve. The impact of this change is a reduction in revenue employee costs of around £2.6m per annum, which is then made up from the Public Service Employees Pension Reserve.

Revenue - Expenditure

This change in policy allows Government to reallocate its available revenue resources in line with its priorities, whilst at the same time retaining the principle of clearly showing the employer contributions as part of the overall employee cost element. This does not impact upon the “cost envelope” pension scheme proposals agreed by Tynwald in June 2016.

The main implication arising from this revised approach is that more of the funding gap between the overall cost of pensions and the income from both employee and employer contributions would be met from the Public Service Employee Pensions Reserve, causing that Reserve’s depletion at a faster rate. In accordance with the Five Year Financial Plan, the Reserve is projected to be fully depleted at the end of 2020-21.

A summary of the latest projections is presented in the table below:

TABLE 16

| <u>Pension Account</u> | Probable | | | | | |
|--------------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| | £m | £m | £m | £m | £m | £m |
| Pension Costs | 93.6 | 99.2 | 107.2 | 118.9 | 123.0 | 128.0 |
| Less Employee Contributions | (17.9) | (20.7) | (24.9) | (26.6) | (27.2) | (28.3) |
| Less Department Contributions | (39.0) | (41.9) | (42.0) | (42.1) | (42.6) | (43.0) |
| PSPA Administration Costs | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 |
| PSEPR Budgeted Drawdown | (38.0) | (38.0) | (41.7) | (51.6) | (54.6) | 0.0 |
| <u>Revenue liability</u> | 0.1 | (0.0) | (0.0) | 0.0 | 0.1 | 58.2 |
| PSEPR Balance (Est Value) B/F | 200.0 | 169.6 | 138.0 | 101.4 | 53.4 | 0.0 |
| Investment Income | 7.6 | 6.4 | 5.1 | 3.7 | 1.2 | 0.0 |
| PSEPR Budgeted Drawdown | (38.0) | (38.0) | (41.7) | (51.6) | (54.6) | 0.0 |
| PSEPR Balance (Est Value) C/F | 169.6 | 138.0 | 101.4 | 53.4 | 0.0 | 0.0 |

The projected position on the Pensions Reserve assumes that there are no changes to existing policy agreed for public sector pension schemes.

Revenue - Expenditure

7.6. National Insurance and Welfare Benefits

A summary of the estimates for the use of the National Insurance Fund is shown in the table below.

TABLE 17

| <u>National Insurance Account</u> | Probable | | Provisional Budgets | | | |
|--|--------------|--------------|---------------------|--------------|--------------|--------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| Note: figures are subject to rounding | £m | £m | £m | £m | £m | £m |
| Income | | | | | | |
| NI Contributions | 186.0 | 190.0 | 194.7 | 200.5 | 206.6 | 212.8 |
| Agency Income | 50.0 | 51.5 | 53.0 | 54.7 | 56.2 | 57.9 |
| | 236.0 | 241.5 | 247.7 | 255.2 | 262.8 | 270.7 |
| Expenditure | | | | | | |
| NI Funded Welfare Payments | 198.0 | 208.0 | 214.8 | 222.3 | 230.2 | 238.1 |
| Administration Costs | 3.0 | 3.0 | 3.0 | 3.1 | 3.2 | 3.3 |
| NHS Allocation (DHSC) | 38.0 | 38.5 | 39.7 | 40.8 | 42.1 | 43.3 |
| | 239.0 | 249.5 | 257.5 | 266.2 | 275.5 | 284.7 |
| National Insurance Fund (est Value) B/F | 774.0 | 796.5 | 814.8 | 832.0 | 848.5 | 864.0 |
| Investment Income | 25.5 | 26.3 | 26.9 | 27.5 | 28.1 | 28.6 |
| National Insurance Deficit | (3.0) | (8.0) | (9.7) | (11.0) | (12.6) | (14.1) |
| National Insurance Fund (est Value) C/F | 796.5 | 814.8 | 832.0 | 848.5 | 864.0 | 878.6 |

National Insurance Funded Welfare payments are budgeted to increase by 4.5%, reflecting increases in the state pensions and demographics, but also allowing for a CPI based increase in some of the essential benefits.

The NHS allocation, which is the amount of National Insurance that is specially collected and used as part of the funding for the NHS, is projected to rise along with increasing taxable employment income.

It is intended that should there be any surplus of National Insurance receipts in excess of the budgeted NHS contribution, then a proportion of this would be transferred into the Healthcare Transformation Fund in order to assist with the implementation of healthcare transformational projects that help deliver the DHSC Cost Improvement Programme.

The majority of welfare benefits have not increased over the last three years. There are particular pressures on the costs of residential care for the elderly. Previously the maximum that could be funded through benefit was £819.90. To ensure a dynamic Care Home sector the amount has been increased to £845 per week. This increase is included in this Budget and has been accommodated within the finances of the National Insurance Fund.

Child Benefit – the rates will be increased by 2.0%. This will mean that the rate for the first child will be £20.80 and the rate for any second and subsequent children will be £13.75. There will be no change to the thresholds or withdrawal rates for the household income test.

Other benefits will remain at current levels, excluding the state pension which remains covered by the “triple lock” mechanism (a guarantee to increase the state pension every year by the higher of inflation (CPI), average earnings or a minimum of 2.5%).

The total cost of social security pensions and benefits (excluding administration) in 2017-18 is expected to be in the region of £289m. This is the equivalent of 30% of Government’s total gross expenditure. Of

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this expenditure, £208m or 72% will be funded out of National Insurance contributions, whilst £81m or 28% will come out of General Revenue.

A detailed list of benefits by category and the uplift where relevant for 2017-18 together with their respective costs, is presented at Appendix 3.

State pensions - basic state pensions will rise by 2.5% from the week commencing 10th April 2017. For those who are entitled to a full basic state pension this will mean an increase of £3.00 a week. The additional state pension and maximum rate of the Retirement Pension Premium will increase by 1.0%, whilst the rates of the Manx Pension Supplement will be unchanged.

In respect of other benefits and allowances paid out of National Insurance contributions, the rates of bereavement benefits, industrial disablement benefits and incapacity benefit will be increased by 1%. However, the rates of contribution-based Jobseeker's Allowance will be unchanged. The maximum rates of maternity allowance, adoption allowance and paternity allowance payable to employed earners will also be unchanged.

Nursing care contribution - recognising the current difficulties in meeting nursing care home fees, the rate is to increase by £25 per week.

Disability Benefits – the rates of Attendance Allowance, Disability Living Allowance, Carer's Allowance and Severe Disablement Allowance will be increased by 1.0%.

Employed Person's Allowance – most prescribed allowances will be increased by 1.0%. However, the maxima allowable for childcare charges and housing costs for families are to increase by 2.0%.

Income Support and income-based Jobseeker's Allowance - generally, personal allowances for adults and children are unchanged. The pensioner premium will increase by £3.00 for single pensioners (does not apply to the protected rate for the over 75's where the award of Income Support began before April 2013) and £6.00 for pensioner couples. The rates of disability premium, carer premium and disabled child premium will increase by 2.5%. The rates of Mobility and attendance premiums will rise by 1% with the exception of the High level mobility premium for DLA which will be increased to match that of the UK. This will allow Manx customers to access the Motability scheme without requiring an up-front payment. The rate of all other premiums will be unchanged.

The maxima allowable for housing costs for families with children are to be increased by 2.0%, equivalent to the uplift in public sector rentals from April 2017. The maxima allowable for childcare charges and housing costs for families are also to increase by 2.0%.

7.7. Non-pay costs

Non-pay costs are controlled at approximately 1%. The exception is where there have been bids for additional revenue, for example this budget includes £4m as part of the DHSC's £11m revenue bid.

Economic indicators suggest that we may be moving into a period of higher inflation and this could mean that the non-pay budget line will come under pressure. As with the pay control, efficiencies will need to be found by the Departments in the event of significant increases in costs. This can be achieved through excellence in all of our procurement and commercial relationships.

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7.8. Contingency Account/Fund

The Treasury Contingency revenue account is being phased out and has been reduced from £5m to £3m for 2017-18. To date this has not been accessed during 2016-17, although a number of applications are still likely. There is however still £5m held available in the Internal Contingency Fund to cover revenue contingency requirements. It is expected that claims of up to £1.3m will be received in respect of expenditure incurred as a result of storm damage due to the December 2015 floods. No other significant bids are anticipated. There is also the annual £5m capital contingency account included in the Capital Programme, which is now incorporated as an annual item in the capital programme.

7.9. Loan Charges

The resulting revenue impact of capital spending is the loan charge cost charged to departments. In order to provide future year funding for the capital programme, it is necessary to increase the level of loan charge interest levied. Loan charge interest is due to increase from 1.5% to 2% from 2018-19 onwards. No further increases to the loan charge interest rate are planned. The increase in loan charges for 2017-18 is largely accounted for by the fact that 2016-17 represents the final year of the loan charge holiday in respect of a number of schemes (the impact of this change is £6.7m). The Financial Plan has sufficient provision for funding of the capital programme given our current projections for requirements.

This loan charge expenditure is allocated to Department's and other bodies' budgets, but is centrally funded by the Treasury.

7.10. Grants Payable

The following grants will be made by Government in 2017-18:

TABLE 18

| GRANTS PAYABLE 2017-18 | 2016-17 Estimate | 2017-18 Treasury Grants | 2017-18 Other Grants | 2017-18 Lottery Duty | 2017-18 BUDGET |
|----------------------------------|-----------------------------|--|-------------------------------------|-------------------------------------|---------------------------|
| | £,000 | £,000 | £,000 | £,000 | £,000 |
| MUA – Flood Defence | 500.0 | 500.0 | -- | -- | 500.0 |
| MUA – Sewerage Support | 1,700.0 | 700.0 | -- | -- | 700.0 |
| Financial Supervision Authority | 2,779.0 | 2,864.0 | -- | -- | 2,864.0 |
| Manx Radio (Subvention) | 875.0 | 875.0 | -- | -- | 875.0 |
| Laxey Glen Mills | 41.0 | 41.0 | -- | -- | 41.0 |
| International Development | 2,400.0 | -- | 2,400.0 | -- | 2,400.0 |
| Manx Lottery Trust (Big Lottery) | 750.0 | -- | 600.0 | 150.0 | 750.0 |
| Culture Vannin | 443.5 | 100.0 | -- | 307.5 | 407.5 |
| Sports Council (DEC) | 514.5 | -- | 21.0 | 457.5 | 478.5 |
| Arts Council (DEC) | 567.0 | -- | 99.0 | 410.0 | 509.0 |
| Veterans Grant (1 year only) | 25.0 | -- | -- | -- | 0.0 |
| | 10,595.0 | 5,080.0 | 3,120.0 | 1,325.0 | 9,525.0 |

NB £600,000 grant to Manx Lottery Trust is received from the Big Lottery Fund.

Lottery Duty has been included within the income forecasts for the next three years and is expected to raise £1.3m over 2017-18. This is a reduction on the estimated £1.47m for 2016-17, which now may not

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be achieved. The reduction in receipts is most likely linked to the change in the Lottery's odds as a result of the extra numbers added to the draw. As all of the lottery duties are fully allocated out to external agencies, the impact of the reduction in duties automatically results in a reduced allocation of grants payable, with no overall impact on Government's finances.

In terms of allocation, 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.

7.11. Cost Control and Savings

Delivery of the Five Year Financial Plan is not only dependent on income growth, but importantly also cost management and the delivery of cost reductions. The estimated level required for each year of the plan is shown in Table 19 overleaf.

TABLE 19

| <u>Cost Avoidance/Savings Measures</u> | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|------------|-------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m | £m |
| DHSC Cost Improvement Programme | 0.0 | 8.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pay savings (assumed 2% pay award) | 3.1 | 3.2 | 3.2 | 3.2 | 3.2 | 3.3 |
| Non Pay (assumed 2% inflation) | 0.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| T&Cs for new starters | 1.0 | 0.8 | 0.6 | 0.4 | 0.2 | 0.2 |
| Allocated savings per annum | 4.1 | 13.8 | 4.9 | 4.7 | 4.5 | 4.6 |
| Unallocated savings/Income | 0.0 | 0.0 | 6.0 | 6.0 | 6.0 | 7.0 |
| Total Savings per annum | 4.1 | 13.8 | 10.9 | 10.7 | 10.5 | 11.6 |

The total amount included is based on the following assumptions:

- pay awards are, on average, 2%, which is 1% over and above the 1% employee cost control;
- inflationary pressure on expenditure other than pay, is 2%, which is higher than the level of expenditure included in the budget;
- the DHSC's Cost Improvement Programme for 2017-18 is £10m (£1.3m of which is included in the pay and non-pay savings);
- savings of £25m will be required at approximately £6m per annum from 2018-19 to 2021-22 to be delivered from yet to be identified savings programmes.

The inclusion of this level of cost avoidance and savings is a prudent measure and the actual level required will be dependent on pay awards, inflationary pressure and economic performance. It needs to be acknowledged, however, that the DHSC is facing a series of other social, economic and demographic pressures on its service delivery, in particular an ageing population. These will present increasingly significant financial challenges to the Department in the longer term, although it is very difficult to quantify their budgetary impact, which remains uncertain. This will require monitoring for future years' budgets.

Research and history demonstrates, across many types of organisation, that the delivery of unallocated savings targets is by far the most challenging element of any long term plan, where they are required. If this plan is to be successful it is imperative that specific schemes are worked up as

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soon as possible and the savings then locked into future years' budget targets. This will provide a targeted and strategic approach to cost reduction and will minimise the need for top-slicing of expenditure, although this cannot be ruled out for future years should the savings targets not be met. This will have to be subject to annual review.

A cross-Government savings and efficiency team has been established in order to identify suitable projects for substantive savings and alternative delivery projects.

The control of pay costs remains a key strategy and so the need to maintain overall pay costs at or around their current level is essential. Should pay awards in future years be around the 2% level, then this means that Departments will be required to make staffing efficiency reductions of 1% per annum in order to keep within their Employee Cost Cap. This is in addition to the savings targets assumed from the New Terms for New Starters which was implemented in April 2016. Savings are also assumed through the freezing of non-pay budgets and the delivery of efficiency savings arising from the implementation of Digital Strategy projects.

In order to assist and incentivise Departments in their search for innovative service delivery savings, it is proposed that the terms of reference for the Invest to Save Fund are updated to allow departments to retain 25% of the revenue savings recouped from savings projects, whilst still allowing 75% of the savings to be locked into budgets for future years. This measure would bring the terms of reference for this Fund more in line with those for the Digital Strategy Fund, which will continue to be a valuable source of funding to enable efficiency savings to be secured through the digitisation agenda.

8. CAPITAL PROGRAMME

8.1. Capital Programme Introduction

Capital expenditure takes many different forms from significant land and property acquisitions, major infrastructure projects to asset renewal and smaller minor capital budgets and also bespoke projects to enable change to occur within Departments. This expenditure makes up the Capital Programme.

The Capital Programme is funded from the Consolidated Loans Fund (CLF) or Capital Account. The CLF has an income from loan charges paid by the Departments over a fixed period (similar to mortgage repayments) and also from any capital income such as income from disposal of assets.

Loan charge interest is due to increase from 1.5% to 2% from 2018-19 onwards and the loan charge holiday in respect of some schemes has come to an end in 2017-18. No further increases to the loan charge interest rate are planned. Ultimately, this will support the replenishment of the Consolidated Loans Fund. The objective of the capital strategy remains to arrive at an achievable, balanced capital programme over the next five years.

As part of the annual budget cycle Departments are required to make their capital programme submissions to Treasury. These include:

1. the inclusion into the current year of carried forward slippage amounts from the previous years of the capital programme;
2. the re-profiling of expenditure amounts over the financial years covered under the programme, and any adjustments to the amounts required;
3. bids for new items of capital expenditure. Departments are required to submit business cases in support of any bids for inclusion within the next three financial years of the programme.

Departments have submitted revised capital estimates for 2017-18 onwards. These amendments are reviewed by Treasury in light of the affordability and deliverability of the overall Capital Programme and have been included where appropriate.

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 delivered at a lower level than the budgeted levels each year (typically around 80%, though 75% delivery is expected for the current 2016-17 year).

The following table presents the projected position on the Capital Account based on the proposed Capital Programme but adjusted for a more realistic annual expenditure position as described above. It can be seen that the balance on the Capital Account is expected to retain a healthy surplus of between £30m and £50m throughout the period of the Financial Plan, making the proposed Capital Programme affordable.

Capital Expenditure

TABLE 5 (duplicate)

| <u>Capital Account (Projected)</u> | Probable | | | Projected | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2016-17 £,000 | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 | 2020-21 £,000 | 2021-22 £,000 |
| Income | | | | | | |
| Loan Charges | 36,674 | 45,366 | 49,998 | 51,369 | 53,754 | 55,124 |
| MUA Repayment | 16,000 | 14,495 | 17,197 | 17,701 | 18,178 | 18,508 |
| Capital Receipts | 1,464 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| | 54,138 | 60,861 | 68,195 | 70,070 | 72,932 | 74,632 |
| Expenditure | | | | | | |
| Capital Programme | 69,721 | 66,272 | 59,312 | 63,638 | 69,930 | 69,930 |
| | 69,721 | 66,272 | 59,312 | 63,638 | 69,930 | 69,930 |
| Capital Fund B/F | 46,728 | 31,145 | 25,734 | 34,617 | 41,049 | 44,051 |
| Surplus/(deficit) | -15,583 | -5,411 | 8,883 | 6,432 | 3,002 | 4,702 |
| Capital Fund C/F | 31,145 | 25,734 | 34,617 | 41,049 | 44,051 | 48,753 |

8.2. 2016-17 Performance

The current 2016-17 year will see the completion of the £10.5m Henry Bloom Noble Primary School, the progression of the new adult psychiatric in-patient facility at Noble's Hospital, and the completion of Phase 1 of the Regional Sewerage Strategy costing £30m, almost £10m less than the approved amount. A new nursing home at Salisbury Street has also been purchased, following approval of a supplementary Capital Vote by Tynwald in July 2016.

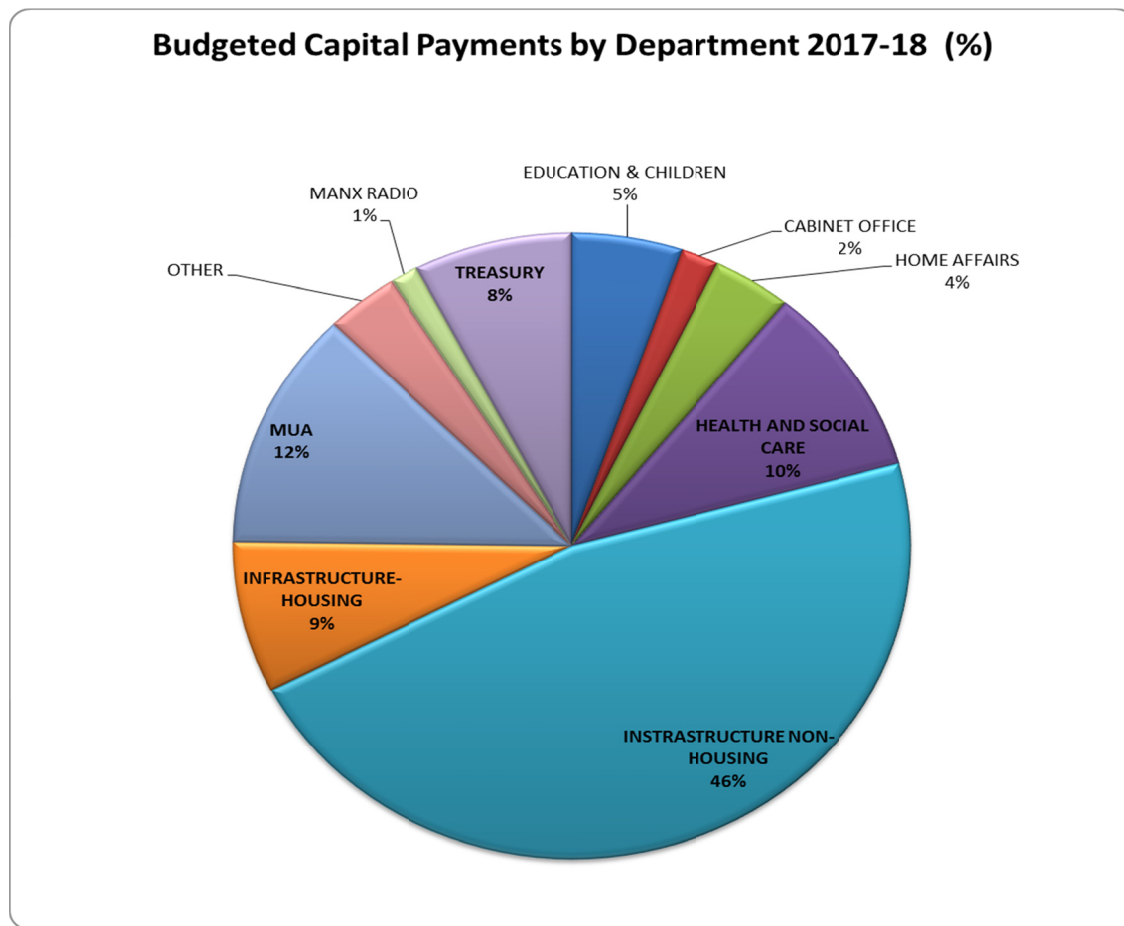
In terms of 2016-17, actual spend (excluding borrowing authorities and property purchase) has been lower than anticipated and is projected to be £70m by the end of the financial year against a budget of almost £93m. Budget utilisation in 2016-17 is, however, projected to be 75% compared to 66% in 2015-16. 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 committed as a result of emergency works required following the damage caused by the floods experienced in December 2015.

Capital Expenditure

8.3. 2017-18 Budget

The proposed capital programme for 2017-18 amounts to £88m. This compares with £93m approved for the current 2016-17 year. As can be seen from the chart below, the majority of the Capital Programme for 2017-18 is 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 2017-18 includes expenditure on new residential accommodation for medical staff at the Noble’s Hospital site (underway) and the completion of the acute adult psychiatric in-patient facility at Noble’s. The Manx Utilities Authority plans to progress a series of refurbishments and renewals across its infrastructure network. Treasury will ensure that £5m is retained within the Capital Projects Risk Contingency, which is now maintained at that level for each year of the Capital Programme.



