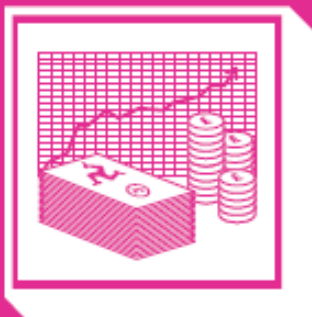


GD NO: 2019/001

# BUDGET

## 2019



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on 19 February 2019





**Isle of Man  
Government**  
*Reillys Eilan Vannin*

# **2019-20 Budget**

## **A Budget of Confidence**



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## **1. INTRODUCTION FROM THE MINISTER - BUDGET REPORT 2019-20**

### **A Budget of Confidence**

This is the third budget of my tenure, and it continues to support the main objectives set out in the Programme for Government; facilitating the development of an inclusive and caring society, enabling an Island of enterprise and opportunity and ensuring we remain financially responsible. It delivers continued growth in taxation receipts, sustainable investment in public services and further significant investment in our Island's infrastructure.

The budget also recognises the financial pressures that many people and families continue to experience. In previous budgets we have sought to bring as much relief as we can to the "family heartbeat" of our society and for the third budget in a row we will be increasing the Personal Tax Allowance and proposing an (above inflation) increase to child benefit.

Last year we brought forward £1.5 million of additional funding for pre-school credits to help those with young children. This year we have ring fenced an additional £1.5 million to help parents who are supporting higher education costs.

And it's not just child benefits that receive special attention. Above inflation increases are also applied to Employed Persons Allowance, Maternity Payments and Disability Premiums.

Our focus remains on supporting our working families and building an inclusive society. In doing so we remain adamant that welfare spending is appropriately targeted and fair, both in terms of the criteria for receipt and the recognition of our need to provide support to key groups.

In addition it is vital that our communities are confident that the Island is a healthy and safe place to live and work. We are therefore committing £2.5 million to our Police Service that will enable them to provide more community resources to tackle criminal behaviour but also resource their ability to understand and engage where mental health problems are behind such issues.

The Department of Health and Social Care (DHSC) remains a critical area of concern. We recognise that the forthcoming report from Sir Jonathan Michael could result in significant changes and we stand by with a Healthcare Transformation Fund of £5 million to act in accordance with Tynwald's decisions.

Tackling these issues is not feasible without a strong and healthy economy and we continue to support funding for business growth and development. In addition we will be encouraging new resident employees with a National Insurance Holiday Scheme which will provide an added incentive for relocation to the Island and aid employers with their recruitment programmes.

Our capital program will add to our economic performance and deliver solid infrastructure foundations for the future with a planned programme of almost £479 million over the next five years. The 2019-20 programme will see a focus on our communication links with over £5 million of work at the airport to maintain safety and security at our gateway with other jurisdictions and further development work on the Liverpool Ferry Terminal with significant investment of over £6 million this year alone, subject to Tynwald's approval. Funding has also been made available for investigatory and design work for a cruise berth off Victoria Pier.



## **BUDGET REPORT 2019-20 (Continued)**

To support on-Island communications there is a commitment to invest in increased fibre-optic connectivity and on-going investment in our transport infrastructure. This includes further investment of £1.9 million in the bus fleet to reduce operating costs and improve environmental efficiency as well as a consolidated fund for our heritage rail assets.

The budget will also see investment in the built environment with projects ranging from the Douglas Promenade scheme, through improved patient facilities on the DHSC estate, to investment to protect our towns and villages from the elements.

To protect our population and maintain our reputation there will be investment in vehicles, equipment and software to tackle crime and promote safety.

This budget predicts a surplus of £28 million in the current year which exceeds expectations but nevertheless only just over halfway towards the estimated £45m needed to meet the Public Sector pension shortfall from 2022. We cannot be complacent, but we can be confident. Confident that despite the backdrop of continued international, political and economic uncertainty, the Island is demonstrating remarkable resilience. Higher than expected income tax receipts reflect encouraging business performance and, across the Island, there is strong evidence of continued confidence as investors develop hotels, offices and houses alike.