Capital Expenditure

The following table shows the proposed estimated total capital cost for all Capital Projects incurring expenditure during 2017-18 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) which represent committed schemes that have Tynwald approval from previous years; and the values in Column 3 (C3) represent new schemes which will be presented to Tynwald at a later date. The right-hand column headed Loan Sanction outlines the additional amount that the Department is requesting authority to spend up to. 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.

TABLE 20

| | Total Expenditure 2017-18 | Breakdown by Periodic Approval | | | Loan Sanction | |
|--|--|--------------------------------|----------------------|------------------------|---------------|--------------|
| | | Tynwald Approved C1 | To Be Approved C2 | Future Approvals C3 | C4 | C5 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | YEARS |
| EDUCATION & CHILDREN | | | | | | |
| 1 | Castle Rushen High School Redevelopment | 100 | | 100 | | 30 |
| 2 | Classroom Scheme Ph 2 Onchan | 15 | 15 | | | 30 |
| 3 | Classroom Scheme Ph 2 St Mary's | 1,139 | 50 | | 1,089 | 30 |
| 4 | Covered Play and Teaching Areas Ph 3 | 7 | 7 | | | 20 |
| 5 | Disability Access Works to Department Sites Ph 3 | 67 | | 67 | | 20 |
| 6 | Henry Bloom Noble Primary School | 341 | 25 | 316 | | 30 |
| 7 | IOM College Construction Craft & Engineering | 100 | 100 | | | 30 |
| 8 | Management of Hazardous Materials Ph 2 | 100 | 100 | | | 10 |
| 9 | Minor Capital Works - NSC | 567 | 324 | 243 | | 30 |
| 10 | Minor Capital Works - Regional Pools | 150 | 101 | 49 | | 30 |
| 11 | NSC Floating Floor Replacement | 965 | 600 | 365 | | 30 |
| 12 | NSC Flumes Replacement | 475 | 475 | | | 30 |
| 13 | School Security | 400 | | 400 | | 25 |
| 14 | St Ninian's Lower School, Bemahague Construction | 210 | 209 | 1 | | 30 |
| | TOTAL | 4,636 | 2,006 | 1,541 | 1,089 | 2,191 |
| CABINET OFFICE | | | | | | |
| 1 | Land Registry New IT System | 1,608 | 1,608 | | | 3 |
| | TOTAL | 1,608 | 1,608 | | | |
| ECONOMIC DEVELOPMENT | | | | | | |
| 1 | Development of Industry | 530 | 530 | | | 30 |
| 2 | Minor Capital Works - DED | 120 | | 120 | | 30 |
| 3 | Minor Capital Works - Villa/Gaiety | 200 | 200 | | | 30 |
| | TOTAL | 850 | 730 | 120 | | |
| ENVIRONMENT, FOOD & AGRICULTURE | | | | | | |
| 1 | Ballure Slope Periodic Maintenance | 100 | | 100 | | 30 |
| 2 | Essential Building Maintenance | 200 | | 200 | | 30 |
| 3 | Farming Improvement Scheme | 552 | 352 | 200 | | 30 |
| 4 | Mill Road Yard Development | 45 | 45 | | | 30 |
| 5 | Minor Capital Works - Wildlife Park | 100 | | 100 | | 30 |
| 6 | Public Analyst Lab - Equipment Replacement | 82 | 1 | 81 | | 25 |
| | TOTAL | 1,079 | 398 | 681 | 1,246 | |
| HOME AFFAIRS | | | | | | |
| 1 | Castletown Fire Station Replacement | 1,388 | 1,388 | | | 50 |
| 2 | Communications Development Programme | 616 | 477 | 139 | | 15 |
| 3 | Fire and Rescue Equipment | 47 | | 47 | | 10 |
| 4 | Joint Douglas Fire and Ambulance Station | 250 | | 250 | | 30 |
| 5 | Minor Capital Works - DHA | 200 | | 200 | | 30 |
| 6 | Police Equipment Replacement Programme | 80 | | 80 | | 10 |
| 7 | Police HQ Custody Block | 49 | 49 | | | 30 |

Capital Expenditure

| | Total Expenditure 2017-18 | Breakdown by Periodic Approval | | | Loan Sanction | |
|----|---|--------------------------------|----------------------|------------------------|---------------|---------------|
| | | Tynwald Approved C1 | To Be Approved C2 | Future Approvals C3 | C4 | C5 |
| | | £'000 | £'000 | £'000 | £'000 | YEARS |
| 8 | Rehabilitation and Resettlement Unit | 32 | 32 | | | 30 |
| 9 | Vehicle Acquisition | 651 | 508 | 143 | | 7 |
| | TOTAL | 3,313 | 2,454 | 859 | 4,323 | |
| | HEALTH AND SOCIAL CARE | | | | | |
| 1 | Accommodation for Day Care Services Eastcliffe | 150 | | 150 | | 30 |
| 2 | Acute Adult Psychiatric In-Patient Facility | 1,763 | 462 | 1,301 | | 30 |
| 3 | Asset Replacement Scheme | 900 | 300 | 600 | | 30 |
| 4 | Extension to Neonatal Unit, Noble's Hospital | 416 | 416 | | | 30 |
| 5 | Extension to Oncology Suite Ph 1 | 710 | 10 | | 700 | 30 |
| 6 | Extension to Oncology Suite Ph 2 Clinics | 300 | | | 300 | 30 |
| 7 | GP Surgery Development Scheme - Palatine | 40 | 40 | | | 30 |
| 8 | Learning Disabilities Additional Residential Unit | 50 | 50 | | | 30 |
| 9 | Learning Disabilities Supported Housing | 70 | 70 | | | 30 |
| 10 | Older Persons Residential & Resource Unit East | 992 | | | 992 | 30 |
| 11 | Purchase of Salisbury Street Nursing Home | 198 | 198 | | | 30 |
| 12 | Radiology Equipment Replacement Scheme | 550 | | 550 | | 30 |
| 13 | Reconfiguration of Learning Disabilities (Radcliffe Villas) | 777 | 517 | 260 | | 30 |
| 14 | Residential Accommodation Medical Staff Ph 5 | 1,621 | 1,621 | | | 30 |
| 15 | Strategic Development Fund | 250 | | 250 | | 30 |
| | TOTAL | 8,787 | 3,684 | 3,111 | 1,992 | 22,527 |
| | INFRASTRUCTURE | | | | | |
| 1 | Ambulance Fleet Replacement | 365 | 310 | 55 | | 30 |
| 2 | Asset Management System | 45 | 45 | | | 50 |
| 3 | Ballacubbon Ph 2 | 70 | 70 | | | 30 |
| 4 | Ballasalla Relief Road | 15 | 15 | | | 30 |
| 5 | Climate Change Adaption | 2,000 | 800 | 1,200 | | 30 |
| 6 | Disability Discrimination Act - Public Buildings | 237 | 237 | | | 30 |
| 7 | Douglas & Peel Cofferdam | 40 | 40 | | | 30 |
| 8 | Douglas Outer Harbour Development | 100 | 100 | | | 30 |
| 9 | Douglas Promenade | 5,365 | 115 | | 5,250 | 60 |
| 10 | East Quay Peel | 30 | | 30 | | 30 |
| 11 | Glencrutchery Road | 330 | 100 | | 230 | 30 |
| 12 | Government Estate Planned Maintenance | 1,000 | 499 | 501 | | 30 |
| 13 | Hazardous Waste Transfer and Treatment Facility | 56 | 56 | | | 30 |
| 14 | House Purchase Assistance Scheme | 3,000 | | 3,000 | | 30 |
| 15 | Instrument Runway Visual Range (IRVR) Measurement | 100 | | 100 | | 30 |
| 16 | King Edward Linkspan - Mid Life Renovation | 16 | 16 | | | 30 |
| 17 | Liverpool Landing Stage | 625 | 625 | | | 30 |
| 18 | Management of Small Plant (One Off Set Up) | 60 | 60 | | | 50 |
| 19 | Manx Electric Railway Trackwork | 1,114 | 113 | 1,001 | | 30 |
| 20 | Minor Capital Works - Public Transport | 1,150 | | 1,150 | | 30 |
| 21 | Minor Capital Works DHSC | 780 | 130 | 650 | | 30 |
| 22 | Minor Capital Works EDUCATION AND CHILDREN | 2,500 | 174 | 2,326 | | 30 |
| 23 | Noble's Hospital - Asset Replacement | 770 | 250 | 520 | | 30 |
| 24 | Noble's Hospital Maintenance | 259 | 74 | 185 | | 20 |
| 25 | Nunnery Bridge | 10 | 10 | | | 30 |
| 26 | Park Road Site | 97 | 97 | | | 10 |
| 27 | Peel Harbour Bridge Replacement | 45 | | 45 | | 30 |
| 28 | Plant & Vehicle Replacement Programme | 4,002 | | 4,002 | | 30 |
| 29 | Port St Mary Alfred Pier | 100 | 100 | | | 30 |
| 30 | Public Transport Vehicle Replacement Programme | 685 | 51 | 634 | | 30 |
| 31 | Pulrose River Bridge | 150 | | 150 | | 30 |
| 32 | Quarry Plant Replacement | 1,275 | 400 | 875 | | 30 |
| 33 | Ramsey Off-Street Car Parking/Transport Interchange | 1,696 | | | 1,696 | 30 |

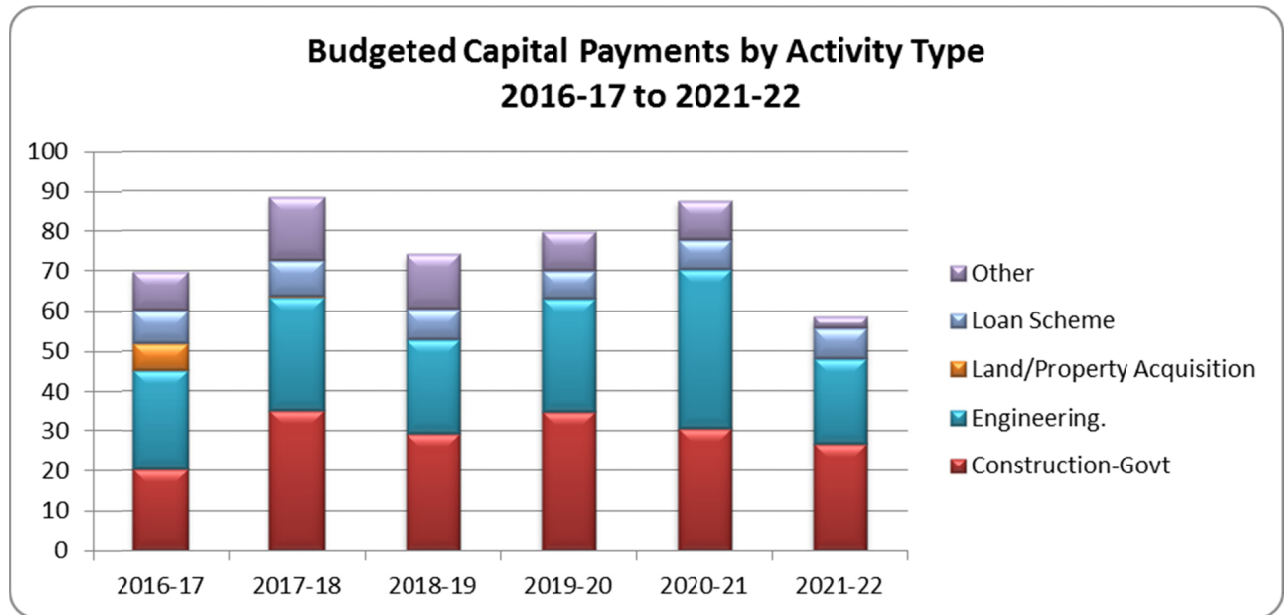
Capital Expenditure

| | | Total Expenditure 2017-18 | Breakdown by Periodic Approval | | | Loan Sanction | |
|----|--|------------------------------|--------------------------------|----------------|------------------|---------------|-------|
| | | | Tynwald Approved | To Be Approved | Future Approvals | C4 | C5 |
| | | | C1 | C2 | C3 | | |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | YEARS |
| 34 | Ramsey Swing Bridge Refurbishment | 10 | 10 | | | | 20 |
| 35 | Replacement Instrument Landing System | 1,500 | | | 1,500 | | 30 |
| 36 | Replacement Railway Shed Santon | 120 | | 120 | | | 30 |
| 37 | Residential Road Refurbishment | 475 | | 475 | | | 30 |
| 38 | Site Feasibility Studies | 99 | 99 | | | | 5 |
| 39 | Snaefell Mountain Railway Track | 570 | | 570 | | | 10 |
| 40 | Steam Railway Track | 925 | | 925 | | | 40 |
| 41 | Strategic Highway Refurbishment Programme | 1,600 | 503 | 1,097 | | | 30 |
| 42 | Strategic Structural Maintenance | 1,540 | | 1,540 | | | 30 |
| 43 | Town & Village Regeneration | 2,888 | 2,888 | | | | 10 |
| 44 | West Quay Ramsey | 50 | | 50 | | | 30 |
| 45 | X-Ray Machines Upgrade | 3,200 | 100 | 3,100 | | | 10 |
| 46 | New Sub-Station - Ballamenaugh | 150 | 150 | | | | 30 |
| | SCHEMES FUNDED FROM HOUSING RESERVE | | | | | | |
| 47 | Ballacubbon Ph 2a | 100 | 100 | | | | 30 |
| 48 | Clagh Vane Redevelopment 7/8 | 4,529 | | | 4,529 | | 30 |
| 49 | Crossag Ph 1 | 475 | 212 | 263 | | | 30 |
| 50 | Ex-Dep't Social Care Planned Maintenance | 1,800 | 1,800 | | | | 30 |
| | TOTAL | 48,118 | 10,349 | 24,564 | 13,205 | 25,104 | |
| | MANX MUSEUM & NATIONAL TRUST | | | | | | |
| 1 | Heritage Property Conservation | 100 | 100 | | | | 30 |
| 2 | Minor Capital Works - MNH | 240 | 6 | 234 | | | 30 |
| 3 | Minor Capital Works Gallery Redisplay | 270 | 270 | | | | 30 |
| | TOTAL | 610 | 376 | 234 | | 386 | |
| | MANX UTILITIES AUTHORITY | | | | | | |
| 1 | All Island Refurb of Sewerage Infrastructure | 1,580 | | 1,580 | | | 30 |
| 2 | Combined Cycle Gas Turbine | 3,069 | 2,649 | 420 | | | 30 |
| 3 | Essential upgrades fuel tanks & back-up power supplies | 580 | 580 | | | | 30 |
| 4 | Minor Capital Works - MUA | 1,080 | | 1,080 | | | 30 |
| 5 | Network Refurbishment | 1,200 | 79 | 1,121 | | | 30 |
| 6 | Refurb of Sewerage Treatment Works (Central Valley) | 2,020 | 1,254 | 766 | | | 30 |
| 7 | Regional Sewerage Strategy 1 | 182 | 182 | | | | 30 |
| 8 | Regional Sewerage Strategy 2 (Peel/Central Valley) | 450 | 450 | | | | 30 |
| 9 | Sewer Flood Alleviation | 750 | 750 | | | | 30 |
| | TOTAL | 10,911 | 5,944 | 4,967 | | | |
| | STATUTORY BOARDS | | | | | | |
| 1 | Financial Services Authority - Restructure Costs | 150 | 150 | | | | 10 |
| 2 | Gambling Supervision Commission New IT System | 400 | 400 | | | | 3 |
| | TOTAL | 550 | 550 | | | | |
| | TREASURY | | | | | | |
| 1 | Benefits Payments System - Platform Upgrade | 205 | 205 | | | | 3 |
| 2 | C&E New VAT Accounting System | 1,500 | | 1,500 | | | 3 |
| 3 | Capital Projects Risk Contingency | 5,000 | | 5,000 | | | 30 |
| | MANX RADIO | | | | | | |
| 4 | Manx Radio Broadcasting House Maintenance | 1,195 | | | 1,195 | | 20 |
| | TOTAL | 7,900 | 205 | 6,500 | 1,195 | 6,958 | |
| | CAPITAL TRANSACTIONS ACCOUNT TOTAL | 88,362 | 28,304 | 42,577 | 17,481 | 62,735 | |

Capital Expenditure

8.4. 2017-18 to 2021-22 Capital Programme

With over £3.6 billion of fixed assets included on the Government's balance sheet, including nearly £1.9 billion infrastructure assets, there is an increasing focus on the need to maintain and renew the wider infrastructure. Over the five years to 2021-22, the Capital Programme includes over £388m of expenditure, including £298m of engineering and construction projects, including the Statutory Boards. The graph below presents in overall terms the Capital Programme, and the type of expenditure. Both the construction and engineering elements of the programme include capital expenditure incurred by the Department of Infrastructure utilising its own workforce and plant resources (e.g. highways, regeneration schemes).



The detailed transactions on the Capital Account arising from the proposed Capital Programme are shown in Table 21 below. This level of expenditure would present a deficit position on the account each year, ultimately leading to an overdrawn balance on the Capital Account as of 2019-20. The level of projected deficit, however, is not a concern as historically budgeted capital expenditure has been overstated with an expectation that there will be an underspend. This underspend is likely as a result of many factors, priority changes, planning hold ups, availability of resources and ability to deliver in the private sector and within Departments, meaning there is often slippage and budgets to be carried forward.

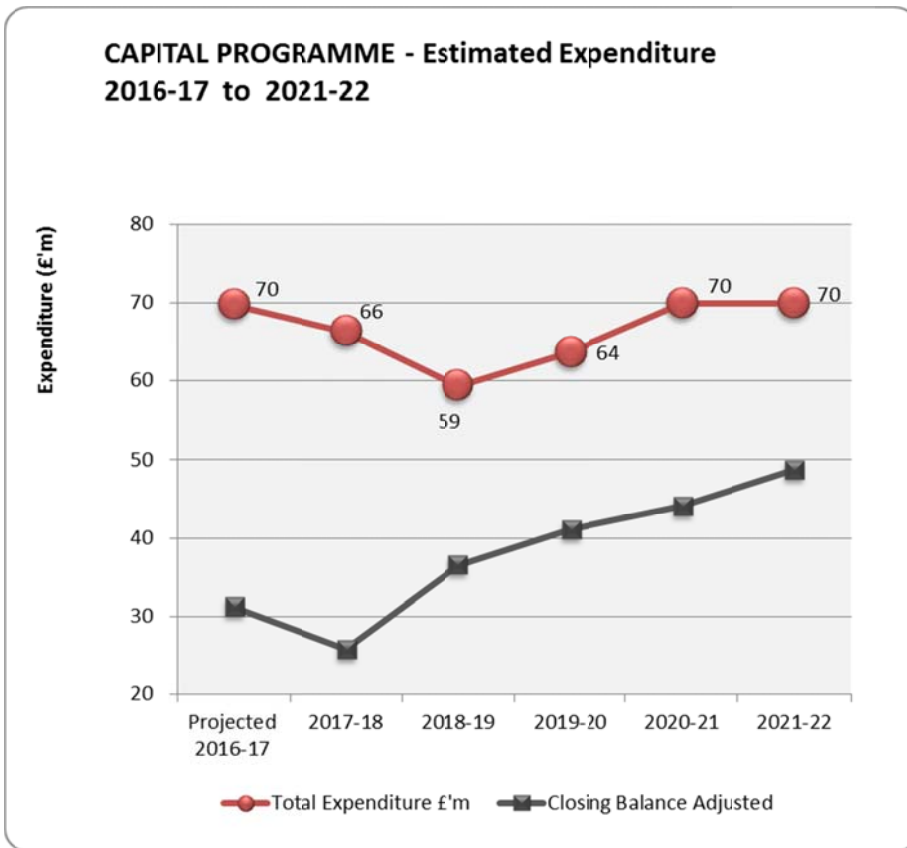
Capital Expenditure

TABLE 21

| CAPITAL ACCOUNT SUMMARY | | | | | | |
|--|------------------|------------------|---------------------|------------------|------------------|------------------|
| | Probable | Budget | Provisional Budgets | | | |
| | 2016-17 £,000 | 2017-18 £,000 | 2018-19 £,000 | 2019-20 £,000 | 2020-21 £,000 | 2021-22 £,000 |
| RECEIPTS | | | | | | |
| Repayment of Capital | 33,515 | 41,893 | 46,212 | 47,628 | 49,939 | 51,250 |
| Payment of Interest | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Capital Receipts | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Capital Receipts from Third Parties | 464 | | | | | |
| Drawdown from Housing Reserve | 2,159 | 6,904 | 4,638 | 4,198 | 3,600 | 2,120 |
| MUA Repayment | 16,000 | 14,495 | 17,197 | 17,701 | 18,178 | 18,508 |
| TOTAL INCOME | 54,138 | 65,292 | 70,047 | 71,527 | 73,717 | 73,878 |
| PAYMENTS | | | | | | |
| Departments | | | | | | |
| Cabinet Office | 342 | 1,608 | | | | |
| Economic Development | 390 | 850 | 320 | 320 | 320 | |
| Education & Children | 4,003 | 4,636 | 901 | 400 | 900 | 400 |
| Environment, Food & Agriculture | 768 | 1,079 | 350 | 350 | 350 | 350 |
| Health & Social Care | 15,585 | 8,787 | 2,500 | 1,575 | 1,250 | 1,250 |
| Home Affairs | 2,354 | 3,313 | 1,152 | 643 | 689 | 337 |
| Infrastructure | 21,231 | 41,214 | 19,485 | 15,601 | 15,985 | 14,556 |
| Housing Reserve Funded Schemes | 2,159 | 6,904 | 1,600 | 1,600 | 1,600 | 1,600 |
| Treasury | 5,125 | 6,705 | 5,000 | 5,000 | 5,000 | 5,000 |
| Other Bodies | | | | | | |
| Manx Museum & National Trust | 464 | 610 | 354 | 450 | 390 | 320 |
| Financial Services Authority | 50 | 150 | | | | |
| Gambling Supervision Commission | 100 | 400 | | | | |
| Manx Radio | 81 | 1,195 | | | | |
| MANX UTILITIES AUTHORITY | 17,069 | 10,911 | 950 | 950 | 1,000 | 700 |
| Total Future Schemes (Appendix 6) | | | 41,528 | 52,658 | 59,928 | 33,920 |
| TOTAL EXPENDITURE | 69,721 | 88,362 | 74,140 | 79,547 | 87,412 | 58,433 |

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 considers a more realistic projected spend to reflect a 75% delivery against budget in 2016-17 and 75 - 80% against budget for future years. 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 5.