In a year that promises international political and economic turbulence, this budget provides a platform for confidence in our Island and the future. The environment around us is changing; but with change also comes opportunity. We must seek to recognise that we have solid foundations on which we can adapt to meet our challenges.



**Alfred Cannan MHK**

**Minister for the Treasury**



## 2. OVERALL FINANCIAL SUMMARY FOR REVENUE & CAPITAL

### 2.1. Government Revenue Forecast 2019-20 TO 2022-23

In accordance with the Treasury Act 1985, the Treasury is pleased to present the revenue forecast for the Isle of Man Government for the financial year 2019-20, together with provisional projections for the following three years to 2022-23.

**TABLE 1 - Government Revenue Forecast 2019-20 to 2022-23**

GOVERNMENT REVENUE FORECAST 2019-20 TO 2022-23						
Budget 2018-19	Probable 2018-19	£000	Budget 2019-20	Provisional Budgets		
				2020-21	2021-22	2022-23
(1,001,633)	(1,019,771)	Income	(1,039,868)	(1,071,962)	(1,099,966)	(1,129,821)
991,439	992,004	Expenditure	1,037,822	1,053,943	1,069,961	1,128,231
<b>(10,194)</b>	<b>(27,767)</b>	<b>(Surplus)/Deficit</b>	<b>(2,046)</b>	<b>(18,019)</b>	<b>(30,005)</b>	<b>(1,590)</b>

### 2.2 Government Capital Forecast 2019-20 TO 2022-23

Table 2 below shows the summary Capital Account including details of expected receipts and payments (based on adjusted expected capital expenditure levels) for the next financial year, 2019-20. Provisional projections have also been provided for the following three years to 2022-23.

**TABLE 2 - Government Capital Forecast 2019-20 to 2022-23**

GOVERNMENT CAPITAL FORECAST 2019-20 TO 2022-23						
Budget 2018-19	Probable 2018-19	£000	Budget 2019-20	Provisional Budgets		
				2020-21	2021-22	2022-23
(62,530)	(63,305)	Receipts	(62,953)	(64,651)	(65,879)	(66,827)
62,000	55,000*	Payments	70,511	85,991	68,934	68,934
<b>(530)</b>	<b>(8,305)</b>	<b>(Surplus)/Deficit</b>	<b>(7,558)</b>	<b>(21,340)</b>	<b>(3,055)</b>	<b>(2,107)</b>
<b>45,946</b>	<b>58,753</b>	<b>Capital Account Balance B/F</b>	<b>67,058</b>	<b>59,500</b>	<b>38,160</b>	<b>35,105</b>
530	8,305	Surplus/(Deficit) on Capital Account	(7,558)	(21,340)	(3,055)	(2,107)
<b>46,476</b>	<b>67,058</b>	<b>Capital Account Balance C/F</b>	<b>59,500</b>	<b>38,160</b>	<b>35,105</b>	<b>32,998</b>

\*Please note this is a 47% full year projection of total budgeted expenditure approved for 2018-19 - which Treasury has forecast based on expenditure for the year to date, prior year expenditure trends, and estimated expenditure to the end of the financial year.





### 3. 2019-20 BUDGET HEADLINES

#### OVERVIEW

- The budget continues with the 5 Year Financial Plan as set out in the 2017-18 budget
- The 5 Year Financial Plan remains on track to address the structural deficit by 2022-23
- Additional revenue budget for Departments approved of £11.8 million
- A 5 year Capital Programme worth around £479 million
- Reliance on the reserves reduced from 2017-18 Budget with continuing reductions forecast for 2019-20 onwards

#### REVENUE EXPENDITURE

- Pay cap of 2% implemented from 2019-20 onwards
- In line with the 2018/19 budget, the Public Sector Employee Pension Reserve is forecast to be depleted during 2021/22
- 40 additional bids totalling £11.8 million have been included within this year's budget. This includes £3 million for the Health Service; £3 million for Home Affairs, mainly within Policing; £2.2 million for the Department of Infrastructure and £1.5 million for the Department of Education, Sport and Culture although this will be held centrally within Treasury until required
- New Community Fund to be established to encourage community projects which support the UNESCO biosphere status
- Additional £6.7 million required as a result of the end of contracting out from April 2019.