The graph overleaf presents a more likely capital expenditure outturn position over the five year programme, together with an adjusted year end closing balance on the Capital Account, which is expected to remain in a healthy surplus position for the period of the programme.



Historically after the end of each financial year, Treasury has brought to Tynwald a list of Supplementary Capital Approvals for amounts of capital expenditure which although 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. Included within this budget's proposals is a measure to allow Treasury to approve up to £100,000 additional in-year expenditure per scheme provided the overall scheme cost is not exceeded.

Also included in the proposals is a measure to allow Treasury to agree, where appropriate, the funding for project overspends without recourse to Tynwald for a Supplementary Capital Approval up to £100,000 capital scheme overspends from the Contingency Reserve, subject to a maximum of 10% of the approved project budget but subject to a maximum permitted limit of £100,000 in each case. If successful, this limit could be increased for future years.

Fixed Asset Policy Review

Over this last year, Treasury officers have been undertaking a review and redrafting of Government's fixed asset policy. As part of this, a review of the accounting for depreciation has been undertaken, and Departments are being asked as part of the 2016-17 accounts closure process to consider any assets requiring impairment. Treasury will be undertaking, in conjunction with Departments as part of the year end accounts closure, a full and detailed examination and update of the fixed asset register. Parallel to this work, the loan charge repayment periods in respect of new proposed capital schemes for 2017-18 have been assessed, and where appropriate, amended to provide greater consistency and more realistic borrowing periods.

The Reserves

9. THE RESERVES

Government's reserves are made up of internal and external funds. Explanatory notes for each of these in turn can be found at Appendix 7. This Budget relies upon the use of reserves to the order of £80m. As can be seen below, a significant proportion of this relates to the Public Service Employees Pensions Reserve and once this is depleted in 2020-21 then the level of reserve utilisation reduces significantly.

The table below presents a summary of the planned drawdown from reserves, including the Capital Account, over the period of the Five Year Plan. Drawdown is significantly reduced from 2021-22 onwards, coinciding with the depletion of the Public Service Employees Pensions Reserve.

TABLE 22

| Use of Reserves | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| | £m | £m | £m | £m | £m | £m |
| PSEPR | 38.0 | 38.0 | 41.7 | 51.6 | 54.6 | 0.0 |
| NI Investment Account | 3.0 | 8.0 | 9.7 | 11.0 | 12.6 | 14.1 |
| Internal Funds | 27.5 | 19.5 | 17.6 | 16.4 | 16.2 | 16.2 |
| Capital Account | 15.6 | 5.4 | -8.9 | -6.4 | -3.0 | -4.7 |
| Reserve Fund Interest | 8.0 | 8.0 | 6.0 | 4.0 | 2.0 | 0.0 |
| Hospital Estate Development Fund | 3.5 | 3.5 | 3.8 | 3.7 | 3.8 | 3.8 |
| Revenue Account Surplus | -11.1 | -2.9 | -16.1 | -32.4 | -48.5 | -6.2 |
| Use of Reserves | 84.5 | 79.5 | 53.8 | 47.9 | 37.7 | 23.2 |

9.1. External Reserves

The purpose of each external fund, together with its performance benchmark, 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, £10m of the Operating Balance was earmarked for transfer into this new reserve, with a further £10m each year for the following four years, in support of the £50m Enterprise Development Scheme. 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 anticipated investment drawdown from this reserve in 2016-17 is estimated at £3.3m, with a further £8.1m in 2017-18 and then £10.8m 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 is due to come to an end in October 2017, and Treasury is currently reviewing its options for the future operation of the fund and

The Reserves

the sums held within it. The fund drawdown figures presented in this report are based on existing policy for the Fund and so are merely for illustrative purposes only.

9.2. Internal Reserves

The Five Year Financial Plan supports the principle of reducing Government's reliance upon its internal reserves in order to fund known ongoing revenue costs, which are better budgeted for within departmental revenue targets. Wherever possible, reserve funding expenditure has been moved into revenue budgets with the intention that the majority of funds will be run down over the next few years until the majority of current reserve expenditure is included within revenue budgets. In this way, £1.2m of expenditure historically allocated to reserves, is now to be incorporated into revenue budgets.

A review of the reserves position has also identified that there are two reserves which can be closed down at the end of 2017-18 in order to support the principle of funding ongoing operational expenditure from General Revenue. These are the Agriculture and Forestry Fund and also the Marketing Initiatives Fund; any existing projects not drawn down after that date transferring into the Economic Development Fund until completed.

It is proposed that a number of new funds are established this year as follows:

- a) Academic Business Planning Fund** – To provide a means for the Department of Education and Children to better tie in resources for the financial year with the business needs of the academic year. There will be scope for that Department to transfer unspent budget balances up to £0.5m at year end for drawdown against specific schemes during the first six months of the new financial year.
- b) BREXIT Fund** – Will provide funding for projects designed to mitigate against the risk arising from the UK's departure from the EU.
- c) Healthcare Transformation Fund** – To replace the Health Inspection Fund by providing upfront investment to transformational projects that supports the Department of Health and Social Care's Cost Improvement Programme.

In addition, changes to the Terms of Reference for a number of existing reserves have been made as follows:

- a) Invest to Save Fund** – In order to help incentivise Departments in coming forward with worthwhile projects in support of the Five Year Financial Plan, Departments are now to be able to retain 25% of the savings generated by schemes funded from this reserve (similar to the Digital Strategy Fund).
- b) Contingency Fund** – Terms of Reference extended to allow Treasury to fund up to £100,000 capital scheme overspends from the Contingency Reserve, subject to a maximum of 10% of the approved project budget but subject to a maximum permitted limit of £100,000 in each case.

The Reserves

9.3. Reserves 2016-17 Performance

The projected Probable Income and Expenditure for 2016-17 in respect of each of the internal and externally managed funds is presented in the table below:

TABLE 23

| | Projected Income & Expenditure 2016/17 | | | | | | Balances C/f At 31/03/17 £,000 |
|--|--|--|---|---|---|----------------------------|--------------------------------------|
| | Balances B/f At 01/04/2016 £,000 | To/from the Operating Account £,000 | Contributions Seizures & Other £,000 | Realised Investment Income £,000 | Transfer to Rev/Capital Accounts £,000 | Other Expenses £,000 | |
| | 1 | 2 | 3 | 4 | 5 | 6 | |
| Managed External Invested Funds | | | | | | | |
| Enterprise Development Fund | | 10,000 | | | 3,300 | | 6,700 |
| Hospital Estate Development Fund | 40,245 | | | 860 | 3,508 | 78 | 37,520 |
| Manx Currency Account - Notes | 32,992 | | | 641 | 203 | 50 | 33,380 |
| Media Development Fund | 14,805 | | | | 500 | 330 | 13,975 |
| MUA Bond Repayment Fund | 44,937 | | 1,500 | 1,058 | | 94 | 47,401 |
| National Insurance Fund | 723,282 | (7,000) | | 26,064 | 3,000 | 1,613 | 737,733 |
| Public Service Employees' Pension | 175,512 | (38,000) | | 3,335 | | 476 | 140,371 |
| Reserve Fund | 310,191 | | | 8,835 | 28,055 | 780 | 290,191 |
| Total - External Funds | 1,341,964 | (35,000) | 1,500 | 40,793 | 38,566 | 3,421 | 1,307,271 |
| Internal Funds | | | | | | | |
| NEW Academic Business Planning Fund | | | 500 | | | | 500 |
| Agricultural & Forestry Fund | 3,084 | | | 53 | 2,313 | | 823 |
| Contingency Fund | | 5,000 | | | 1,831 | | 3,169 |
| Digital Strategy Fund | 3,524 | 5,000 | 24 | 60 | 3,098 | | 5,509 |
| Economic Development Fund | 9,205 | | | 157 | 467 | | 8,895 |
| Healthcare Transformation Fund | 4,162 | | 800 | 71 | 3,338 | | 1,696 |
| Housing Reserve Fund | 9,237 | | | 157 | 3,949 | | 5,446 |
| Invest to Save Fund | 3,221 | 1,852 | | 84 | 843 | | 4,314 |
| Land & Property Acquisition Reserve | 2,536 | 2,000 | | 43 | 4,100 | | 479 |
| Legal Costs Reserve | 3,757 | | | 64 | 2,995 | | 826 |
| Marketing Initiatives Fund | 3,158 | | | 54 | 1,109 | | 2,103 |
| Medical Indemnity Fund | 4,399 | | | 75 | 1,000 | | 3,473 |
| Seized Assets Fund | 3,378 | | 100 | 58 | 1,470 | | 2,065 |
| Town & Village Centre Regeneration | 3,092 | | | 53 | 1,000 | | 2,145 |
| Govt Energy Initiatives Capital Fund | 1,852 | (1,852) | | | | | |
| Total - Internal Funds | 54,605 | 12,000 | 1,424 | 929 | 27,513 | | 41,443 |
| Manx Currency Account - Other | 48,525 | | | 355 | | 743 | 48,137 |
| Media Development Fund | 10,139 | | | | | | 10,139 |
| Public Service Employees' Pension | 12,108 | 38,000 | | | 38,000 | | 12,108 |
| Sub-total: Internal Funds | 70,772 | 38,000 | | 355 | 38,000 | 743 | 70,384 |
| TOTAL | 1,467,341 | 15,000 | 2,924 | 42,077 | 104,079 | 4,164 | 1,419,098 |

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

The Reserves

9.4. Reserves 2017-18 Income & Expenditure

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

TABLE 24

| | Balances B/f At 01/04/2017 £,000 | Projected Income & Expenditure 2017/18 | | | | | Balances C/f At 31/03/18 £,000 |
|--|---|--|-----------------------------------|---|---|----------------------------|--------------------------------------|
| | | To/from the Operating Account £,000 | Contributions & Other £,000 | Realised Investment Income £,000 | Transfer to Rev/Capital Accounts £,000 | Other Expenses £,000 | |
| | | 1 | 2 | 3 | 4 | 5 | |
| Managed External Invested Funds | | | | | | | |
| Enterprise Development Fund | 6,700 | 2,000 | | | | 8,100 | 600 |
| Hospital Estate Development Fund | 37,520 | | | 750 | | 3,473 | 34,722 |
| Manx Currency Account - Notes | 33,380 | | 34,000 | 1,150 | | 414 | 68,016 |
| Media Development Fund | 13,975 | | | | | 500 | 13,145 |
| MUA Bond Repayment Fund | 47,401 | | 1,500 | 1,150 | | 100 | 49,951 |
| National Insurance Fund | 737,733 | (8,000) | | 26,000 | | 8,000 | 746,033 |
| Public Service Employees' Pension Reserve Fund | 140,371 | (38,000) | | 2,335 | | 333 | 104,372 |
| | 290,191 | | 50,000 | 10,160 | | 8,000 | 341,454 |
| Total - External Funds | 1,307,271 | (44,000) | 85,500 | 41,545 | | 28,487 | 1,358,293 |
| Internal Funds | | | | | | | |
| NEW Academic Business Planning Fund | 500 | 500 | | 8 | | 500 | 508 |
| Agricultural & Forestry Fund | 823 | | | 14 | | 771 | 66 |
| NEW BREXIT Fund | | 1,000 | | | | 500 | 500 |
| Contingency Fund | 3,169 | | | 53 | | 1,000 | 2,222 |
| Digital Strategy Fund | 5,509 | 2,000 | 662 | 93 | | 3,194 | 5,070 |
| Economic Development Fund | 8,895 | | | 150 | | 911 | 8,134 |
| Healthcare Transformation Fund | 1,696 | | 800 | 29 | | 118 | 2,406 |
| Housing Reserve Fund | 5,446 | 1,500 | | 92 | | 6,279 | 759 |
| Invest to Save Fund | 4,314 | | | 73 | | 522 | 3,864 |
| Land & Property Acquisition Reserve | 479 | 1,000 | | 8 | | | 1,487 |
| Legal Costs Reserve | 826 | 1,000 | | 14 | | 1,040 | 800 |
| Marketing Initiatives Fund | 2,103 | | | 35 | | 305 | 1,833 |
| Medical Indemnity Fund | 3,473 | 1,000 | | 59 | | 1,000 | 3,532 |
| Seized Assets Fund | 2,065 | | 147 | 35 | | 1,556 | 691 |
| Town & Village Centre Regeneration | 2,145 | 150 | | 36 | | 1,750 | 581 |
| Total - Internal Funds | 41,443 | 8,150 | 1,609 | 699 | | 19,446 | 32,453 |
| Manx Currency Account - Other | 48,137 | | (34,000) | 135 | | | 13,501 |
| Media Development Fund | 10,139 | | | | | | 10,139 |
| Public Service Employees' Pension | 12,108 | 38,000 | | | | 38,000 | 12,108 |
| Sub-total: Internal Funds | 70,384 | 38,000 | (34,000) | 135 | | 38,000 | 35,748 |
| TOTAL | 1,419,098 | 2,150 | 53,109 | 42,379 | | 85,933 | 1,426,494 |

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

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9.5. 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 25

| PROJECTED FUTURE EXPENDITURE | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Managed External Invested Funds | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Enterprise Development Fund | 3,300 | 8,100 | 10,800 | 10,000 | 10,000 | 7,800 |
| Hospital Estate Development Fund | 3,586 | 3,548 | 3,786 | 3,741 | 3,695 | 3,650 |
| Manx Currency Account - Notes | 253 | 514 | 790 | 790 | 790 | 790 |
| Media Development Fund | 830 | 830 | 865 | 865 | 865 | 865 |
| MUA Bond Repayment Fund | 94 | 100 | 100 | 100 | 100 | 100 |
| National Insurance Fund | 4,613 | 9,700 | 11,500 | 12,800 | 14,300 | 15,800 |
| Public Service Employees' Pension Reserve Fund | 476 | 333 | 324 | 324 | 324 | 324 |
| Total - External Funds | 41,987 | 32,022 | 34,165 | 32,620 | 32,074 | 29,329 |
| Internal Funds | | | | | | |
| NEW Academic Business Planning Fund | | 500 | 500 | 500 | 500 | 500 |
| Agricultural & Forestry Fund | 2,313 | 771 | | | | |
| NEW BREXIT Fund | | 500 | 500 | | | |
| Contingency Fund | 1,831 | 1,000 | 1,000 | 1,000 | 1,000 | 2,000 |
| Digital Strategy Fund | 3,098 | 3,194 | 1,000 | 1,000 | 1,000 | 1,000 |
| Economic Development Fund | 467 | 911 | 500 | 500 | 500 | 500 |
| Healthcare Transformation Fund | 3,338 | 118 | 2,000 | 1,500 | 1,000 | 1,000 |
| Housing Reserve Fund | 3,949 | 6,279 | 4,750 | 4,250 | 3,600 | 3,000 |
| Invest to Save Fund | 843 | 522 | 1,000 | 1,000 | 2,000 | 1,500 |
| Land & Property Acquisition Reserve | 4,100 | | 1,000 | 1,000 | 1,000 | 1,000 |
| Legal Costs Reserve | 2,995 | 1,040 | 1,500 | 1,500 | 1,500 | 1,500 |
| Manx Currency Account - Other | 743 | 771 | 770 | 770 | 770 | 770 |
| Marketing Initiatives Fund | 1,109 | 305 | | | | |
| Medical Indemnity Fund | 1,000 | 1,000 | 1,000 | 1,500 | 1,500 | 1,000 |
| Public Service Employees' Pension | 38,000 | 38,000 | 41,713 | 51,600 | 54,600 | |
| Seized Assets Fund | 1,470 | 1,556 | 1,600 | 1,600 | 1,600 | 1,600 |
| Town & Village Centre Regeneration | 1,000 | 1,750 | 500 | 250 | 250 | 250 |
| Total - Internal Funds | 66,256 | 58,217 | 59,333 | 67,970 | 70,820 | 15,620 |
| TOTAL DRAWDOWN | 108,243 | 90,239 | 93,498 | 100,590 | 102,894 | 44,949 |

The Enterprise Development Fund shows expenditure each year and assumes that the full £50m expenditure will 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 2017-18 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 26

| Restated Budget 2016-17 £,000 | Projected 2016-17 £,000 | ANALYSIS OF TREASURY INCOME | Budget 2017-18 £,000 | Budget 2018-19 £,000 | Budget 2019-20 £,000 |
|--|-------------------------------|------------------------------------|----------------------------|----------------------------|----------------------------|
| | | CUSTOMS & EXCISE | | | |
| | | <u>Shared Revenue</u> | | | |
| 250,000 | 260,479 | Value Added Tax | 268,351 | 276,911 | 285,694 |
| 71,000 | 71,700 | Excise Duty | 73,500 | 75,500 | 77,600 |
| 5,600 | 6,100 | Customs Duty | 6,400 | 6,700 | 7,000 |
| (1,100) | (1,100) | Cost of Collection Adjustment | (800) | (900) | (1,000) |
| | | <u>Non-Shared Revenue</u> | | | |
| 3,900 | 4,500 | Gambling Duty | 4,700 | 4,700 | 4,700 |
| 5,200 | 4,800 | Air Passenger Duty | 4,800 | 4,800 | 4,800 |
| 1,470 | 1,350 | Lottery Duty | 1,325 | 1,325 | 1,325 |
| 430 | 400 | Non-Revenue Receipts | 400 | 400 | 400 |
| 336,500 | 348,229 | TOTAL CUSTOMS & EXCISE | 358,676 | 369,436 | 380,519 |
| | | INCOME TAX | | | |
| 185,200 | 188,100 | Resident Income Tax | 182,403 | 189,141 | 194,468 |
| 17,000 | 16,000 | Company Tax | 19,250 | 20,000 | 20,850 |
| 9,800 | 9,400 | Non-Resident Tax | 9,600 | 8,450 | 8,800 |
| 212,000 | 213,500 | TOTAL INCOME TAX | 211,253 | 217,591 | 224,118 |
| 222,000 | 236,000 | NI Operating Account | 241,500 | 247,750 | 255,180 |
| | | OTHER TREASURY INCOME | | | |
| 755 | 755 | Fines | 750 | 700 | 700 |
| 8,462 | 8,272 | Interest on Investments | 8,453 | 6,940 | 5,240 |
| 855 | 894 | Miscellaneous | 1,112 | 1,113 | 1,015 |
| 1,500 | 1,700 | IOMPO – Revenue Contribution | 1,700 | 1,500 | 1,500 |
| 11,572 | 11,621 | TOTAL OTHER TREASURY INCOME | 12,015 | 10,253 | 8,455 |
| 782,072 | 809,350 | TOTAL | 823,444 | 845,030 | 868,272 |

Appendix 2 – National Insurance Account

TABLE 17 (duplicate)

| National Insurance Account | Probable | | Provisional Budgets | | | |
|--|-----------------|----------------|----------------------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| Note: figures are subject to rounding | £m | £m | £m | £m | £m | £m |
| Income | | | | | | |
| NI Contributions | 186.0 | 190.0 | 194.7 | 200.5 | 206.6 | 212.8 |
| Agency Income | 50.0 | 51.5 | 53.0 | 54.7 | 56.2 | 57.9 |
| | 236.0 | 241.5 | 247.7 | 255.2 | 262.8 | 270.7 |
| Expenditure | | | | | | |
| NI Funded Welfare Payments | 198.0 | 208.0 | 214.8 | 222.3 | 230.2 | 238.1 |
| Administration Costs | 3.0 | 3.0 | 3.0 | 3.1 | 3.2 | 3.3 |
| NHS Allocation (DHSC) | 38.0 | 38.5 | 39.7 | 40.8 | 42.1 | 43.3 |
| | 239.0 | 249.5 | 257.5 | 266.2 | 275.5 | 284.7 |
| National Insurance Fund (est Value) B/F | 774.0 | 796.5 | 814.8 | 832.0 | 848.5 | 864.0 |
| Investment Income | 25.5 | 26.3 | 26.9 | 27.5 | 28.1 | 28.6 |
| National Insurance Deficit | (3.0) | (8.0) | (9.7) | (11.0) | (12.6) | (14.1) |
| National Insurance Fund (est Value) C/F | 796.5 | 814.8 | 832.0 | 848.5 | 864.0 | 878.6 |

Appendix 3 – Welfare Benefit Payment costs 2017-18

| Benefit/Payment | Amount before up-rating ¹ | Up-rating % used | Cost of up-rating | Amount with up-rating |
|--|--------------------------------------|------------------|-------------------|-----------------------|
| National Insurance Benefits | £ | | £ | £ |
| Retirement Pension (see note 2) | 141,310,000 | 2.2% | 3,190,000 | 144,500,000 |
| Age addition | 455,000 | 0.0% | 0 | 455,000 |
| Pension supplement (RP) | 36,750,000 | 0.0% | 0 | 36,750,000 |
| Retirement pension premium | 1,600,000 | 1.0% | 16,000 | 1,616,000 |
| Old person's pension | 150,000 | 2.5% | 4,000 | 154,000 |
| Nursing Care Contribution Scheme | 2,300,000 | 22.3% | 513,000 | 2,813,000 |
| Long term Incapacity benefit | 8,250,000 | 1.0% | 83,000 | 8,333,000 |
| Short term Incapacity benefit | 2,900,000 | 1.0% | 29,000 | 2,929,000 |
| Incapacity benefit Youth | 80,000 | 1.0% | 1,000 | 81,000 |
| Pension supplement (Incapacity) | 500,000 | 0.0% | 0 | 500,000 |
| Bereavement allowances | 610,000 | 1.0% | 6,000 | 616,000 |
| Pension supplement (Bereavement) | 90,000 | 0.0% | 0 | 90,000 |
| Bereavement lump sum payment | 160,000 | 0.0% | 0 | 160,000 |
| Widows Pension | 100,000 | 1.0% | 1,000 | 101,000 |
| Pension supplement (Widows Pension) | 30,000 | 0.0% | 0 | 30,000 |
| Guardian's allowance | 0 | 0.0% | 0 | 0 |
| Funeral payments | 250,000 | 0.0% | 0 | 250,000 |
| Maternity allowance | 3,810,000 | 0.0% | 0 | 3,810,000 |
| Adoption allowance | 35,000 | 0.0% | 0 | 35,000 |
| Paternity allowance | 110,000 | 0.0% | 0 | 110,000 |
| Carer's Allowance | 2,300,000 | 1.0% | 23,000 | 2,323,000 |
| Industrial Disablement Benefit | 375,000 | 1.0% | 4,000 | 379,000 |
| Contribution based jobseeker's allow'ce | 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 |
| N.I. Benefits - Total | 204,130,000 | | 3,870,000 | 208,000,000 |
| General Revenue Benefits | | | | |
| Disability Living Allowance (see note 3) | 10,250,000 | 1.0% | 300,000 | 10,550,000 |
| Attendance allowance | 4,000,000 | 1.0% | 40,000 | 4,040,000 |
| Severe disablement allowance | 588,000 | 1.0% | 6,000 | 594,000 |
| Child benefit | 11,500,000 | 2.0% | 230,000 | 11,730,000 |
| Income Support (see note 4) | 36,660,000 | 0.0% | 410,000 | 37,070,000 |
| Winter Bonus | 775,000 | 0.0% | 0 | 775,000 |
| Exceptional Needs grants | 118,000 | 0.0% | 0 | 118,000 |
| Maternity payments | 75,000 | 0.0% | 0 | 75,000 |
| Employed Person's Allowance | 10,000,000 | 1.0% | 100,000 | 10,100,000 |
| Income based jobseeker's allowance | 5,000,000 | 0.0% | 0 | 5,000,000 |
| T.V. Licence Refunds/Payments (note 5) | 275,000 | - | 0 | 875,000 |
| G. R. Benefits - Total | 79,241,000 | | 1,086,000 | 80,927,000 |
| Grand Total | 283,371,000 | | 4,956,000 | 288,927,000 |

Notes

1. Based on projected caseloads for 2017-18 & anticipated spend in 2016-17
2. Basic pension increased by 2.5%, Additional Pension increased by 1.0%.
Average assumed to be 2.2%.
3. Although 1.0% generally, the higher rate mobility component is increased by 4.8%
4. Accounts for 2% uplift in public sector rents, increases in certain premia etc.
5. TV Licence (Refunds) Scheme 1990 replaced by TV Licence Payments Order 2016

Appendix 4 – Revenue Expenditure Detail by Departments, Boards and Offices

Department of Economic Development

The Department of Economic Development's prime responsibilities are related to the generation of wealth throughout the commercial sectors of the economy and the creation of a greater number and wider range of employment opportunities for the workforce.

This is reflected in the Department's ultimate purpose, which is to promote and encourage the creation of a successful diversified economy offering employment opportunities for all.

The overall aims of the Department are:

- to promote diversification and the further development of the economy by encouraging new high added value and sustainable businesses to become established on the Island
- to support the continuing prosperity of existing commercially viable enterprises
- to broaden the range and quality of employment opportunities and to provide a workforce with appropriate skills recognising the needs of the economy and individual aspirations
- to support economic development by ensuring an efficient, sustainable and economic supply of energy
- to manage the resources of the Department effectively

The Department's functions are carried out primarily through operating groups such as Employment and Skills; the Business Development Agency; Aircraft, Shipping and Companies Registries; Tourism and Motorsport. Employment and Skills Group's responsibilities include areas such as Training Services, the Job Centre, the Careers Service and Work Permits.

The aim of the Business Development Agency is to attract high value individuals and businesses to the Isle of Man and the portfolio includes Financial Services, e-Gaming, e-Business,

Manufacturing, Space, Retail and Film. The Agency is also responsible for energy policy; clean technology and biotechnology; construction; mines and minerals and the Department's properties.

The Department's priority in 2017 is to support economic growth, both by aiding existing businesses and individuals as well as attracting new businesses, investors and skilled workers. This is vital if tax receipts are to grow.

The Department is pursuing a wide range of activities to grow the economy, including:

- supporting target sectors where the Island can compete globally;
- attracting more businesses through marketing and financial support, notably the new £50m Enterprise Development Scheme;
- raising the image and awareness of the Isle of Man through international marketing;
- actively promote and develop the Island's tourism proposition and continue to deliver further growth in the very successful TT and Festival of Motorcycling;
- providing world-class Ship, Aircraft and Central Registries which aid economic growth and generate income to fund the Department's activities;
- growing the economically active population by raising skills, supporting the unemployed into work and helping to attract the skilled workers our growing economy needs.

Rapidly changing international regulation in our export sectors, particularly in Financial Services, is a major challenge. The Department is working with regulators and the private sector to meet this challenge while actively seeking opportunities for growth, including banking and crowdfunding.

E-Business continues to grow rapidly and the Department has plans to support further growth

and attract the skilled workers this industry needs.

Tourism has grown over the last three years by 20% in terms of visitors, aided by improved marketing by the Department, and plans are in place to build on this success.

Consumer and business demand improved significantly in 2016 and the outlook for 2017 is similarly positive.

Unemployment has fallen substantially in 2017, particularly for the long-term unemployed and

young people, while the number of job vacancies has continued to rise such that vacancies now outnumber the unemployed. These are further signs of a strong, growing economy.

The Department's financial performance remains strong as it continues to grow its highly successful international registries which have generated much valuable additional income as well as continue to place the Island on a strong global platform for high quality business services.

Department of Economic Development – Financial Summary

TABLE 28

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Central Services | 966 | 1,164 | 3,094 | 1,211 | 1,883 |
| Economic Development Group | 2,590 | 2,939 | 3,053 | 97 | 2,956 |
| Training & Employment Group | 2,844 | 3,179 | 3,596 | 408 | 3,188 |
| Ship Registry | (1,643) | (447) | 2,655 | 3,139 | (484) |
| Financial Assistance Scheme | 3,522 | 3,500 | 3,500 | | 3,500 |
| Aircraft Registry | (2,152) | (1,382) | 1,998 | 3,412 | (1,414) |
| Tourism Development | 5,995 | 5,244 | 7,695 | 2,489 | 5,206 |
| Companies Registry | (10,058) | (9,823) | 595 | 10,656 | (10,061) |
| Villa Gaiety | 1,424 | 1,360 | 3,930 | 3,433 | 497 |
| Central Registry | (2,283) | (1,726) | 1,189 | 2,961 | (1,772) |
| NET EXPENDITURE | 1,205 | 4,008 | 31,305 | 27,806 | 3,499 |

TABLE 29

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 2,274 | 1,193 | 1,193 | 1,193 | 1,193 |
| Third Party Contributions | 385 | 521 | 532 | 543 | 543 |
| Operating Income | 27,017 | 25,531 | 26,033 | 26,545 | 26,620 |
| Grant Income | 3 | | | | |
| Other Non-Trading Income | 39 | 47 | 48 | 49 | 49 |
| TOTAL INCOME | 29,718 | 27,292 | 27,806 | 28,330 | 28,405 |
| EXPENDITURE | | | | | |
| Employee Costs | 10,096 | 11,078 | 11,128 | 11,189 | 11,265 |
| Infrastructure Costs | 1,191 | 1,125 | 1,125 | 1,125 | 1,125 |
| Transport Costs | 12 | 13 | 13 | 13 | 13 |
| Supplies & Services | 13,429 | 12,142 | 12,109 | 12,109 | 12,109 |
| Loan Charges | 1,478 | 1,475 | 1,463 | 1,545 | 1,142 |
| Other | 4,717 | 5,467 | 5,467 | 5,467 | 5,467 |
| TOTAL EXPENDITURE | 30,923 | 31,300 | 31,305 | 31,448 | 31,121 |
| NET EXPENDITURE | 1,205 | 4,008 | 3,499 | 3,118 | 2,716 |

Department of Economic Development – Financial Summary (cont'd)

TABLE 30

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 31,301 | (27,293) | 4,008 |
| Transfer to Cabinet Office | (33) | | (33) |
| Pay award allowance | 49 | | 49 |
| Loan charge adjustment | (12) | | (12) |
| Fee increases | | (513) | (513) |
| 2017-18 Budget | 31,305 | (27,806) | 3,499 |

Department of Education and Children

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 participation in sport, physical activity and the arts.

The Department's expenditure budget has been increased by £740,000 to support increased levels of pre-school credit. The additional funding has enabled the Department to increase the standard credit from £800 to £1,700 a year, and for those in receipt of Income-based Jobseeker's Allowance, Employed Persons Allowance or Income Support, from £1,500 to £2,150.

In addition to the increased level of credit, in 2017, we will improve standards and coverage for pre-school education. Funding has been identified, from within existing budgets, to appoint an Early Years Advisory Teacher. Pre-school settings will have access to this advisor who will provide challenge and support to settings, ensuring funding is linked to quality.

£665,000 has been added to the Department's employee cost budget, to support 2017 pay awards. This addition will provide for a 1% pay award across all pay groups. The Department has been able to accommodate recent pay awards whilst continuing to protect front line services. However, pay awards in excess of 1% will require further rationalisation of staffing provision across the Department and continued pay pressure will ultimately impact upon pupil-teacher ratios.

£641,000 has been transferred to other Departments in relation to centralised Fleet Management and ICT. Funding has also been transferred to Health and Social Care to support the increased provision of on-Island student nurse training.

Savings in relation to student awards back office function, and new terms and conditions for staff have enabled the Department to reduce expenditure by £125,000.

In 2017-18, we will continue to promote lifelong learning and expand available vocational training linked to social and economic need. This will ensure our employment and skills training is creating a workforce with the skills employers need. We will also update Education legislation to ensure that it meets the needs of the Island.

Secondary schools are currently implementing greater uniformity in their Key Stage 4 offer for 14-16 year olds. Approximately 90% of courses are now teaching the new specifications, the bulk of these qualifications being IGCSEs. This has led to additional funding of £225,000 to support transition to International GCSE being removed from the Department's budget in 2017.

2016-17 has seen the completion and successful opening of the new £9.54m Henry Bloom Noble Primary School. The new school has quickly established itself at the heart of the community.



With minor capital funding of betterment works, we have also been able to re-open the flooded sporting facilities at the NSC with significant improvements, including improved access and spectator shelters at the hockey pitch, new glass walls at the Squash centre, and the completely refurbished dry change rooms.

During 2017-18 design and procurement will progress on the St Mary's RC Primary School extension/refurbishment scheme, and the NSC's replacement floating floor and flume projects.

Department of Education and Children – Financial Summary

TABLE 31

| <u>NET EXPENDITURE - BY DIVISION</u> | | | | | |
|---|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Primary Education | 21,579 | 22,264 | 22,450 | 65 | 22,385 |
| Secondary Education | 25,559 | 26,820 | 27,199 | 356 | 26,843 |
| University College Isle of Man | 9,024 | 9,507 | 11,273 | 1,592 | 9,681 |
| Universities etc. Awards | 10,233 | 9,828 | 10,413 | 119 | 10,294 |
| Youth & Community Services | 885 | 974 | 1,083 | 62 | 1,021 |
| Education Improvement Service | 2,324 | 2,422 | 2,471 | 93 | 2,378 |
| Safeguarding & Inclusion | 8,778 | 9,252 | 9,799 | | 9,799 |
| Central | 7,838 | 9,793 | 11,135 | 176 | 10,959 |
| Sports and Recreation, Facility Support | 4,121 | 4,225 | 4,972 | 1,493 | 3,479 |
| Arts Council | 73 | 22 | 22 | | 22 |
| <u>NET EXPENDITURE</u> | 90,414 | 95,107 | 100,817 | 3,956 | 96,861 |

TABLE 32

| <u>INCOME & EXPENDITURE - BY CATEGORY</u> | | | | | |
|--|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Third Party Contributions | 53 | 56 | 43 | 40 | 41 |
| Operating Income | 2,373 | 3,007 | 3,309 | 3,374 | 3,436 |
| Grant Income | 73 | 70 | 46 | 47 | 48 |
| Other Non-Trading Income | 1,352 | 507 | 558 | 637 | 647 |
| TOTAL INCOME | 3,851 | 3,640 | 3,956 | 4,098 | 4,172 |
| EXPENDITURE | | | | | |
| Employee Costs | 65,055 | 69,454 | 69,720 | 70,319 | 71,031 |
| Infrastructure Costs | 3,802 | 3,871 | 3,895 | 3,895 | 3,895 |
| Transport Costs | 628 | 592 | 322 | 322 | 322 |
| Supplies & Services | 6,009 | 5,671 | 5,795 | 5,865 | 5,865 |
| Loan Charges | 5,523 | 6,124 | 7,236 | 7,688 | 7,862 |
| Other | 13,248 | 13,035 | 13,849 | 13,846 | 13,846 |
| TOTAL EXPENDITURE | 94,265 | 98,747 | 100,817 | 101,935 | 102,821 |
| <u>NET EXPENDITURE</u> | 90,414 | 95,107 | 96,861 | 97,837 | 98,649 |

Department of Education and Children – Financial Summary (cont'd)

TABLE 33

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 99,308 | (3,851) | 95,457 |
| Transfers between departments | | | |
| Treasury - Pre School | 740 | | 740 |
| DOI Fleet Management | (478) | | (478) |
| Government Technology Services, Cabinet Office | (163) | | (163) |
| DHSC Student Nurse Funding | (46) | | (46) |
| Fee increases | | (76) | (76) |
| Pay Award allowance | 664 | | 664 |
| Loan charge adjustment | 1,112 | | 1,112 |
| Savings | (349) | | (349) |
| Other non-material adjustments | 29 | (29) | |
| 2017-18 Budget | 100,817 | (3,956) | 96,861 |

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:

- facilitate Economic Development through enabling appropriate development of the built environment;
- deliver the *Food Matters Strategy* to achieve alignment of production to consumer demand;
- 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

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 achieve its savings target and remain within budget for the financial year 2016-17.

For 2017-18, budgets include the Office of Fair Trading and the Road Transport Licensing Committee. Whilst these bodies remain independent from the Department of Environment, Food and Agriculture (DEFA), the Department is now providing the administrative support necessary for their respective statutory functions. The transfer has already achieved predicted savings; the next challenge is to further enhance standards of service through closer alignment of delivery and enforcement.

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.

Another key aim will be to improve efficiency of delivery at the St Johns' Sawmill and the Curragh Wildlife Park thereby achieving maximum public value.

Road Transport Licensing Committee (RTLTC)

Whilst from 1st May 2016, officers of the RTLTC became the staff or 'stationed employees' of the DEFA, the RTLTC remains an independent body of Government with responsibility for regulating the transport of passengers by road. DEFA now

provides the necessary support to enable the RTLC to fulfil its regulatory functions. RTLC budget reporting can be found within the DEFA section.

The Committee administers and enforces the provisions of the Road Transport Act 2001 to benefit and protect the public through the provision of sufficient, efficient, safe, and quality services of public transport by road.

If the licensing of Heavy Goods Vehicles, as detailed in the Act, comes into force on the Island, it is anticipated that increased fees should offset the extra resources required to perform the work. However, it is difficult to predict what will happen should this occur as we do not know the exact number of Heavy Goods Vehicles that will come under the licensing scheme, nor the resources required to handle them.

Office of Fair Trading (OFT)

Whilst from 1st May 2016, officers of the OFT became the staff or '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

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Corporate Services | 950 | 1,182 | 1,475 | 181 | 1,294 |
| Agriculture | 7,283 | 6,957 | 7,788 | 271 | 7,517 |
| Fisheries | 913 | 904 | 1,050 | 186 | 864 |
| Forestry, Amenity & Lands | 1,635 | 1,852 | 2,728 | 1,061 | 1,667 |
| Environment | 1,240 | 1,338 | 1,631 | 86 | 1,545 |
| Government Laboratory | 695 | 825 | 862 | 104 | 758 |
| Wildlife Park | 351 | 394 | 709 | 278 | 431 |
| Animal & Plant Health | 496 | 680 | 489 | 35 | 454 |
| Planning | 15 | 87 | 1,531 | 1,138 | 393 |
| Office of Fair Trading | 640 | 771 | 742 | 47 | 695 |
| Road Transport Licensing Committee | 84 | 92 | 142 | 46 | 96 |
| NET EXPENDITURE | 14,302 | 15,082 | 19,147 | 3,433 | 15,714 |

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

TABLE 35

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 108 | 93 | 95 | 97 | 97 |
| Third Party Contributions | 2 | 3 | 6 | 6 | 6 |
| Operating Income | 2,942 | 3,021 | 3,225 | 3,284 | 3,304 |
| Other Non-Trading Income | 93 | 75 | 107 | 109 | 109 |
| TOTAL INCOME | 3,145 | 3,192 | 3,433 | 3,496 | 3,516 |
| EXPENDITURE | | | | | |
| Employee Costs | 6,828 | 7,631 | 8,502 | 8,550 | 8,612 |
| Infrastructure Costs | 658 | 847 | 725 | 725 | 725 |
| Transport Costs | 53 | 64 | 45 | 45 | 45 |
| Supplies & Services | 3,148 | 2,235 | 2,244 | 2,245 | 2,245 |
| Agency & Contracted Services | | 1 | 1 | 1 | 1 |
| Loan Charges | 644 | 785 | 796 | 892 | 910 |
| Other | 6,116 | 6,711 | 6,834 | 7,034 | 7,034 |
| TOTAL EXPENDITURE | 17,447 | 18,274 | 19,147 | 19,492 | 19,572 |
| NET EXPENDITURE | 14,302 | 15,082 | 15,714 | 15,996 | 16,056 |

TABLE 36

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget DEFA | 18,096 | (3,284) | 14,812 |
| 2016-17 Budget OFT | 859 | (47) | 812 |
| 2016-17 Budget RTLC | 161 | (45) | 116 |
| Total 1016-17 Budget | 19,116 | (3,376) | 15,740 |
| Transfers of budget between departments | (16) | | (16) |
| Pay Award allowance | 36 | | 36 |
| Loan Charge adjustment | 11 | | 11 |
| Fee increases | | (57) | (57) |
| 2017-18 Budget | 19,147 | (3,433) | 15,714 |

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.

Financial Performance

In common with most western healthcare systems, the financial pressure on the department is severe. Recruiting staff remains difficult, leading to cost pressure as expensive agency and locum staffing is used to provide continuity of service. This is particularly true in vital front-line roles to ensure that 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 budget for 2017-18 has been

increased to recognise this but achieving the cost savings and efficiency improvements which are planned will be a significant challenge. The budget includes net growth of £12m. However, to meet the new target, efficiency savings of nearly £10m must be achieved during 2017-18. The Department will have to make difficult choices in the allocation of its resources which may affect the services provided currently. Achieving these efficiency savings, while necessary, will not be sufficient to put services on a sustainable footing in the longer term. To do this, the Department must carry out the fundamental reforms set out in the five year strategy.

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. This shift will lead to further financial pressures.

External reviews (e.g. those carried out by the West Midlands Quality Review Service at Noble's Hospital) have led to many recommendations about improving our quality of care, and implementing them will require resolute commitment to a wide-ranging and sustained programme of work.

The Department's forecast overspending in 2016-17 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.

Capital projects in 2017-18 will include:

- building an older persons' residential and resource centre for the East of the Island (Summerhill View);
- relocation of day care services (Eastcliffe) to the Noble's Hospital estate;
- completion of staff residential accommodation at Noble's Hospital (Henry Bloom Noble Healthcare Trust Residence); and,
- completion of a new mental health acute adult in-patient facility (Manannan Court).

Department of Health & Social Care – Financial Summary

TABLE 37

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Public Health | 1,282 | 1,290 | 1,653 | | 1,653 |
| Noble's Hospital | 87,320 | 91,136 | 84,320 | 2,885 | 81,435 |
| Tertiary Referrals | 17,546 | 19,318 | 19,497 | | 19,497 |
| Mental Health | 18,046 | 20,041 | 19,347 | 1 | 19,346 |
| Government Catering Services | 2,958 | 3,050 | 7,118 | 4,757 | 2,361 |
| NI Contributions | (36,417) | (37,366) | | 38,500 | (38,500) |
| Children & Family Services | 14,350 | 15,202 | 16,266 | | 16,266 |
| Adult Services Area | 25,063 | 28,852 | 35,196 | 5,849 | 29,347 |
| DHSC Corporate Services | 6,011 | 7,469 | 16,015 | 114 | 15,901 |
| Primary Health Care Services | 57,140 | 60,124 | 63,810 | 1,659 | 62,151 |
| Occupational Health | 307 | 462 | 630 | 90 | 540 |
| NET EXPENDITURE | 193,606 | 209,578 | 263,852 | 53,855 | 209,997 |

TABLE 38

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 36,520 | 37,463 | 38,606 | 39,761 | 40,951 |
| Third Party Contributions | 455 | | 24 | 24 | 24 |
| Operating Income | 13,817 | 15,134 | 15,133 | 15,425 | 15,708 |
| Other Non-Trading Income | 57 | 93 | 92 | 92 | 92 |
| TOTAL INCOME | 50,849 | 52,690 | 53,855 | 55,302 | 56,775 |
| EXPENDITURE | | | | | |
| Employee Costs | 138,091 | 148,685 | 147,799 | 148,904 | 150,170 |
| Infrastructure Costs | 1,211 | 1,603 | 1,762 | 1,762 | 1,762 |
| Transport Costs | 4,675 | 4,819 | 4,594 | 4,594 | 4,594 |
| Supplies & Services | 25,355 | 25,132 | 25,411 | 25,658 | 25,596 |
| Agency & Contracted Services | 71,317 | 75,521 | 76,605 | 76,605 | 76,605 |
| Loan Charges | 7,165 | 8,539 | 9,261 | 10,296 | 10,222 |
| Other | (3,359) | (2,031) | (1,580) | (1,893) | (1,848) |
| TOTAL EXPENDITURE | 244,455 | 262,268 | 263,852 | 265,926 | 267,101 |
| NET EXPENDITURE | 193,606 | 209,578 | 209,997 | 210,624 | 210,326 |

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

TABLE 39

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|---|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 250,818 | (52,433) | 198,385 |
| Transfers of budget between departments | 214 | | 214 |
| <u>Growth items</u> | | | |
| Rebasing employee budgets | 15,899 | | 15,899 |
| Tertiary contracts - treatment in UK | 3,300 | | 3,300 |
| Pharmaceutical contract | 1,900 | | 1,900 |
| Rebasing Government Catering Services budgets | 600 | | 600 |
| Pay Award allowance | 1,239 | | 1,239 |
| Loan Charge adjustment | 721 | | 721 |
| Fee increases | | (1,422) | (1,422) |
| <u>Savings</u> | | | |
| Cost Improvements | (10,700) | | (10,700) |
| Other savings | (195) | | (195) |
| Other non-material adjustments | 56 | | 56 |
| 2017-18 Budget | 263,852 | (53,855) | 209,997 |

Department of Home Affairs



The core priority of the Department is to protect the vulnerable. This priority is multi-faceted and incorporates:

- prevention and detection of crime (IOM Constabulary budget £12.9m);
- rehabilitation of offenders so that they do not offend again (Prison and Probation £7.2m);
- ensuring community safety through fire safety prevention regimes and when required, responding to incidents (Fire and Rescue Service Budget £4.3m); and
- having an effective Emergency Services communications network (Communications Division Budget £1.2m).