#### REVENUE INCOME

- Departmental income targets raised generally by 2% in line with the targets set out in the 5 Year Financial Plan
- Prudent forecasts used in relation to VAT income
- Overall increase in income of 1.5% in 2019-20 compared to 2018-19
- 'Sugar tax' will be imposed from April 2019, the proceeds of which will be used to tackle childhood obesity.

#### THE INTERNAL RESERVES

- A number of reserves will be topped up this year including the Agriculture & Forestry Fund, the Brexit Fund, Medical Indemnity Fund, Legal Costs Reserve, and the Town & Village Regeneration Fund.

#### SAVINGS

- Continuation of the SAVE programme which commenced in 2017 with savings incorporated from 2019-20 onwards
- Unallocated savings are forecast to cumulatively increase up to £15 million per annum by 2022-23

#### CAPITAL BUDGET

- Significant schemes included in this year's programme include the rejuvenation of the Douglas Promenade Walkway, facilitation works to develop the Liverpool Ferry terminal and an initiative to support the development of Jurby
- A Consolidated Loans Fund funded programme of £130 million for 2019-20, of which £71 million is expected to be delivered.
- The Capital Projects Contingency budget of £5 million will continue with its remit to include eligibility for any projects or expenditure that is unexpected or emergency in nature

#### BENEFITS

- National Insurance funded benefits and revenue funded benefits are both lower than anticipated in the current year.
- Reduced spending in the current year has allowed the profile of both types of benefits to be reduced to a more realistic level than the previous budget indicated.
- Increase to the State Pension of 2.5%, and revenue funded benefits increasing generally by 2.4%
- Above inflation increases to Child Benefit, Employed Person's Allowance, Maternity Payments and Disability Premiums
- New Manx Pension to be introduced from April 2019

#### TAXATION POLICIES

- Personal income tax allowance increased by a further £750 from £13,250 to £14,000 per person
- Tax cap increased to £175,000
- £7 per week increase in the Earnings Threshold for primary and secondary Class 1 NI contributions
- Introduction of an NI holiday scheme for employees who move to the Island for work



#### **4. THE FIVE YEAR FINANCIAL PLAN**

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

### **A BUDGET OF CONFIDENCE**

#### **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 economic growth
- To utilise reserve interest to support spending and allow reserve growth from 2020-21

##### **SUPPORTING PUBLIC SERVICES**

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

##### **STRONG COST CONTROL**

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

A summary of the Five Year Financial Plan is shown in Table 3 overleaf. The table shows a high level projection for the next four years and includes information on how the reliance on the reserves, including the Public Service Employee Pension Reserve, can be reduced if expenditure can be controlled to grow at lower rate than the rate of increase in income.