Some of the key strategic challenges facing the Department are:

- staff resilience and succession management - the risk of the loss of key individuals or groups of individuals due to retirement or for other reasons has been identified as a major risk across all operational services;
- modernisation of the Criminal Justice System – the Digital Strategy will be key enabler in making progress in this project;
- changes to crime patterns – more complex and technological cases (e.g. money laundering, corruption, on-line abuse etc.) require investment in equipment, training and more officer time for each case;
- linked to the above, cyber security and border security are challenges to be addressed as a

priority;

- progressing the Department's demanding legislative programme – this is critical to supporting our modernisation agenda;
- changing social policy, e.g. housing older people in their homes can create knock-on issues for the Fire and Rescue Service, as those people are typically less mobile and therefore less capable of escaping.

Financial Performance

Subject to draw down on internal funds, the Department is on track to remain within budget for 2016-17. The outlook on the three year budget will continue to be a challenge to the Department - key financial risks 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 pending pay award settlements.

Key projects that will be undertaken as a priority include the continued rationalisation of the DHA estate, a replacement fire station for Castletown/Port Erin, modernisation of the Criminal Justice System and a review of Border security.

Department of Home Affairs – Financial Summary

TABLE 40

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Chief Executive's Office | 956 | 3,979 | 7,354 | 62 | 7,292 |
| Civil Defence | 142 | 139 | 140 | 1 | 139 |
| Fire & Rescue Service | 4,532 | 4,277 | 4,316 | 42 | 4,274 |
| Prison & Probation | 8,200 | 7,560 | 7,287 | 93 | 7,194 |
| Communications | 1,459 | 2,105 | 1,660 | 492 | 1,168 |
| Constabulary | 12,638 | 13,370 | 13,239 | 352 | 12,887 |
| NET EXPENDITURE | 27,927 | 31,430 | 33,996 | 1,042 | 32,954 |

TABLE 41

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Third Party Contributions | 81 | 112 | 114 | 117 | 117 |
| Operating Income | 622 | 637 | 643 | 650 | 664 |
| Other Non-Trading Income | 270 | 279 | 285 | 290 | 290 |
| TOTAL INCOME | 973 | 1,028 | 1,042 | 1,057 | 1,071 |
| EXPENDITURE | | | | | |
| Employee Costs | 22,555 | 26,175 | 26,322 | 26,524 | 26,753 |
| Infrastructure Costs | 1,895 | 1,101 | 1,101 | 1,101 | 1,101 |
| Transport Costs | 17 | 15 | 15 | 15 | 15 |
| Supplies & Services | 3,253 | 2,857 | 2,910 | 2,710 | 2,710 |
| Loan Charges | 2,160 | 2,310 | 3,648 | 4,147 | 4,246 |
| Other | (980) | | | | |
| TOTAL EXPENDITURE | 28,900 | 32,458 | 33,996 | 34,497 | 34,825 |
| NET EXPENDITURE | 27,927 | 31,430 | 32,954 | 33,440 | 33,754 |

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

TABLE 42

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 32,508 | (1,028) | 31,480 |
| Fee increases | | (14) | (14) |
| Pay Award allowance | 146 | | 146 |
| Loan charge adjustment | 1,338 | | 1,338 |
| Adjustment | 4 | | 4 |
| 2017-18 Budget | 33,996 | (1,042) | 32,954 |

Department of Infrastructure

The Department exists to make sure that the Island and its people have the infrastructure they need to build social and economic success.



The Department is a complex organisation that employs 1,350 people with a very wide range of skills and talents all of whom are employed to 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;
- move between the Island and other places;
- have appropriately maintained Government buildings and vehicles such as schools, airport and hospital and vehicles such as buses;
- have access to affordable housing if needed;
- have proper disposal options 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 the 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 good quality housing for everyone;
- managing the government estate to derive the best overall outcome for the Island. As so much of what is delivered by the Department is essential to everyday life the Department is also committing resources to help customers access the information they require about the Department and the services it provides.

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

Financial Performance

The Department has continued to rationalise the shared services under its control driving out the savings required this year. Budgets had to be re-profiled due to unrealistic income targets; these have been rebalanced for 2017-18. Despite this the Department has worked hard to remain within its budget and expects to produce an outturn within the parameters given.

Aims for 2017-18

The Department is responsible for a wide range of valuable infrastructure assets. These assets have to be maintained if their value and purpose is to be protected. Funding constraints mean that difficult choices have to be made; reduced maintenance spend helps achieve short-term savings lost at the risk of long-term asset viability. The Department is improving 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 2016-17. These schemes included the Foxdale Highway Scheme along with the completion of the resurfacing of the northern section of Douglas Promenade, Laxey Bridge replacement emergency works and anticipated completion in January 2017 of the Douglas Railway Station structural works.

New capital project schemes planned for 2017-18 will include:

- replacement of the Instrument Landing System at the IOM Airport;
- X-ray machine upgrade at the IOM Airport;
- reconstruction of the carriageway on Lezayre Road in Ramsey;
- Clagh Vane Housing Redevelopment.

Department of Infrastructure – Financial Summary

TABLE 43

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Minister & Chief Executive's Office | 175 | 179 | 181 | | 181 |
| Strategy, Policy & Performance | 701 | 761 | 850 | | 850 |
| Finance & Governance | (7,674) | (6,714) | 34,126 | 24,417 | 9,709 |
| Ports Division | 4,418 | 4,817 | 11,903 | 10,798 | 1,105 |
| Highway Services Division | 10,074 | 13,196 | 9,862 | 1,028 | 8,834 |
| Estates Shared Services | 26,281 | 24,782 | 30,507 | 5,965 | 24,542 |
| Transport Services Division | 12,682 | 14,640 | 16,908 | 5,962 | 10,946 |
| Housing Division | (745) | 629 | 7,897 | 6,355 | 1,542 |
| NET EXPENDITURE | 45,912 | 52,290 | 112,234 | 54,525 | 57,709 |

TABLE 44

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 12,859 | 12,561 | 13,292 | 13,605 | 13,605 |
| Third Party Contributions | 1,877 | 2,823 | 3,146 | 3,146 | 3,146 |
| Operating Income | 34,991 | 35,184 | 34,325 | 34,877 | 35,388 |
| Other Non-Trading Income | 3,848 | 3,879 | 3,762 | 3,770 | 3,770 |
| TOTAL INCOME | 53,575 | 54,447 | 54,525 | 55,398 | 55,909 |
| EXPENDITURE | | | | | |
| Employee Costs | 37,586 | 41,024 | 41,781 | 42,017 | 42,343 |
| Infrastructure Costs | 33,880 | 33,847 | 32,371 | 32,371 | 32,371 |
| Transport Costs | 3,731 | 3,631 | 5,026 | 5,026 | 5,026 |
| Supplies & Services | 13,348 | 11,203 | 9,972 | 9,972 | 9,972 |
| Agency & Contracted Services | 2,787 | 2,565 | 2,800 | 2,800 | 2,800 |
| Loan Charges | 12,689 | 12,652 | 17,321 | 19,473 | 21,150 |
| Other | (4,534) | 1,815 | 2,963 | 2,720 | 2,720 |
| TOTAL EXPENDITURE | 99,487 | 106,737 | 112,234 | 114,379 | 116,382 |
| NET EXPENDITURE | 45,912 | 52,290 | 57,709 | 58,981 | 60,473 |

Department of Infrastructure – Financial Summary (cont'd)

TABLE 45

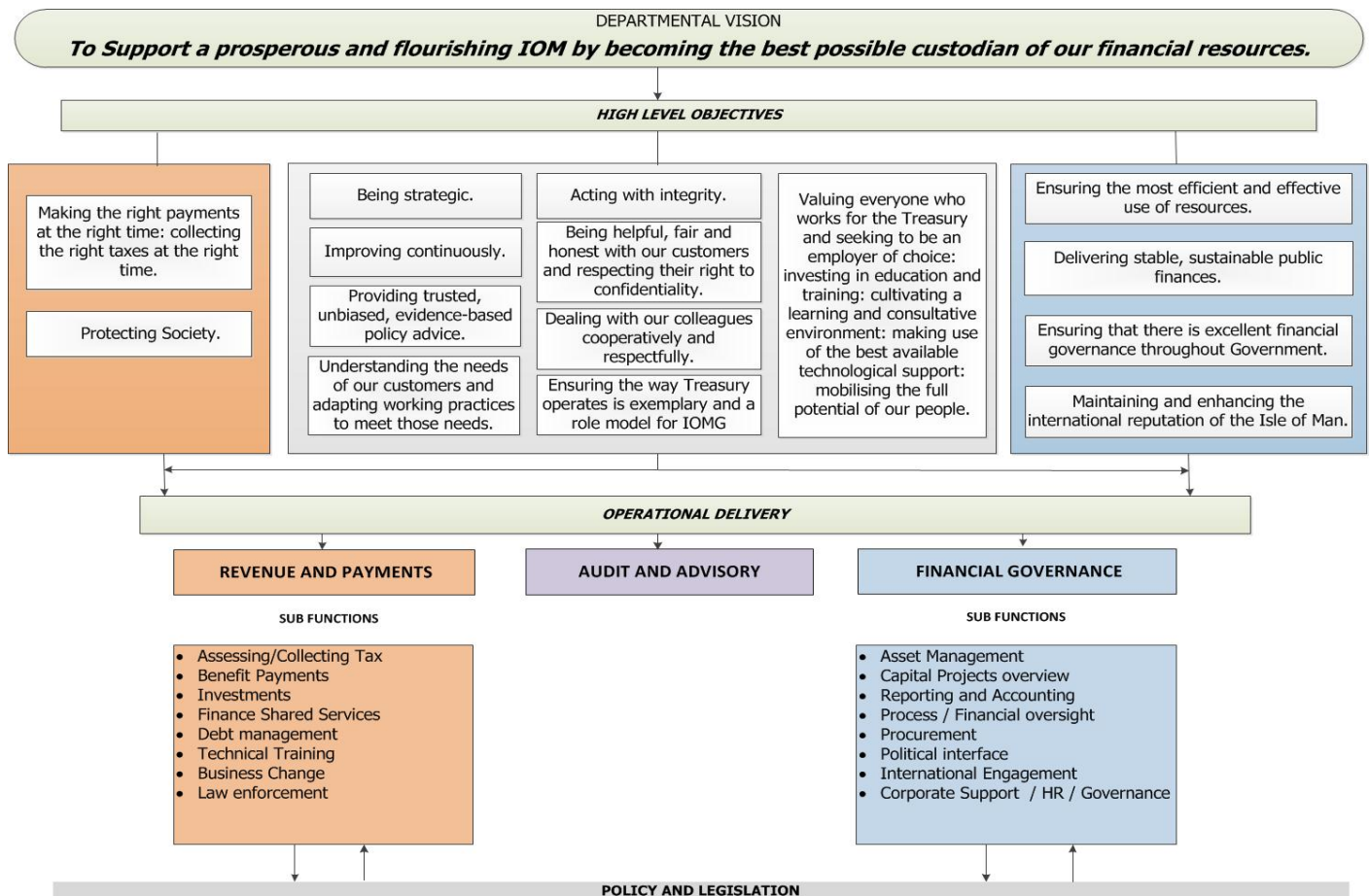
| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|---|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 108,449 | (56,194) | 52,255 |
| Post-pink book inter departments changes in 2016/17 | (228) | 228 | |
| Mid-Year transfer from Cabinet Office & GTS re Fleet | 7 | | 7 |
| Mid-Year transfer from Welcome Centre rent & cleaning | | 37 | 37 |
| Budget Rebalance virement | (2,137) | 2,138 | 1 |
| Transfers of budget between departments | | | |
| Finance Shared Service from Treasury | 134 | | 134 |
| DEC Fleet Budget | 320 | | 320 |
| DEC Fleet Budget - Payroll | 209 | | 209 |
| Aids/Adaptations/Carephone to DHSC | (111) | | (111) |
| Miscellaneous transfers | (6) | | (6) |
| Growth items | | | |
| Maintenance/energy budget re health properties | 500 | | 500 |
| Housing Deficiency Cost | 243 | | 243 |
| Pay Award allowance | 383 | | 383 |
| New Starters Terms & Conditions Saving | (202) | | (202) |
| Loan Charge adjustment | 4,673 | | 4,673 |
| Fee increases | | (734) | (734) |
| 2017-18 Budget | 112,234 | (54,525) | 57,709 |

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.

for the Island then we must fundamentally reconsider the way in which we organise our activities to deliver more with less. A series of work programmes are in place to build a Target Operating Model for the Treasury around which the operational structures will be built. The vision of our operating model is set out below.

We are acutely aware of the need to control maintain the provision of a high level of services



Coupled with the consideration of the organisational structures, the priorities for the Department this year include:

- income - enforcement and collection of taxation is a high priority, as always, with renewed efforts to ensure compliance and that taxpayers pay what is due;
- Social Security - an ongoing programme of work is in place to ensure a fair, equitable and affordable system of Social Security;
- commitment accounting - Treasury will implement a system of e-requisitioning, enabling more efficient transaction processes across Government, and to help enable more effective budget management;
- Finance and Governance – Corporate Strategy and Finance Divisions to be combined to provide a more integrated financial management function, in line with Target Operating Model;

Appendix 4 – Revenue Expenditure Detail by Departments, Boards and Offices

- single site occupancy – rationalisation of office space with convergence of outlying Divisions of Treasury into Central Government Offices;
 - Financial Regulations - in addition a fundamental review of the Financial Regulations
- is underway to ensure that the policies and procedures that Government adheres to are aligned with our risk appetite and fit for a modern administration.

The Treasury – Financial Summary

TABLE 46

| <u>NET EXPENDITURE - BY DIVISION</u> | | | | | |
|---|--|--|--|---|--|
| | Actual Spend* 2015-16 £,000 | Probable Spend* 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Finance & Governance Division | 10,962 | 10,315 | 11,102 | 11,803 | (701) |
| Customs & Excise Division | 2,060 | 2,154 | 2,290 | 358,676 | (356,386) |
| Income Tax Division | 4,165 | 4,413 | 4,439 | 211,253 | (206,814) |
| Assurance Advisory Division | 521 | 578 | 730 | 92 | 638 |
| Manx Radio Subvention | | | 875 | | 875 |
| Grants | 5,119 | 5,995 | 4,205 | | 4,205 |
| Government Contingency | | | 3,000 | | 3,000 |
| Lottery Duty Distribution | 1,512 | 1,470 | 1,325 | | 1,325 |
| Social Security Administration | | 2,077 | 2,048 | | 2,048 |
| Non-Contributory Benefits | 73,534 | 76,421 | 80,927 | | 80,927 |
| National Insurance Operating Account | 202,228 | 237,413 | 241,500 | 241,500 | |
| Legal Aid | 2,498 | 2,360 | 3,527 | 120 | 3,407 |
| Criminal Injury Compensation | | | 239 | | 239 |
| <u>NET EXPENDITURE</u> | 302,599 | 343,196 | 356,207 | 823,444 | (467,237) |

* Actual Spend and Probable Spend are gross figures excluding income

The Treasury – Financial Summary (cont'd)

TABLE 47

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|------------------|------------------|------------------|----------------------------|------------------|
| | Actual | Probable | Budget | Provisional Budgets | |
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| | £,000 | £,000 | £,000 | £,000 | £,000 |
| INCOME | | | | | |
| Customs & Excise | 355,005 | 348,229 | 358,676 | 369,436 | 380,519 |
| Income Tax | 199,522 | 213,500 | 211,253 | 217,591 | 224,118 |
| Other Treasury Income | 11,121 | 11,621 | 12,015 | 10,253 | 8,455 |
| NI Operating Account | 202,229 | 236,000 | 241,500 | 247,750 | 255,180 |
| TOTAL INCOME | 767,877 | 809,350 | 823,444 | 845,030 | 868,272 |
| EXPENDITURE | | | | | |
| Employee Costs | 12,748 | 14,458 | 14,347 | 14,410 | 14,508 |
| Infrastructure Costs | 13 | 15 | 6 | 6 | 6 |
| Transport Costs | 1 | 1 | 352 | 364 | 373 |
| Supplies & Services | 1,939 | 2,199 | 4,940 | 4,527 | 4,527 |
| Agency & Contracted Services | 3,333 | 3,780 | 3,625 | 3,719 | 3,719 |
| Loan Charges | 401 | 455 | 660 | 543 | 466 |
| Social Security Clients | 274,850 | 316,343 | 327,427 | 337,410 | 346,120 |
| Other | 9,314 | 5,945 | 4,850 | 5,530 | 7,537 |
| TOTAL EXPENDITURE | 302,599 | 343,196 | 356,207 | 366,509 | 377,256 |
| NET EXPENDITURE | (465,278) | (466,154) | (467,237) | (478,521) | (491,016) |

TABLE 48

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|--------------------|---------------------|------------------|
| | Gross Spend | Gross Income | Net |
| | £,000 | £,000 | £,000 |
| 2016-17 Budget | 354,283 | (800,172) | (445,889) |
| Transfer of budget between departments | (769) | | (769) |
| Legal Aid previously funded from LCR | 1,000 | | 1,000 |
| Procurement savings removed from Treasury target | 2,400 | | 2,400 |
| Contingency reduction | (2,000) | | (2,000) |
| Loan Charge adjustment | 426 | | 426 |
| Income adjustment | | (23,272) | (23,272) |
| Non Contributory Benefits increase | 1,319 | | 1,319 |
| Grants reduction | (915) | | (915) |
| Miscellaneous adjustments | 463 | | 463 |
| 2017-18 Budget | 356,207 | (823,444) | (467,237) |

Cabinet Office



The Cabinet Office is a Government Department which supports the Chief Minister, the Minister for Policy & 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.

We support and develop political engagement with the UK and international partners to defend and protect the interests of the Island. We are also responsible for the registration of electors, administration of elections to the House of Keys, 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 the development and oversight of the Programme for Government;
- to monitor and drive corporate performance

against the Programme for Government;

- to support the Council of Ministers' policy and reform agenda;
- to prioritise and lead the development of the Government's legislative programme, including Social Legislation such as the Equality Bill and the Freedom of Information Act;
- to champion and deliver technology led reform through the Digital Strategy which will provide better and less expensive public services;
- to lead on the reform and modernisation agenda for the public service, including new terms and conditions for new starters and promotions, and ensuring sustainable public service pension schemes;
- to ensure the United Kingdom is aware of the Isle of Man's needs during its negotiations to leave the European Union;
- to support pay restraint and drive sustainable HR initiatives to meet legal, economic and technical challenges facing Government.



FINANCIAL PERFORMANCE

In 2017-18 the Cabinet Office is required to find further savings of £0.5m within Government Technology Services (GTS) in addition to the significant savings already delivered. This will be the fourth year of budget cuts applied bringing the GTS savings up to £2m per annum from the original budget and will require further pressure to ensure these targets are met.

The General Election in September 2016 has

delivered a new administration and the establishing of a wide ranging “Programme for Government” will determine the priorities for the coming financial year.

Significant budgetary changes in 2017-18 include the provision of £0.3m for Cybersecurity as Government strengthens its national defences. Further budget may be sought to meet the additional workload required to respond to the UK’s BREXIT plans.

The Cabinet Office is committed to delivering its part of Government’s savings programme. As well as delivering against its own savings targets, it is responsible as lead for the cross Government savings targets from the Digital Strategy.

DIGITAL STRATEGY

In June 2015 Tynwald unanimously supported a new five year strategy to drive digital working across Government and to support the accelerated delivery of digital services that will provide efficiencies in Government, improved services to the public and better public service outcomes from harnessing the power of information.

Much of the emphasis in the early months has been on the foundations of change. Identifying systems to remove paper, establishing strong business cases and ensuring experienced resources inside and outside the organisation to help deliver the change.

There is now a significant momentum across the whole Government with successes already being seen in Health and Policing. Over £7m of cash savings and £21m of efficiencies for the next five years have now been identified and locked in to budgets as the programme moves into delivery across the whole organisation.

Cabinet Office – Financial Summary

TABLE 49

| NET EXPENDITURE - BY DIVISION | | | | | |
|---------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Exec Office/Office of Chief Secretary | | 1,467 | 1,500 | | 1,500 |
| Government Technology Services | 17,211 | 19,324 | 19,818 | 364 | 19,454 |
| Change and Reform | 610 | 340 | 341 | | 341 |
| Office of Human Resources | 4,740 | 5,960 | 5,958 | 7 | 5,951 |
| Policy & Strategy | 322 | 927 | 590 | | 590 |
| Crown & External Relations | 2,648 | 1,843 | 2,710 | 1,207 | 1,503 |
| Welcome Centre | | 357 | 431 | 73 | 358 |
| Planning Policy | | 173 | 259 | | 259 |
| NET EXPENDITURE | 25,531 | 30,391 | 31,607 | 1,651 | 29,956 |

TABLE 50

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 2 | | | | |
| Third Party Contributions | 751 | 41 | 42 | 42 | 42 |
| Operating Income | 933 | 1,570 | 1,601 | 1,634 | 1,666 |
| Other Non-Trading Income | 148 | 8 | 8 | 8 | 8 |
| TOTAL INCOME | 1,834 | 1,619 | 1,651 | 1,684 | 1,716 |
| EXPENDITURE | | | | | |
| Employee Costs | 12,968 | 16,077 | 15,874 | 15,979 | 16,099 |
| Infrastructure Costs | 169 | 170 | 168 | 168 | 168 |
| Transport Costs | 11 | 11 | 11 | 11 | 11 |
| Supplies & Services | 17,887 | 15,917 | 15,717 | 15,895 | 15,815 |
| Agency & Contracted Services | | 44 | 43 | 43 | 43 |
| Loan Charges | | 75 | 74 | 135 | 133 |
| Other | (3,670) | (284) | (280) | (286) | (291) |
| TOTAL EXPENDITURE | 27,365 | 32,010 | 31,607 | 31,945 | 31,978 |
| NET EXPENDITURE | 25,531 | 30,391 | 29,956 | 30,261 | 30,262 |

Cabinet Office – Financial Summary (cont'd)

TABLE 51

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|------------------------|-------------------------|---------------|
| | Gross Spend | Gross Income | Net |
| | £,000 | £,000 | £,000 |
| 2016-17 Budget | 32,151 | (1,619) | 30,532 |
| Transfers of budget between departments | 11 | (29) | (18) |
| Pay Award allowance | 16 | | 16 |
| Loan Charge adjustment | (25) | | (25) |
| Fee increases | | (3) | (3) |
| GTS Savings | (500) | | (500) |
| Other non-material adjustments | (46) | | (46) |
| 2017-18 Budget | 31,607 | (1,651) | 29,956 |

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.

Manx Veterans' Welfare Service

The Veterans' Welfare Service provides assistance, support and advice to ex-service personnel and their dependants. The service administers and delivers veterans' welfare service entitlements in association with the UK Service Personnel and Veterans Agency.

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.

General Registry

Our priority is having an effective Courts & Tribunal 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.

We are seeing increasing demands on court and tribunal services including more complex civil and other proceedings coming before the courts and tribunals. This, combined with allocating appropriate resources in a timely manner to minimise the risk of limiting access to justice means that the General Registry is under a considerable amount of financial pressure.

Systems within the court and tribunal service are in need of replacement/modernisation and progress will need to continue to be made during 2017-18 if there isn't to be a detrimental impact on services. Some additional funding from the internal reserves has been secured to provide for this.

Two bids for additional budget and staff resources were approved by the Council of Ministers, both bids relate to Tribunal and Probate services. Tribunals Central Administration will have increased revenue and a staff resource to enable it to cope with the greater demands being placed on the Administration of the Employment and Equality Tribunals, Social Security Tribunals and Mental Health Review Tribunals. The High Court's non-contentious probate administration will have additional resources to deliver a three year back scanning project of probate documentation. This project falls in line with the long term digital strategy for Courts and Tribunals.

As of the 1st April 2017 the Criminal Injuries Compensation Scheme functions and all associated budget will transfer to the Social Security Division of the Treasury.

2016-17 has seen some areas of income exceeding budgetary targets; however, there is the likelihood that where this increase relates to claims being commenced, this may lead to increased expenditure during 2017-18. The coming year is likely to place increased pressure on the budget and service provision in the longer term, but we expect to keep net expenditure within budget for "business as usual". Exceptional expenditure will still be reliant on drawdowns from the Large Legal Cost Reserve and the Contingency Reserve.

Attorney General's Chambers (AGC's)

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 a programme of change which will make savings in some area. However, it must redeploy resources to other national priorities. In common with many small

Appendix 4 – Revenue Expenditure Detail by Departments, Boards and Offices

jurisdictions, the call upon legal services is continuing to grow in a number of areas; priorities identified which AGC must address are to:

- keep our community safe from serious crime and financially motivated crime by providing effective and timely support to the international community to deter criminals and terrorists from using the Isle of Man as a harbour for financial crime, money laundering or terrorist financing activities;
- provide legal support to Government in delivering its objectives, litigating and defending against civil litigation as appropriate;
- 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 (AG) and by ensuring an effective criminal prosecution service is provided for the community. The lower crime rate currently experienced has allowed re-deployment of our resources to address other priorities and international obligations.

The procurement team became part of AGC last year when it moved from Treasury and, as a result, this transfer is reflected as an increase in the employee costs budget. The Chambers has also strengthened the drafting team to ensure sufficient resources for the new administration.

AGC has requested funding to ensure that it can continue to build and retain a strong team of Advocates with a flexible attitude and a suitably broad level of experience to deliver Government's legal requirements in the most cost effective manner. The ability to recruit high quality, enthusiastic and suitably experienced legal officers who are flexible in their specialist topics has become increasingly difficult and AGC is keen to play its part in 'growing our own' by starting a trainee scheme as soon as possible. AGC will try to absorb any rising employee costs within existing budget by reducing the administrative burden placed upon legal officers through improved support.

The AGC's has made significant contribution to the

revenue savings of Government by 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. In addition to this, office floor space has been reduced by 50% by moving from rented accommodation into a Government owned property.

AGC has also re-deployed resources to setting up a separate Financial Intelligence Unit (FIU): through the Attorney General's role as Chair of the Board of the FIU he will be providing supervision to the team at the Financial Intelligence Unit to support the transition to an entity which operates to the standards which are expected by international standards.

Similarly AGC now has a dedicated Asset Recovery Unit which will work with other stakeholders in the Criminal Justice system to ensure organised criminals are deprived of any ill-gotten gains at the very earliest opportunity.

Executive Government – Financial Summary

TABLE 52

| <u>NET EXPENDITURE - BY DIVISION</u> | | | | | |
|---|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Industrial Relations | 149 | 174 | 175 | | 175 |
| Veterans' Welfare Service | 73 | 99 | 99 | | 99 |
| Information Commissioner | 109 | 201 | 269 | 86 | 183 |
| General Registry | 1,555 | 2,885 | 4,594 | 2,435 | 2,159 |
| Attorney General | 3,231 | 4,154 | 4,639 | 64 | 4,575 |
| Overseas Aid | 2,328 | 2,400 | 2,400 | | 2,400 |
| <u>NET EXPENDITURE</u> | 7,445 | 9,913 | 12,176 | 2,585 | 9,591 |

TABLE 53

| <u>INCOME & EXPENDITURE - BY CATEGORY</u> | | | | | |
|--|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 94 | 85 | 86 | 88 | 88 |
| Third Party Contributions | 54 | 61 | 62 | 64 | 64 |
| Operating Income | 2,211 | 1,970 | 2,433 | 2,173 | 2,207 |
| Other Non-Trading Income | | | 4 | 4 | 4 |
| TOTAL INCOME | 2,359 | 2,116 | 2,585 | 2,329 | 2,363 |
| EXPENDITURE | | | | | |
| Employee Costs | 6,523 | 7,461 | 8,123 | 8,184 | 8,289 |
| Infrastructure Costs | 10 | 30 | 80 | 80 | 80 |
| Supplies & Services | 1,286 | 1,262 | 1,573 | 1,583 | 1,583 |
| Other | 1,985 | 3,275 | 2,400 | 2,400 | 2,400 |
| TOTAL EXPENDITURE | 9,804 | 12,028 | 12,176 | 12,247 | 12,352 |
| <u>NET EXPENDITURE</u> | 7,445 | 9,913 | 9,591 | 9,918 | 9,989 |

Executive Government – Financial Summary (cont'd)

TABLE 54

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|---|--------------------|---------------------|------------|
| | Gross Spend | Gross Income | Net |
| | £,000 | £,000 | £,000 |
| 2016-17 Budget | 11,829 | (1,718) | 10,111 |
| Transfers between Departments | | | |
| Procurement from Treasury to AGC | 397 | | 397 |
| Criminal Injury Compensation from General Registry to Treasury | (239) | | (239) |
| Growth items | 173 | | 173 |
| Pay Award allowance | 18 | | 18 |
| Triennial Income Increase | | (322) | (322) |
| Other Fee increases | | (545) | (545) |
| Other non-material items | (2) | | (2) |
| 2017-18 Budget | 12,176 | (2,585) | 9,591 |

Manx Museum and National Trust



The Manx Museum and National Trust (trading as Manx National Heritage (MNH)) is a highly successful and innovative organisation, widely respected by our 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 current priorities are to:

- act as guardian of the Island's unique heritage and cultural assets;
- strengthen the Manx identity and community by giving opportunities for enjoyment, learning and development;
- contribute to the national economy and infrastructure by making the Isle of Man a better place in which to live, work and visit;
- research and communicate the significance of Manx heritage and culture;
- manage itself sustainably, effectively, efficiently and accountably.

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 introduction of the Disability Discrimination Act.

Some 75% of 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.

MNH has reduced costs by around £1m in the last six years and largely maintained income in difficult trading conditions. Trading now contributes over £0.8m but income targets are very stretching and with consumer confidence low there is a 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. In 2016-17 over £400,000 has been invested in assets including the Nautical Museum, Rushen Abbey and the House of Manannan. 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.

One key risk is that staffing numbers decline to the level where MNH can no longer manage specialist conservation work on buildings, display renewal or digital development. A second risk is that activity and turnover decline – thus removing income-generating opportunities. A third risk is that reductions in MNH activity make the island less attractive to visitors with a knock on effect on the wider visitor economy and the new Island Destination Plan from the Department of Economic Development. A fourth risk is that MNH is no longer able to offer specialist advice to developers and Departments.

Manx Museum & National Trust – Financial Summary

TABLE 55

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Manx Museum & National Trust | 3,933 | 4,288 | 5,256 | 845 | 4,411 |
| NET EXPENDITURE | 3,933 | 4,288 | 5,256 | 845 | 4,411 |

TABLE 56

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Operating Income | 784 | 784 | 798 | 814 | 829 |
| Other Non-Trading Income | 69 | 46 | 47 | 47 | 47 |
| TOTAL INCOME | 853 | 830 | 845 | 861 | 876 |
| EXPENDITURE | | | | | |
| Employee Costs | 2,582 | 3,126 | 3,138 | 3,156 | 3,179 |
| Infrastructure Costs | 653 | 548 | 548 | 548 | 548 |
| Transport Costs | 5 | | | | |
| Supplies & Services | 632 | 597 | 597 | 597 | 597 |
| Loan Charges | 914 | 847 | 973 | 999 | 1,011 |
| TOTAL EXPENDITURE | 4,786 | 5,118 | 5,256 | 5,300 | 5,335 |
| NET EXPENDITURE | 3,933 | 4,288 | 4,411 | 4,439 | 4,459 |

TABLE 57

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|------------------------------|-------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 5,119 | (830) | 4,289 |
| Transfer to DOI | (3) | | (3) |
| Pay Award allowance | 14 | | 14 |
| Loan Charge adjustment | 126 | | 126 |
| Fees | | (15) | (15) |
| 2017-18 Budget | 5,256 | (845) | 4,411 |

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 2015-16 the expenditure increased by £20,000 to £391,000 but remained within budget. Spending is also predicted to be within budget for 2016-17. The annual budget for 2016-20 will not increase so, as stated in the 2014-15 commentary, the challenge will continue to be to maintain services while containing costs.

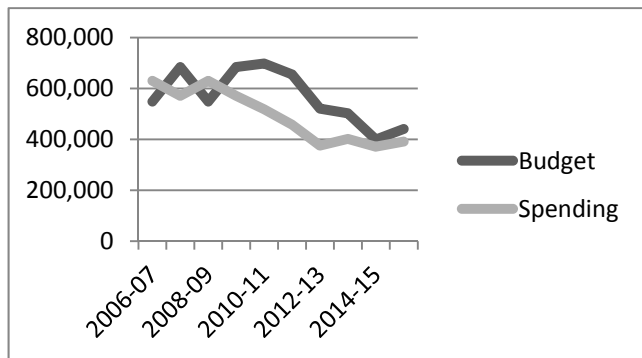


Figure 1- Supplies and Services: Budget v Spending 2006-16

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 24 now, salary increases are being managed and the overall costs remain +/- 5% of the average annual cost over the nine years. Spending for both Members’ Emoluments and Employee Costs are predicted to be within budget for 2016-17.

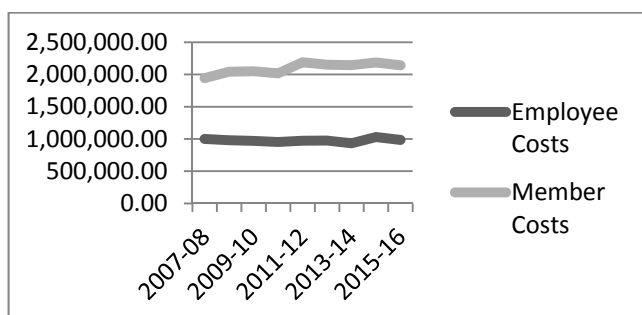


Figure 2 – Member and Staff Costs 2007-16

Legislature (Parliament) - Financial Summary

TABLE 58

| <u>NET EXPENDITURE - BY DIVISION</u> | | | | | |
|---|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION Legislature | 3,853 | 4,353 | 4,731 | 9 | 4,722 |
| <u>NET EXPENDITURE</u> | 3,853 | 4,353 | 4,731 | 9 | 4,722 |

TABLE 59

| <u>INCOME & EXPENDITURE - BY CATEGORY</u> | | | | | |
|--|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Third Party Contributions | 6 | | | | |
| Operating Income | 62 | 70 | 9 | 9 | 9 |
| TOTAL INCOME | 68 | 70 | 9 | 9 | 9 |
| EXPENDITURE | | | | | |
| Employee Costs | 3,127 | 3,594 | 3,866 | 3,897 | 3,932 |
| Supplies & Services | 391 | 401 | 442 | 441 | 441 |
| Loan Charges | 403 | 428 | 423 | 443 | 437 |
| TOTAL EXPENDITURE | 3,921 | 4,423 | 4,731 | 4,781 | 4,810 |
| <u>NET EXPENDITURE</u> | 3,853 | 4,353 | 4,722 | 4,772 | 4,801 |

TABLE 60

| <u>BREAKDOWN OF EMPLOYEE COSTS</u> | | | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| | Actual 2015-16 £,000 | Budget 2016-17 £,000 | Budget 2017-18 £,000 |
| Staff | 985 | 1,228 | 1,243 |
| Members' Emoluments | 2,142 | 2,609 | 2,623 |
| <u>NET EXPENDITURE</u> | 3,127 | 3,837 | 3,866 |

Legislature (Parliament) - Financial Summary (cont'd)

TABLE 61

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 4,706 | (9) | 4,697 |
| Pay Award allowance | 30 | | 30 |
| Loan Charge adjustment | (5) | | (5) |
| 2017-18 Budget | 4,731 | (9) | 4,722 |

Statutory Boards (Revenue Funded)

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

Communications Commission

The Commission will contribute to the Government priorities of empowering enterprise for innovation and economic growth by ensuring balanced and proportionate regulation of the communications sectors.

The Commission continues to return a surplus to Government and is essentially self-funding. However, the pay cap control/savings initiative present challenges, particularly as the Commission only employs four staff. The Commission's income is dependent 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 will have an adverse effect on the Commission's income from telecoms operators.

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 Government's Vision 2020.

A main focus of the Communications Commission is the introduction of the Communications Bill. It is vital that legislation keeps pace with changes in technology, networks and services which have evolved significantly over recent years. Competition has increased dramatically and as mobile, digital, and internet technologies have become widely adopted,

new forward-looking legislation is required.

A further focus for the Commission will be working with other 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 regarding roll out of fibre and developments which will allow the Isle of Man to keep up with the pace of technological change. We will also undertake a number of market reviews into the Telecommunications sector, which was last evaluated in 2012.

Financial Services Authority

The Financial Services Authority is an independent statutory board which was established in November 2015 with the merger of the Financial Supervision Commission and the Isle of Man Insurance and Pensions Authority. 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 post-merger integration work is ongoing; a number of the associated tasks are complete but other work will continue into 2017-18 and beyond. The ongoing work includes an extensive review of the Authority's business processes to ensure the delivery of its regulatory objectives and its interactions with regulated entities are consistent, efficient and effective. The Authority is also part way through the analysis phase for a proposed new administration system to take advantage of recent technological developments and to improve automation.

In order to keep pace with international standards and to ensure that the Island's financial industry remains both compliant and competitive, significant reviews and changes have been completed or are underway on the legislation applying to several key sectors. The Authority also regularly contributes to the work of international regulatory bodies of which it is a member to ensure that the Island's views and interests are represented

In addition to international developments, the Authority faces new challenges locally with the extension of our oversight responsibilities in 2017-18 in respect of the Island's new ultimate beneficial ownership register. The Authority must also be positioned to consider new initiatives such as development of fintech solutions operating alongside the traditional finance sector.

The Authority continues to undertake a robust supervisory program with on-site visits to regulated entities, complemented by annual business meetings, thematic reviews and attendance at supervisory colleges. The Authority will also continue outreach activities to industry stakeholder groups to enhance its knowledge of current issues, trends and challenges facing the financial services sector.

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 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 is a significant area of risk recognised by the GSC (as reflected in its latest 15/16 annual report), primarily as its staff have consistently proven attractive to the private sector. Preparatory work has commenced in relation to a review of terms & conditions to address this risk, and it is anticipated this review will be complete during the 17/18 financial year.

The GSC will also make significant progress in relation to production of a regulatory platform in the 2017-18 year. This platform is required to address another of the GSC's key risks relating to data integrity, and it is envisaged that the system will also yield greater efficiencies leading to a re-allocation of resource. This project is being undertaken in conjunction with the FSA in order to ensure efficient and cost effective production. It is anticipated that this system will be developed in a manner which sees both the GSC and FSA retains an IP interest in order to benefit from any future sale of the platform to international regulatory bodies. Such a project not only represents in our view the demonstration of the essential principle of multi-regulatory co-operation but also looks to ensure that the system is developed in a way which gives end user flexibility without over-reliance on developers.

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 the PSPA has been discussing the format of these changes with staff representatives with a view to returning to February 2017 Tynwald with amending schemes. Until final agreement has been reached on the changes, there has been a limit to the PSPA preparations for the work

associated with amendments to the Public Sector Pension Schemes it manages and administers. Therefore, the main proportion of the PSPA project budget will be expended in 2017-18, with some budget also deferred to the following year. The PSPA has, however, implemented the changes agreed to the Tynwald Members Scheme and Tynwald Members have now joined the Government Unified Scheme with revised benefits and contributions. The budget originally estimated and approved for the actuarial, software and administrative work associated with making the changes in 2015-16 to 2017-18, has only started being expended in the latter half of 2016 due to delays in the process of negotiation, consultation and approval.

Financial Intelligence Unit

The Financial Intelligence Unit (FIU) was established as a statutory body in April 2016. Whilst the Island's financial intelligence function had previously been carried out by the Isle of Man Constabulary, the FIU as a stand-alone entity is now able to focus on and specialise in the intelligence function. 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, as required by international standards and in particular Recommendation 29 of the FATF 40 (Financial Action Task Force 40), 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 improve the Island's international reputation. As a

result of the National Risk Assessment and the work carried out to support the Moneyval assessment the FIU has identified its key priorities as:

- developing and implementing a training and development programme for FIU staff;
- providing education, guidance and training for industry on suspicious activity reports (SARs);
- improving the level of analysis of SARs and undertaking regular strategic analysis of threats based upon intelligence received;
- building 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 62

| NET EXPENDITURE - BY DIVISION | | | | | |
|--------------------------------------|---|---|--|---|----------------------------------|
| | Net Actual 2015-16 £,000 | Net Probable 2016-17 £,000 | Gross Spend 2017-18 £,000 | Gross Income 2017-18 £,000 | Net 2017-18 £,000 |
| DIVISION | | | | | |
| Communications Commission | (602) | (298) | 522 | 773 | (251) |
| Financial Services Authority | | | 6,118 | 6,118 | |
| Gambling Supervision Commission | (875) | (1,124) | 968 | 1,810 | (842) |
| Financial Intelligence Unit | | | 52 | | 52 |
| Public Sector Pensions Authority | | | | | |
| NET EXPENDITURE | (1,477) | (1,421) | 7,660 | 8,701 | (1,041) |

Notes:

FSA deficit (£2.86m in 2017-18) is met by Treasury grant.

Gross cost of PSPA (£1.4m in 2017-18) is met by a transfer from the PSEPR.

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

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

TABLE 63

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Taxation Income | 4,900 | 2,073 | 5,242 | 5,623 | 5,623 |
| Operating Income | 1,031 | 788 | 543 | 514 | 411 |
| Grant Income | 1,951 | | 2,864 | 2,365 | 2,400 |
| Other Non-Trading Income | 5 | 4 | 52 | 52 | 52 |
| TOTAL INCOME | 7,887 | 2,865 | 8,701 | 8,554 | 8,486 |
| EXPENDITURE | | | | | |
| Employee Costs | 5,633 | 1,045 | 6,794 | 6,842 | 6,892 |
| Infrastructure Costs | 319 | 3 | 283 | 284 | 284 |
| Supplies & Services | 1,799 | 372 | 1,954 | 1,825 | 1,825 |
| Loan Charges | | 12 | 37 | 50 | 49 |
| Other | (1,342) | 12 | (1,408) | (1,413) | (1,419) |
| TOTAL EXPENDITURE | 6,409 | 1,444 | 7,660 | 7,588 | 7,631 |
| NET EXPENDITURE | (1,478) | (1,421) | (1,041) | (966) | (855) |

Statutory Boards (Revenue Funded) - Financial Summary (cont'd)

TABLE 64

| RECONCILIATION OF REVENUE EXPENDITURE | | | |
|--|----------------------------------|-----------------------------------|----------------------|
| | Gross Spend £,000 | Gross Income £,000 | Net £,000 |
| 2016-17 Budget | 7,695 | (9,056) | (1,361) |
| Transfers of budget between departments | | | |
| DHA to FIU | 51 | | 51 |
| Reduced fee income FSA | | 188 | 188 |
| Reduced fee income GSC | | 267 | 267 |
| FSA grant adjustment | | (85) | (85) |
| Pay Award allowance | 25 | | 25 |
| Loan Charge adjustment | 2 | | 2 |
| Fee increases | | (15) | (15) |
| Savings | (146) | | (146) |
| Other non-material adjustments | 33 | | 33 |
| 2017-18 Budget | 7,660 | (8,701) | (1,041) |

Manx Utilities Authority

Manx Utilities is committed to delivering utilities services for the benefit of the Isle of Man and in a financially sustainable manner. Its vision is 'better together – one team, delivering life's essential services for our Island'. Manx Utilities is seeking to operate efficiently to deliver statutory services and obligations in a financially sustainable manner.