**TABLE 3A - The Five Year Financial Plan**

FIVE YEAR FINANCIAL PLAN 2017-18 TO 2021-22							
£000	Actual 2017-18	Budget 2018-19	Probable 2018-19	Budget	Provisional Budgets		
				2019-20	2020-21	2021-22	2022-23
<b>GROSS INCOME</b>							
<b>Treasury Income</b>							
Customs and Excise	358,746	369,436	369,436	380,519	391,935	403,693	415,804
Income and Other Taxes	232,897	223,200	232,730	230,520	238,135	245,744	253,347
Other Treasury Income	10,905	9,333	9,133	7,035	6,202	4,204	3,433
<b>Other Income</b>							
Department Fees & Charges	126,329	124,626	124,591	125,622	130,667	133,267	135,932
Employee Pension Contributions	27,382	24,090	27,338	26,810	28,770	29,630	30,513
<b>Total Government Income</b>	<b>756,259</b>	<b>750,685</b>	<b>763,228</b>	<b>770,506</b>	<b>795,709</b>	<b>816,538</b>	<b>839,029</b>
NI Operating Account	247,213	250,948	256,543	269,362	276,253	283,429	290,792
<b>TOTAL INCOME</b>	<b>1,003,472</b>	<b>1,001,633</b>	<b>1,019,771</b>	<b>1,039,868</b>	<b>1,071,962</b>	<b>1,099,967</b>	<b>1,129,821</b>
<b>GROSS EXPENDITURE</b>							
Employee Costs	328,725	323,509	329,767	342,447	350,307	356,489	363,619
<i>Employer Pension Contributions</i>	<i>35,391</i>	<i>44,486</i>	<i>41,412</i>	<i>47,536</i>	<i>48,597</i>	<i>49,568</i>	<i>51,970</i>
<i>Pension Costs (net department)</i>	<i>63,217</i>	<i>62,654</i>	<i>65,435</i>	<i>62,464</i>	<i>64,403</i>	<i>70,432</i>	<i>73,030</i>
<b>Total Pension Costs</b>	<b>98,608</b>	<b>107,140</b>	<b>106,847</b>	<b>110,000</b>	<b>113,000</b>	<b>120,000</b>	<b>125,000</b>
<i>Non-Employee Costs</i>	<i>266,543</i>	<i>269,910</i>	<i>266,366</i>	<i>277,340</i>	<i>278,927</i>	<i>282,479</i>	<i>285,139</i>
<i>NHS Allocation</i>	<i>(38,510)</i>	<i>(39,665)</i>	<i>(39,665)</i>	<i>(40,855)</i>	<i>(42,081)</i>	<i>(43,343)</i>	<i>(44,644)</i>
<b>Total Non-Employee Costs</b>	<b>228,033</b>	<b>230,245</b>	<b>226,701</b>	<b>236,485</b>	<b>236,846</b>	<b>239,136</b>	<b>240,495</b>
NI Funded Payments	245,726	253,670	245,103	257,992	265,732	273,704	281,915
Revenue Funded Benefit Payments	74,618	77,626	69,648	73,403	74,871	76,368	77,895
Capital Funding (Loan Charges)	41,739	51,424	47,810	48,812	49,307	50,135	50,980
Internal Fund Expenditure	10,803	18,000	17,000	16,000	18,000	17,000	16,000
Unallocated savings	0	0	0	0	(3,000)	(10,000)	(15,000)
<b>TOTAL EXPENDITURE</b>	<b>1,028,252</b>	<b>1,061,614</b>	<b>1,042,876</b>	<b>1,085,138</b>	<b>1,105,062</b>	<b>1,122,831</b>	<b>1,140,904</b>
<b>TRANSFERS</b>							
Transfer from internal funds	(10,803)	(18,000)	(17,000)	(16,000)	(18,000)	(17,000)	(16,000)
HRF and HEDF*	(2,777)	(9,453)	(5,839)	(5,686)	(5,641)	(5,595)	(5,550)
Transfer (from)/to the NI Fund	1,487	(2,722)	11,440	11,370	10,521	9,726	8,877
Transfer from the PSEPR	(35,834)	(40,000)	(39,473)	(37,000)	(38,000)	(40,000)	0
<b>Total Transfer from reserves</b>	<b>(47,927)</b>	<b>(70,175)</b>	<b>(50,873)</b>	<b>(47,316)</b>	<b>(51,120)</b>	<b>(52,869)</b>	<b>(12,673)</b>
<b>EXPENDITURE AFTER TRANSFERS</b>	<b>980,325</b>	<b>991,439</b>	<b>992,004</b>	<b>1,037,822</b>	<b>1,053,943</b>	<b>1,069,962</b>	<b>1,128,231</b>
<b>SURPLUS</b>	<b>23,147</b>	<b>10,194</b>	<b>27,767</b>	<b>2,046</b>	<b>18,019</b>	<b>30,005</b>	<b>1,590</b>

\*Housing Reserve Fund and Hospital Estate Development Fund

Continued....



**TABLE 3B - The Operating Account - Five Year Financial Plan**

Table 3b details transfers which are planned to take place from the Operating Account to support spending from the internal funds.