Manx Utilities remains focussed on the delivery of the Long Term Financial Plan, specifically in respect of phasing in appropriate sewerage charges and cost reductions. Its priorities for the financial year 2017-18 include capital investment in the phase 2 Regional Sewerage Treatment Strategy schemes.

Key challenges facing Manx Utilities include declining energy demand and the cost of maintenance of key infrastructure assets. Declining energy volumes increase pressure for unit prices to rise by more than inflation, due to utility businesses' high fixed costs, though this pressure is currently lessened by the reductions in market prices of fuel. Manx Utilities is custodian of significant infrastructure assets (e.g. transmissions systems, production and treatment plants) which are in continual use supporting

essential services for the Isle of Man. The high value of these assets results in significant costs of maintenance, which is necessary to maximise the life of these assets and achieve long-term value.

The budget forecasts that revenue will increase with inflation generally, albeit assumes sewerage charges can increase at a greater rate after 2017-18 as the charge continues to be phased in to offset reductions in grant funding, which ceases in 2018-19. Cost increases are restricted to inflation (or below) with the overall deficit. Loan charges increase in 2017-18 are due to the increase in the Consolidated Loans Fund interest rate.



TABLE 65

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Operating Income | 105,628 | 103,898 | 101,707 | 103,286 | 105,575 |
| TOTAL INCOME | 105,628 | 103,898 | 101,707 | 103,286 | 105,575 |
| EXPENDITURE | | | | | |
| Employee Costs | 17,400 | 17,924 | 16,165 | 16,327 | 16,490 |
| Infrastructure Costs | 7,699 | 9,909 | 8,764 | 8,939 | 9,118 |
| Transport Costs | 1,197 | 1,440 | 1,326 | 1,353 | 1,380 |
| Supplies & Services | 32,303 | 32,979 | 36,691 | 35,578 | 37,591 |
| Loan Charges | 18,186 | 20,050 | 18,740 | 19,150 | 19,730 |
| Other | 23,561 | 22,501 | 22,864 | 23,093 | 23,324 |
| TOTAL EXPENDITURE | 100,346 | 104,803 | 104,550 | 104,440 | 107,633 |
| NET EXPENDITURE | (5,282) | 905 | 2,843 | 1,154 | 2,058 |

Isle of Man Post

Priorities

An independent review of the business was undertaken during 2015-16 and following this Tynwald approved the change in the Isle of Man Post Office's (IOMPO) corporate status. IOMPO's Strategic Plan, which is a rolling plan to 2018, has since been updated to reflect the Tynwald decision. IOMPO has been developing the corporate documentation and control processes required for such a change as well as undertaking a detailed analysis of the issues and concerns raised during the Tynwald debate including competition regulation, and has sought to address each one of them appropriately. Revised proposals will be presented to Council of Ministers and Tynwald during 2017.

The Board and Executive Directors of IOMPO believe changing the corporate structure and governance of the business to a wholly owned limited company provides the best environment for IOMPO to provide maximum opportunity for long term sustainability and commercial success but balance its community service obligations. It is also believed to be the best strategy to attract new customers to further sustain our valuable export revenue which brings economic benefits to the Isle of Man as a whole. This will ensure the Post Office remains a financial self-sufficient entity that does not draw on Government funds but continues to provide an annual dividend to Government each year.

Following the decision to relocate the Douglas Post Office, a dedicated project team was appointed to explore the options for the future use of the Regent Street property. Planning permission has been obtained to redevelop the site for retail use whilst maintaining the existing façade. As the building is situated in the heart of the town's regeneration area, the Board believe it is important the building is used to benefit Douglas town centre into the future. This is an exciting project for the business to be involved in

and to progress the scheme to a positive outcome.

Challenges

IOMPO continues to operate in a market of rapid change which means that the business must remain agile to be able to adapt its business model to suit the ever-changing needs and expectations of customers. Its rolling strategic plan enables it to have a clear vision of where it wants to be and to focus on the key strategy of diversification that will help deliver future profitability and sustainability. Much of the business's revenue and profitability continues to come from off-Island customers which reflect the growing globalisation of the postal market.

Mail volumes continued to fall in 2015/16; however our packet and parcel volumes saw an encouraging rise by 18.5% on the previous year. To concentrate on developing this part of our business the management team has been strengthened in this area to develop the delivery strategy and improvements in how customers have their parcels delivered.

Financial Performance

During 2015-16 turnover increased by 3.5% from £26.1m to £27m, despite a fall of 5.8% in mail volumes, and net profit after interest increased to £883,000 from £405,000. The unadjusted trading profit was £1.9m compared to £881,000 in 2014-15 and has generated a levy payment to Treasury of £1.7m (2014-15 £2m), which remains a challenge when set at this level.

IOMPO expects to achieve its financial targets for 2016-17.

Isle of Man Post - Financial Summary

TABLE 66

| INCOME & EXPENDITURE - BY CATEGORY | | | | | |
|---|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------|--------------------------|
| | Actual 2015-16 £,000 | Probable 2016-17 £,000 | Budget 2017-18 £,000 | Provisional Budgets | |
| | | | | 2018-19 £,000 | 2019-20 £,000 |
| INCOME | | | | | |
| Operating Income | 26,996 | 28,216 | 28,498 | 28,783 | 29,071 |
| Non-Trading Income | 32 | 90 | 40 | 40 | 40 |
| TOTAL INCOME | 27,028 | 28,306 | 28,538 | 28,823 | 29,111 |
| EXPENDITURE | | | | | |
| Employee Costs | 13,139 | 13,072 | 13,333 | 13,600 | 13,872 |
| Infrastructure Costs | 684 | 686 | 693 | 700 | 707 |
| Transport Costs | 1,167 | 1,288 | 1,301 | 1,314 | 1,327 |
| Supplies & Services | 11,002 | 12,097 | 12,218 | 12,341 | 12,442 |
| Loan Charges | 153 | 127 | 127 | 127 | 127 |
| TOTAL EXPENDITURE | 26,145 | 27,270 | 27,672 | 28,082 | 28,475 |
| NET EXPENDITURE | (883) | (1,036) | (866) | (741) | (636) |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| SUMMARISED TOTALS BY DEPARTMENT/BOARD - CLF FUNDED | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | | |
|--|--|----------------|----------------|----------------|----------------|---------------|----------------|
| | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| CABINET OFFICE ("CO") | 342 | 1,608 | | | | | |
| EDUCATION & CHILDREN ("DEC") | 4,003 | 4,636 | 901 | 400 | 900 | 400 | 511 |
| ECONOMIC DEVELOPMENT ("DED") | 390 | 850 | 320 | 320 | 320 | | 120 |
| ENVIRONMENT, FOOD & AGRICULTURE ("DEFA") | 768 | 1,079 | 350 | 350 | 350 | 350 | |
| HOME AFFAIRS ("DHA") | 2,354 | 3,313 | 1,152 | 643 | 689 | 337 | |
| HEALTH AND SOCIAL CARE ("DHSC") | 15,585 | 8,787 | 2,500 | 1,575 | 1,250 | 1,250 | 5,250 |
| INFRASTRUCTURE ("DOI") | 21,231 | 41,214 | 19,485 | 15,601 | 15,985 | 14,556 | 138,868 |
| SCHEMES FUNDED FROM HOUSING RESERVE ("DOI-HR") | 2,159 | 6,904 | 1,600 | 1,600 | 1,600 | 1,600 | |
| MANX MUSEUM & NATIONAL TRUST ("MNH") | 464 | 610 | 354 | 450 | 390 | 320 | 1,110 |
| MANX UTILITIES AUTHORITY ("MUA") | 17,069 | 10,911 | 950 | 950 | 1,000 | 700 | 7,600 |
| FINANCIAL SUPERVISION COMMISSION ("STAT-FSA") | 50 | 150 | | | | | |
| GAMBLING SUPERVISION COMMISSION ("STAT-GSC") | 100 | 400 | | | | | |
| MANX RADIO ("MANX RADIO") | 81 | 1,195 | | | | | |
| TREASURY ("TSY") | 5,125 | 6,705 | 5,000 | 5,000 | 5,000 | 5,000 | |
| FUTURE SCHEMES | | | 41,528 | 52,658 | 59,928 | 33,920 | 121,399 |
| TOTAL GOVERNMENT DEPARTMENTS | 69,721 | 88,362 | 74,140 | 79,547 | 87,412 | 58,433 | 274,858 |
| SUMMARISED TOTALS BY BOARD - NON CLF FUNDED | | | | | | | |
| MANX UTILITIES AUTHORITY ("MUA-WA") | 3,215 | 4,363 | 3,591 | 2,891 | 4,741 | 2,600 | 21,856 |
| ISLE OF MAN POST OFFICE ("IOMPO") | 871 | 4,430 | 3,430 | 2,460 | 460 | 460 | |
| LOCAL AUTHORITY HOUSING ("LAH") | 15,607 | 20,620 | 20,490 | 17,853 | 15,460 | 10,154 | 24,055 |
| TOTAL STATUTORY BOARDS | 19,693 | 29,413 | 27,511 | 23,204 | 20,661 | 13,214 | 45,911 |
| GRAND TOTAL | 89,414 | 117,775 | 101,651 | 102,751 | 108,073 | 71,647 | 320,769 |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|------------------|--|----------------------|----------------------------|------------------|--|------------|------------|------------|------------|------------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| DEC | Ballakermeen Post 16 + Dining Extension | 3,235 | 3,235 | 146 | | | | | | |
| DEC | Castle Rushen High School Redevelopment | 150 | 50 | 50 | 100 | | | | | |
| DEC | Classroom Scheme Ph 2 Andreas | 35 | 35 | | | 35 | | | | |
| DEC | Classroom Scheme Ph 2 Ballaquayle | 138 | 138 | | | 135 | | | | |
| DEC | Classroom Scheme Ph 2 Murrays Road | 14 | 15 | | | 1 | | | | |
| DEC | Classroom Scheme Ph 2 Onchan | 74 | 74 | | 15 | 59 | | | | |
| DEC | Classroom Scheme Ph 2 St Mary's | 1,261 | 172 | 79 | 1,139 | | | | | |
| DEC | Covered Play and Teaching Areas Ph 3 | 253 | 253 | | 7 | 246 | | | | |
| DEC | Covered Play and Teaching Areas Ph 4 | 7 | 7 | | | | | | | 7 |
| DEC | Disability Access Works to Department Sites Ph 3 | 576 | | | 67 | | | | | 504 |
| DEC | Henry Bloom Noble Primary School | 10,683 | 10,467 | 2,674 | 341 | 25 | | | | |
| DEC | IOM College - Nunnery Relocation | 500 | 500 | | | | | 500 | | |
| DEC | IOM College - Precision Engineering Equipment | 621 | 622 | 34 | | | | | | |
| DEC | IOM College Construction Craft & Engineering | 4,884 | 4,884 | 57 | 100 | | | | | |
| DEC | IOM College Special Unit | 1,928 | 1,923 | 7 | | | | | | |
| DEC | Management of Hazardous Materials Ph 2 | 238 | 294 | 61 | 100 | | | | | |
| DEC | NSC Floating Floor Replacement | 1,000 | 600 | 35 | 965 | | | | | |
| DEC | NSC Flumes Replacement | 500 | 500 | 25 | 475 | | | | | |
| DEC | QEII Kitchen/Dining Scheme | 963 | 835 | 50 | | | | | | |
| DEC | School Security | 422 | 22 | 22 | 400 | | | | | |
| DEC | St Ninian's Lower School, Bemahague Construction | 30,718 | 30,717 | | 210 | | | | | |
| DEC | Victoria Road School Extension Construction | 2,979 | 2,979 | 113 | | | | | | |
| | | 61,179 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| DEC | Minor Capital Works - NSC | Ongoing | 1,000 | 500 | 567 | 300 | 300 | 300 | 300 | |
| DEC | Minor Capital Works - Regional Pools | Ongoing | 275 | 150 | 150 | 100 | 100 | 100 | 100 | |
| DEC Total | | | 59,597 | 4,003 | 4,636 | 901 | 400 | 900 | 400 | 511 |
| CO | Land Registry New IT System | 1,950 | 2,050 | 342 | 1,608 | | | | | |
| CO Total | | 1,950 | 2,050 | 342 | 1,608 | | | | | |
| DED | Development of Industry | 1,259 | 1,800 | 70 | 530 | | | | | |
| | | 1,259 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| DED | Minor Capital Works - DED | Ongoing | 600 | 120 | 120 | 120 | 120 | 120 | 120 | 120 |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|-------------------|--|----------------------|----------------------------|------------------|--|--------------|------------|------------|------------|------------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| DED | Minor Capital Works - Villa/Gaiety | Ongoing | 500 | 200 | 200 | 200 | 200 | 200 | | |
| DED Total | | | 2,900 | 390 | 850 | 320 | 320 | 320 | | 120 |
| DEFA | Ballure Slope Periodic Maintenance | 100 | | | 100 | | | | | |
| DEFA | Farming Improvement Scheme | 1,420 | 1,220 | 330 | 552 | | | | | |
| DEFA | Mill Road Yard Development Vacant Units | | 80 | | | | | | | |
| DEFA | Public Analyst Lab - Equipment Replacement | 191 | 110 | 109 | 82 | | | | | |
| DEFA | Mill Road Yard Development | 2,576 | 2,588 | 23 | 45 | | | | | |
| | | 4,287 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| DEFA | Essential Building Maintenance | Ongoing | 1,300 | 206 | 200 | 250 | 250 | 250 | 250 | |
| DEFA | Minor Capital Works - Wildlife Park | Ongoing | 300 | 100 | 100 | 100 | 100 | 100 | 100 | |
| DEFA Total | | | 5,598 | 768 | 1,079 | 350 | 350 | 350 | 350 | |
| DHA | Castletown Fire Station Replacement | 1,609 | 1,508 | 40 | 1,388 | | | | | |
| DHA | Communications Development Programme | 4,379 | 4,240 | 557 | 616 | | | | | |
| DHA | Live Fire Training | 607 | 607 | 433 | | | | | | |
| DHA | Police HQ Custody Block | 3,011 | 2,945 | | 49 | | | | | |
| DHA | Port Erin Fire Station Replacement | 4 | 50 | | | | | | | |
| DHA | Rehabilitation and Resettlement Unit | 200 | 200 | 168 | 32 | | | | | |
| DHA | TETRA Replacement Programme - Revised | 4,346 | 4,930 | 324 | | | | | | |
| DHA | Joint Douglas Fire and Ambulance Station | 500 | | | 250 | 250 | | | | |
| | | 14,656 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| DHA | Fire and Rescue Equipment | Ongoing | 222 | 139 | 47 | 28 | 36 | 72 | | |
| DHA | Minor Capital Works - DHA | Ongoing | 2,255 | 112 | 200 | 200 | 200 | 200 | | |
| DHA | Police Equipment Replacement Programme | Ongoing | 400 | 136 | 80 | 80 | 80 | 80 | | |
| DHA | Vehicle Acquisition | Ongoing | 3,041 | 445 | 651 | 594 | 327 | 337 | 337 | |
| DHA Total | | | 20,398 | 2,354 | 3,313 | 1,152 | 643 | 689 | 337 | |
| DHSC | Accommodation for Day Care Services Eastcliffe | 205 | 110 | 31 | 150 | | | | | |
| DHSC | Acute Adult Psychiatric In-Patient Facility | 8,874 | 7,573 | 4,880 | 1,763 | | | | | |
| DHSC | Demolition of Glenside | 216 | 200 | 13 | | | | | | |
| DHSC | Endoscopy Decontamination Unit | 2,325 | 1,900 | 225 | | | | | | |
| DHSC | Extension to Neonatal Unit, Noble's Hospital | 4,123 | 4,090 | 100 | 416 | | | | | |
| DHSC | Extension to Oncology Suite Ph 1 | 1,100 | 200 | 38 | 710 | 200 | | | | |
| DHSC | Extension to Oncology Suite Ph 2 Clinics | 1,650 | | | 300 | 1,100 | 250 | | | |
| DHSC | GP Surgery Development Scheme - | 635 | 635 | 543 | 40 | | | | | |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|-------------------|---|----------------------|----------------------------|------------------|--|--------------|--------------|--------------|--------------|--------------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| | Palatine | | | | | | | | | |
| DHSC | Learning Disabilities Additional Residential Unit | 1,437 | 1,438 | 50 | 50 | | | | | |
| DHSC | Learning Disabilities Supported Housing | 70 | 70 | | 70 | | | | | |
| DHSC | New Combined Heat and Power Plant Nobles | 75 | 250 | | | | 75 | | | |
| DHSC | Older Persons Residential & Resource Unit East | 1,375 | 374 | 350 | 992 | | | | | |
| DHSC | Older Persons Residential & Resource Unit North | 4 | | | | | | | | |
| DHSC | Radiology Equipment Replacement Scheme | 1,856 | 2,200 | 448 | 550 | | | | | |
| DHSC | Reconfiguration of Learning Disabilities (Radcliffe Villas) | 800 | 540 | | 777 | | | | | |
| DHSC | Residential Accommodation Medical Staff Ph 5 | 2,500 | 2,511 | 800 | 1,621 | 50 | | | | |
| DHSC | Thie Quinney (Leonard Cheshire) | 582 | 500 | 51 | | | | | | |
| DHSC | Purchase old Salisbury Street Nursing Home | 7,111 | 8,100 | 6,913 | 198 | | | | | |
| | | 34,938 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| DHSC | Asset Replacement Scheme | Ongoing | 4,964 | 1,143 | 900 | 900 | 1,000 | 1,000 | 1,000 | 5,000 |
| DHSC | Strategic Development Fund | Ongoing | | | 250 | 250 | 250 | 250 | 250 | 250 |
| DHSC Total | | | 35,655 | 15,585 | 8,787 | 2,500 | 1,575 | 1,250 | 1,250 | 5,250 |
| DOI | Asset Management System | 120 | 120 | 15 | 45 | 60 | | | | |
| DOI | Ballacubbon Ph 2 | 70 | 70 | | 70 | | | | | |
| DOI | Ballasalla Relief Road | 15 | 50 | | 15 | | | | | |
| DOI | Ballure Bridge | 1,425 | 1,425 | 69 | | | | | | |
| DOI | Bus/Rail Ticketing System | 399 | 400 | 52 | | | | | | |
| DOI | Climate Change Adaption | 2,550 | 1,350 | 539 | 2,000 | | | | | |
| DOI | Douglas & Peel Cofferdam | 351 | 351 | 247 | 40 | | | | | |
| DOI | Douglas Outer Harbour Development | 410 | 410 | 268 | 100 | | | | | |
| DOI | Douglas Promenade | 8,541 | 4,250 | 500 | 5,365 | | | | | |
| DOI | Douglas Railway Station Structural Works/Canopy | 1,210 | 1,210 | 1,115 | | | | | | |
| DOI | East Quay Peel | 30 | | | 30 | | | | | |
| DOI | Glencrutchery Road | 330 | 100 | | 330 | | | | | |
| DOI | Hazardous Waste Transfer and Treatment Facility | 480 | 480 | | 56 | | | | | |
| DOI | Instrument Runway Visual Range (IRVR) Measurement | 100 | | | 100 | | | | | |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | | |
|------------|---|----------------------|----------------------------|------------------|--|---------|---------|---------|---------|---------|--|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER | |
| DOI | King Edward Linkspan - Mid Life Renovation | 455 | 455 | 180 | 16 | | | | | | |
| DOI | Management of Small Plant (One Off Set Up) | 158 | 158 | 98 | 60 | | | | | | |
| DOI | Manx Electric Railway Trackwork | 16,869 | 1,775 | 570 | 1,114 | 1,544 | 1,844 | 1,830 | 1,665 | 7,210 | |
| DOI | New Sub-Stations - Ballamenaugh | 350 | 350 | 200 | 150 | | | | | | |
| DOI | Noble's Hospital - Asset Replacement | 1,311 | 791 | 541 | 770 | | | | | | |
| DOI | Nunnery Bridge | 50 | 50 | 40 | 10 | | | | | | |
| DOI | Park Road Site | 224 | 400 | | 97 | | | | | | |
| DOI | Peel Harbour Bridge Replacement | 45 | | | 45 | | | | | | |
| DOI | Peel Road | 4,393 | 3,862 | | | | | | | | |
| DOI | Port St Mary Alfred Pier | 400 | 400 | 300 | 100 | | | | | | |
| DOI | Pulrose River Bridge | 200 | | | 150 | 50 | | | | | |
| DOI | Ramsey Off-Street Car Parking/Transport Interchange | 2,793 | 1,050 | | 1,696 | | | | | | |
| DOI | Ramsey Swing Bridge Refurbishment | 100 | 172 | 45 | 10 | | | | | | |
| DOI | Replacement ILS | 1,500 | | | 1,500 | | | | | | |
| DOI | Site Feasibility Studies | 329 | 202 | | 99 | 94 | 50 | 50 | | | |
| DOI | Snaefell Mountain Railway Track | 2,081 | 1,125 | 885 | 570 | | | | | | |
| DOI | Southern Civic Amenity Site | 211 | 200 | | | 199 | | | | | |
| DOI | Steam Railway Track | 1,450 | 575 | 525 | 925 | 0 | | | | | |
| DOI | Town & Village Regeneration | 4,380 | 3,000 | | 2,888 | 417 | 990 | 85 | | | |
| DOI | West Quay Ramsey | 50 | | | 50 | | | | | | |
| DOI | X-Ray Machines Upgrade | 3,200 | 320 | | 3,200 | | | | | | |
| DOI | Liverpool Landing Stage | 25,002 | 3,500 | | 625 | 625 | | | | 23,750 | |
| DOI | Replacement Railway Shed Santon | 120 | | | 120 | | | | | | |
| | | 81,702 | | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | | |
| DOI | Ambulance Fleet Replacement | Ongoing | 1,580 | 344 | 365 | 310 | 310 | 310 | 310 | 1,115 | |
| DOI | Disability Discrimination Act – Public Buildings | Ongoing | 750 | 30 | 237 | | | | | | |
| DOI | Government Estate Planned Maintenance | Ongoing | 3,500 | 700 | 1,000 | 500 | 500 | 500 | 500 | 6,500 | |
| DOI | Minor Capital Works DHSC | Ongoing | 3,064 | 522 | 780 | 480 | 656 | 500 | 500 | 7,200 | |
| DOI | Minor Capital Works EDUCATION AND CHILDREN | Ongoing | 15,075 | 1,929 | 2,500 | 2,000 | 2,000 | 2,000 | 2,000 | 26,000 | |
| DOI | Noble's Hospital Maintenance | Ongoing | 185 | 111 | 259 | 185 | 185 | 100 | 100 | | |
| DOI | Quarry Plant Replacement | Ongoing | 1,785 | 1,385 | 1,275 | 1,200 | | | | | |
| DOI | Residential Road Refurbishment | Ongoing | | | 475 | 500 | 500 | 500 | 500 | 2,525 | |
| DOI | Strategic Highway Refurbishment | Ongoing | 14,138 | 1,600 | 1,600 | 2,400 | 2,900 | 2,900 | 2,900 | 20,168 | |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|---------------------|--|----------------------|----------------------------|------------------|--|---------------|---------------|---------------|---------------|----------------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| | Programme | | | | | | | | | |
| DOI | Strategic Structural Maintenance | Ongoing | 3,010 | 1,540 | 1,540 | 1,540 | 1,540 | 1,540 | 1,540 | 8,254 |
| DOI | House Purchase Assistance Scheme | Ongoing | 5,200 | 2,700 | 3,000 | 2,500 | 2,000 | 2,500 | 2,500 | 2,500 |
| DOI | Minor Capital Works – Public Transport | Ongoing | 11,147 | 946 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 352 |
| DOI | Plant & Vehicle Replacement Programme | Ongoing | 8,873 | 2,682 | 4,002 | 2,840 | 85 | | | 28,688 |
| DOI | Public Transport Vehicle Replacement Programme | Ongoing | 7,905 | 553 | 685 | 891 | 891 | 2,020 | 891 | 4,606 |
| DOI Total | | | 104,813 | 21,231 | 41,214 | 19,485 | 15,601 | 15,985 | 14,556 | 138,868 |
| DOI-HR | Ballacubbon Ph 2a | | 110 | 10 | 100 | | | | | |
| DOI-HR | Clagh Vane Redevelopment 6 | | 1,252 | 1,280 | 50 | | | | | |
| DOI-HR | Clagh Vane Redevelopment 7/8 | | 5,315 | 200 | 675 | 4,529 | | | | |
| DOI-HR | Crossag Ph 1 | | 713 | 450 | 24 | 475 | | | | |
| | | | 7,390 | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| DOI-HR | DSC Planned Maintenance | Ongoing | 20,141 | 1,400 | 1,800 | 1,600 | 1,600 | 1,600 | 1,600 | |
| DOI-HR Total | | | 22,181 | 2,159 | 6,904 | 1,600 | 1,600 | 1,600 | 1,600 | |
| MNH | Digitisation & Public Electronic Access | | 449 | 450 | 18 | | | | | |
| | | | 449 | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| MNH | Heritage Property Conservation | Ongoing | 1,210 | 110 | 100 | 100 | 100 | 90 | 100 | 440 |
| MNH | Minor Capital Works - MNH | Ongoing | 1,737 | 186 | 240 | 64 | 100 | 100 | 100 | 240 |
| MNH | Minor Capital Works Gallery Redisplay | Ongoing | 1,215 | 150 | 270 | 190 | 250 | 200 | 120 | 430 |
| MNH Total | | | 4,612 | 464 | 610 | 354 | 450 | 390 | 320 | 1,110 |
| MUA | All Island Refurb of Sewerage Infrastructure | | 16,042 | 14,389 | 1,600 | 1,580 | | | | |
| MUA | Combined Cycle Gas Turbine | | 8,220 | 7,800 | | 3,069 | | | | |
| MUA | Essential upgrades fuel tanks & back-up power supplies | | 1,113 | 1,478 | 333 | 580 | | | | |
| MUA | Network Refurbishment | | 3,681 | 2,560 | 1,200 | 1,200 | | | | |
| MUA | Refurb of Sewerage Treatment Works (Central Valley) | | 2,021 | 1,255 | | 2,020 | | | | |
| MUA | Regional Sewerage Strategy 1 | | 30,137 | 39,984 | 12,366 | 182 | | | | |
| MUA | Regional Sewerage Strategy 2 | | | 300 | | | | | | |
| MUA | Regional Sewerage Strategy 2 (Peel/Central Valley) | | 494 | 1,250 | | 450 | | | | |
| MUA | Sewer Flood Alleviation | | 1,395 | 1,600 | 200 | 750 | | | | |
| MUA | River Flood Alleviation | | 150 | | 150 | | | | | |
| | | | 63,253 | | | | | | | |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|-------------------------|---|----------------------|----------------------------|------------------|--|---------------|---------------|---------------|---------------|----------------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| | ONGOING SCHEMES | | | | | | | | | |
| MUA | Minor Capital Works – MUA | Ongoing | 2,399 | 1,220 | 1,080 | 950 | 950 | 1,000 | 700 | 7,600 |
| MUA Total | | | 73,015 | 17,069 | 10,911 | 950 | 950 | 1,000 | 700 | 7,600 |
| STAT-FSA | Financial Services Authority – Restructure Costs | 200 | 200 | 50 | 150 | | | | | |
| STAT-FSA Total | | 200 | 200 | 50 | 150 | | | | | |
| STAT-GSC | Gambling Supervision Commission New IT System | 500 | 500 | 100 | 400 | | | | | |
| STAT-GSC Total | | 500 | 500 | 100 | 400 | | | | | |
| MANX RADIO | Manx Radio Broadcasting House Maintenance | 2,100 | 1,417 | 81 | 1,195 | | | | | |
| MANX RADIO Total | | 2,100 | 1,417 | 81 | 1,195 | | | | | |
| TSY | Benefits Payments System – Platform Upgrade | 330 | 330 | 125 | 205 | | | | | |
| TSY | C&E New VAT Accounting System | 1,500 | | | 1,500 | | | | | |
| | | 1,830 | | | | | | | | |
| TSY | ONGOING SCHEMES Capital Projects Risk Contingency | Ongoing | 1,917 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | |
| TSY Total | | | 2,247 | 5,125 | 6,705 | 5,000 | 5,000 | 5,000 | 5,000 | |
| Grand Total | | 645,021 | 335,183 | 69,721 | 88,362 | 32,612 | 26,889 | 27,484 | 24,513 | 153,459 |

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|---------------------|--------------------------------|----------------------|----------------------------|------------------|--|--------------|--------------|--------------|--------------|---------------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| MUA-WA | Treated Water Transfer Schemes | 60,499 | | 1,650 | 2,750 | 2,950 | 2,250 | 1,600 | 2,100 | 16,800 |
| MUA-WA | Raw Water Maintenance Schemes | 5,500 | | | | | | 2,500 | | 3,000 |
| | | 65,999 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| MUA-WA | Minor Capital Works (non-CLF) | Ongoing | | 1,565 | 1,613 | 641 | 641 | 641 | 500 | 2,056 |
| MUA-WA Total | | | | 3,215 | 4,363 | 3,591 | 2,891 | 4,741 | 2,600 | 21,856 |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|------------|---|----------------------|----------------------------|------------------|--|---------|---------|---------|---------|---------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| LAH | Ballakilly 6x2B Housing | 858 | | 858 | | | | | | |
| LAH | Ballakilly EP Housing Development | 2,550 | | 50 | | | | | | |
| LAH | Bus Station Apartments | 50 | | | | | | | | |
| LAH | Clifton Park/Drive New Units | 1,650 | | | 1,650 | | | | | |
| LAH | Close Woirrey Apartments | 1,325 | | 25 | 300 | 850 | 50 | 50 | | |
| LAH | Marion Road Apartments | 1,100 | | 300 | 700 | 100 | | | | |
| LAH | Mayfield Demolition | 5 | | | | | | | | |
| LAH | Mayfield Sheltered Housing | 5,400 | | 1,000 | 3,400 | 600 | 180 | | | |
| LAH | New Units (To Be Allocated) | 10,000 | | | | 1,000 | 2,000 | 2,000 | 0 | 5,000 |
| LAH | North Shore Road Housing | 895 | | | | | | | | |
| LAH | Planned Maintenance Programme | 34,538 | | 3,102 | 3,665 | 5,030 | 4,800 | 4,730 | 3,600 | 4,470 |
| LAH | School Hill/West Hill Redevelopment | 16,000 | | 300 | 800 | 2,500 | 2,500 | 2,500 | 2,500 | 4,860 |
| LAH | Slieau Whallian View EPH | 3,337 | | 2,225 | 1,112 | | | | | |
| LAH | Snugborough Farm New Housing | 3,230 | | 230 | | | 1,000 | 2,000 | | |
| LAH | Upper Pulrose Development - Ph 10 | 114 | | | | | | | | |
| LAH | Upper Pulrose Development - Ph 9 | 327 | | | | | | | | |
| LAH | Westlands Ph A | 6,526 | | 3,657 | 683 | 140 | 78 | | | |
| LAH | Westlands Ph B | 4,785 | | 210 | 2,400 | 1,750 | 210 | 65 | 20 | |
| LAH | Westlands Ph C | 4,329 | | 100 | 110 | 1,120 | 2,760 | 140 | 59 | |
| LAH | Willaston External Refurbishment | 30,000 | | 3,100 | 3,100 | 3,200 | 3,275 | 3,275 | 3,275 | 9,725 |
| LAH | Willaston Sheltered Housing Complex | 6,100 | | 300 | 2,000 | 3,500 | 300 | | | |
| LAH | Willaston Garden Boundary Improvement Works | 3,650 | | 150 | 700 | 700 | 700 | 700 | 700 | |
| LAH Total | | 136,769 | | 15,607 | 20,620 | 20,490 | 17,853 | 15,460 | 10,154 | 24,055 |

Appendix 5 – Full Capital Programme including 2017-18 Approvals

| BY SCHEME | | | | | ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2017) | | | | | |
|------------------|---|----------------------|----------------------------|------------------|--|---------|---------|---------|---------|---------|
| Department | Scheme Name | Total Estimated Cost | Amount Approved by Tynwald | Probable 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FURTHER |
| IOMPO | Box Storage fit-out | 28 | | | | | | | | |
| IOMPO | Counters Network Development | 330 | | 159 | | | | | | |
| IOMPO | New Business Development | 7,000 | | | 3,000 | 2,000 | 2,000 | | | |
| IOMPO | Northern delivery office fit-out | 148 | | | | | | | | |
| IOMPO | Regent Street Conversion Refurbishment | 2,000 | | 60 | 970 | 970 | | | | |
| | | 9,506 | | | | | | | | |
| | ONGOING SCHEMES | | | | | | | | | |
| IOMPO | Other Machinery/Equipment (Ongoing) | Ongoing | | 392 | 200 | 200 | 200 | 200 | 200 | |
| IOMPO | Vehicle Replacement Programme (Ongoing) | Ongoing | | 260 | 260 | 260 | 260 | 260 | 260 | |
| IOMPO | | | | | | | | | | |
| IOMPO | | | | | | | | | | |
| Total | | | | 871 | 4,430 | 3,430 | 2,460 | 460 | 460 | |

Appendix 6 – Capital Programme New Schemes

| PHASING OF CAPITAL SCHEMES FROM 2018-19 | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------------|
| | 2018-19 £000 | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | Further Payments £000 |
| EDUCATION & CHILDREN | | | | | |
| Castle Rushen High School Redevelopment | | | | | |
| Classroom Scheme Ph 2 Andreas | | | | | |
| Classroom Scheme Ph 2 Ballaquayle | | | | | |
| Classroom Scheme Ph 2 Ballaugh | | | | | |
| Classroom Scheme Ph 2 Murrays Road | | | | | |
| Classroom Scheme Ph 2 Onchan | | | | | |
| Classroom Scheme Ph 2 St Mary's | | | | | |
| Classroom Scheme Ph 2 Willaston | | | | | |
| Covered Play and Teaching Areas Ph 4 | | | | | |
| Disability Access Works to Department Sites Ph 3 | | | | | |
| Fire Certification Work to Schools Ph 3 | | | | | |
| IOM College - Aerospace Facility | | | | | |
| IOM College - HE Expansion | | | | | |
| Kewaigue School Extension | | | | | |
| NSC River Defences | | | | | |
| Onchan School Ph 3 | | | | | |
| QEII Learning Resource Centre | | | | | |
| Replacement NSC Floodlight Stands | | | | | |
| School Security | | | | | |
| ECONOMIC DEVELOPMENT | | | | | |
| Villa Marina Sound System | | | | | |
| Grandstand Development - TT Scoreboard | | | | | |
| ENVIRONMENT, FOOD & AGRICULTURE | | | | | |
| Ballure Slope Periodic Maintenance | | | | | |
| Mill Road Yard Development Vacant Units | | | | | |
| National Glens Refurbishment Scheme | | | | | |
| Public Analyst Lab - Equipment Replacement | | | | | |
| HOME AFFAIRS | | | | | |
| Communications Development Programme | | | | | |
| Replace Ramsey Fire Station | | | | | |
| Joint Douglas Fire and Ambulance Station | | | | | |
| HEALTH AND SOCIAL CARE | | | | | |
| Accommodation for Day Care Services Eastcliffe | | | | | |
| Departmental Headquarters | | | | | |
| Development of Extra Care Facility | | | | | |
| Family Assessment Unit | | | | | |
| GP Surgery - North West | | | | | |
| GP Surgery - Onchan | | | | | |
| GP Surgery Development Scheme - Peel | | | | | |
| Integrated Acute Care Facility | | | | | |
| Learning Disabilities Supported Housing | | | | | |
| New Combined Heat and Power Plant Noble's | | | | | |
| Older Persons Residential & Resource Unit East | | | | | |
| Older Persons Residential & Resource Unit North | | | | | |
| INFRASTRUCTURE | | | | | |
| Ballacubbon Ph 2b | | | | | |
| Climate Change Adaption | | | | | |
| Douglas Outer Harbour Development | | | | | |
| Douglas Promenade Further Phases | | | | | |
| Glencrutchery Road | | | | | |
| Hazardous Landfill Replacement | | | | | |
| New Housing Stock | | | | | |

Appendix 6 – Capital Programme New Schemes

| PHASING OF CAPITAL SCHEMES FROM 2018-19 | | | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------------------|
| | 2018-19 £000 | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | Further Payments £000 |
| Noble's Hospital - Asset Replacement | | | | | |
| Nunnery Bridge | | | | | |
| Park Road Site | | | | | |
| Port St Mary Marina Development | | | | | |
| Southern Civic Amenity Site | | | | | |
| Steam Railway Track | | | | | |
| Ramsey Off-Street Car Parking/Transport Interchange | | | | | |
| Snaefell Mountain Railway Track | | | | | |
| East Quay Peel | | | | | |
| Glen Mooar Highway Improvements | | | | | |
| Peel Harbour Bridge Replacement | | | | | |
| Pulrose River Bridge | | | | | |
| West Quay Ramsey | | | | | |
| Airport Rehabilitation (pavements) | | | | | |
| MANX MUSEUM & NATIONAL TRUST | | | | | |
| Collection Store Ph 1 | | | | | |
| Laxey Wheel Refurbishment (repainting Wheel and Rod Duct) | | | | | |
| Museum Strategic Master planning | | | | | |
| New National Library, Archives and Public Records Office | | | | | |
| Nautical Museum/Peggy Return | | | | | |
| Cregneash Car Park/Visitor Facilities | | | | | |
| MANX UTILITIES AUTHORITY | | | | | |
| Combined Cycle Gas Turbine | | | | | |
| Essential upgrades fuel tanks & back-up power supplies | | | | | |
| Network Refurbishment | | | | | |
| Regional Sewerage Strategy 2 | | | | | |
| Regional Sewerage Strategy 2 (Peel/Central Valley) | | | | | |
| SMART Metering Conversion | | | | | |
| All Island Refurb of Sewerage Infrastructure | | | | | |
| Sewer Flood Alleviation | | | | | |
| Refurb of Sewerage Treatment Works (Central Valley) | | | | | |
| SCHEMES FUNDED FROM HOUSING RESERVE | | | | | |
| Crossag Ph 2 | | | | | |
| Crossag Ph 3 | | | | | |
| Clagh Vane Redevelopment 7/8 | | | | | |
| Grand Total | 41,528 | 52,658 | 59,928 | 33,920 | 121,399 |

Appendix 7 – Explanation of Reserves

External Reserves

Enterprise Development Fund

Commenced during 2016-17, with initially a £10m cash injection from the Revenue Account Operating Balance, the Enterprise Development Fund is designed to boost the Manx economy with business investment and loan funding. The Fund is intended to promote innovation and entrepreneurialism, increase inward investment to the Island, and to generate job creation opportunities through the establishment of the Island as an enterprise development zone. Up to £50m will be made available for investment through the Fund, which is managed by an external scheme manager.

Hospital Estates Development Fund

The purpose of this Fund is to meet the cost of loan charges arising from capital expenditure in respect of the New 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).

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 supports the development of the media and film industry by providing funds to invest in large budget film productions and local media infrastructure. This is 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 current contract with Pinewood Film Advisors for the management of the Fund expires in October 2017, and following an options review a decision will be made on the future of the Fund beyond that date. The forward projection of drawdown figures from this reserve are for illustrative purposes only, and could change subject to any policy change.

Public Service Employees' Pension Reserve

The reserve was established in 1994 to provide a long term fund to stabilise the annual finance of:

- transfer values payable for outgoing employees;
- lump sums payable to retiring employees;
- ongoing costs of pension administration and the implementation of the Government Unified Scheme; and
- the emerging pensions liability.

Income into the reserve is derived from transfer values in respect of incoming employees. 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 required from General Revenue. Reform of public sector

pensions is therefore required in order to ensure that the impact on the taxpayer is at an affordable and sustainable level.

MUA Bond Repayment Fund

Responsibility for the management of the Manx Utilities Authority Bond Issues transferred from the Authority to Treasury on 1st 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 comprises 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 which is included within Treasury's Social Security Division. The Operating Account is used to fund NI-funded welfare payments and a proportion of the monies in the Account are allocated to the Island's Health Service. 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 steadily reduced year on year.

Internal Reserves

Academic Business Planning Fund

New for the end of 2016-17, this reserve is established to allow the Department of Education and Children some flexibility in its business planning for those areas of operations where the financial year does not coincide with the operational year, i.e. the academic year. Through this "smoothing fund", the Department can apply to Treasury to transfer agreed year end underspends into the new financial year for specific identified drawdown needs for the first six months of the new financial year. This initiative is on a one year trial basis, and if successful may be considered for rollout to other appropriate areas of Government for future years.

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 2017-18 and will be closed.

BREXIT Fund

This new BREXIT Fund is established for 2017-18, with a balance of £1m from the Operating Balance. This Fund will be 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 approved for funding from here must be of a temporary nature or self-sustainable from ongoing savings generated. Recurring expenditure is not eligible. Included within this Budget's proposals is a measure to allow Treasury to approve up to £100,000 additional in-year expenditure per scheme from the Contingency Reserve.

Digital Strategy Fund

The Fund replaced the ICT Fund, which closed as of 1st April 2016. The Fund arose from a need to ensure that the delivery of the Digital Strategy is fully implemented and savings arising as required by the Five Year Financial Plan are captured accordingly. The Digital Strategy Fund aims to secure a minimum financial saving of £5m 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. The terms of reference for this Fund have been amended to allow Departments to retain 25% of the savings arising from successful bids.

Healthcare Transformation Fund

This replaces the Health Inspection Fund which was established in 2014, and was due to close at the end of 2016-17 following the completion of transitional projects arising from the findings of Noble's Hospital external reviews. This rebranded reserve is designed to provide finance 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 will include initiatives to realise ongoing revenue savings, or perhaps allow the double-running of services necessary to support realignment. 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 Government's capital housing programme. Amounts from this Fund are transferred into the Capital Fund to meet the cost of any housing projects that are approved by Tynwald. The Fund is also used to finance Government's First Time Buyers House Purchase Assistance Scheme, with repayments used to supplement the Fund. At the end of 2014-15, the Department of Health and Social Care transferred £2.5m into the Fund in order to supplement the local authority housing deficiency revenue budget (now the Department of Infrastructure). The

Reserve is topped up by a further £1.5m in 2017-18 from the Operating Balance in order to maintain sufficient funds to meet the projected spending commitments.

Invest to Save Fund

This Fund, previously known as the Restructuring Fund, as of 1st April 2016 was rebranded as a new fund to consider up front 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 to allow Departments to retain 25% of the savings arising from successful bids.

Land & Property Acquisition Reserve

The Land & Property Acquisition 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 required for public services becomes available. Land bank transactions, both planned and unplanned, are made through the Capital Account. The expenditure on unplanned land transactions is met by transfers from the Land & Property Acquisition Reserve. This Reserve is to be topped up by £2m from the Economic Development Fund during 2016-17, with a further £1m in 2017-18.

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 provided for prosecutions by the Attorney General's Chambers. Given the ad hoc nature of these cases, this reserve, which was established in 2005, 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. As part of the Five Year Financial Plan, the process of transferring into the General Revenue Account a number of cost elements which are incurred each year and have previously been funded from this reserve will continue for 2017-18 (in particular Legal Aid, which now forms part of Treasury's Social Security Division).

Marketing Initiatives Fund

Originally set up in 2005, this Fund is designed to provide financial support for marketing initiatives or projects that promote the Island to various 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 at the end of 2017-18, as the Departments that have been drawing down from the Fund (mainly the Department of Economic Development) are moving towards a position whereby their funding needs are to be managed from within 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 top up of £1m from the Economic Development Fund is required for 2017-18 in order to maintain sufficient balance to meet payment requirements. 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

This reserve was originally established in 1994, though its remit was extended in 2012. 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, at Treasury’s discretion, to counter the undesirable effects of drugs and alcohol.

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.