MOVEMENT ON THE OPERATING ACCOUNT							
£000	Actual 2017-18	Budget 2018-19	Probable 2018-19	Provisional Budgets			
				2019-20	2020-21	2021-22	2022-23
<b>Operating Account Brought Forward</b>	<b>62,716</b>	<b>71,317</b>	<b>91,213</b>	<b>111,981</b>	<b>107,276</b>	<b>118,046</b>	<b>138,801</b>
Transfer from Reserve Fund	20,000	-	-	-	-	-	-
<b>Transfers to Reserves:</b>							
Agricultural & Forestry Fund	-	-	-	(1,000)	(1,000)	(1,000)	-
Brexit Fund	(1,000)	(1,000)	(1,000)	(1,000)	-	-	-
Contingency Fund	(3,000)	-	-	-	-	-	-
Digital Strategy Fund	(2,000)	-	-	-	(1,000)	(3,000)	(3,000)
Healthcare Transformation Fund	-	-	-	-	(1,000)	(1,000)	(1,000)
Invest to Save Fund	(1,000)	(1,000)	(1,000)	-	-	-	-
Legal Costs Reserve	(1,000)	(2,000)	(2,000)	(1,500)	(1,000)	(1,000)	(1,000)
Marketing Initiatives Fund	-	-	-	-	-	-	-
Medical Indemnity Fund	(1,000)	(2,500)	(2,500)	(3,000)	(3,000)	(3,000)	(5,000)
Town & Village Regeneration	(150)	(500)	(500)	(250)	(250)	(250)	(250)
Enterprise Development Scheme	(2,000)	(3,000)	-	-	-	-	-
Housing Reserve	(1,500)	(4,000)	-	-	-	-	-
Land & Property Acquisition	(2,000)	-	-	-	-	-	-
<b>Sub-Total Transfers to Reserves</b>	<b>(14,650)</b>	<b>(14,000)</b>	<b>(7,000)</b>	<b>(6,750)</b>	<b>(7,250)</b>	<b>(9,250)</b>	<b>(10,250)</b>
Surplus on the General Revenue Account	23,147	10,194	27,768	2,046	18,019	30,005	1,590
<b>Operating Account Carried Forward</b>	<b>91,213</b>	<b>67,511</b>	<b>111,981</b>	<b>107,276</b>	<b>118,046</b>	<b>138,801</b>	<b>130,141</b>

### **Structural Deficit and Reserves Position**

In table 4, the operating deficit shows the excess of expenditure over income for activities excluding the National Insurance Fund and Capital Expenditure before the use of reserves. This analysis is to provide information on the resourcing of Government's ongoing activities that are funded through the revenue account. The analysis shows, that should the plan be achieved, then the operating deficit will be significantly reduced from 8.1% of operating income for 2019-20 to 2.3% by 2022-23.

The analysis also demonstrates that after inclusion of investment returns from the reserves, the anticipated level of reduction in the overall value of the reserves is relatively small and an increase in the reserves total by the end of the period is forecast. It should be noted that current market uncertainty may negatively impact on investment return in the short term.

The profile of the projected operating and structural deficit position remains unchanged, and remains on course in line with the Five Year Financial Plan objectives. The structural deficit position is forecast at £58.3 million for 2019-20 which is lower than in the 2018-19 budget.

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

The 2018-19 operating deficit is significantly better than in the budget due to increased income (primarily taxation income) and reduced expenditure (mainly social security spending). The structural deficit position is also better than budget as a result of a National Insurance (NI) fund surplus and reduced capital spending.



The use of reserves was budgeted at £70.2 million for 2018-19, however a review of the forecast indicated that this is more likely to be around £50.9 million. The main reason for the difference is in the National Insurance Fund which was budgeted as a deficit of £2.7 million but is now anticipated to be a surplus which will result in a transfer to the fund of £11.4 million.

In 2019-20 the operating deficit is around £5 million worse than the previous budget as a result of the additional bids included. However, the structural deficit is around £4 million better mainly as a result of a further NI fund surplus.

**TABLE 4 - Summary Position**

<b>SUMMARY POSITION</b>							
<b>£000</b>	<b>Actual 2017-18</b>	<b>Budget 2018-19</b>	<b>Probable 2018-19</b>	<b>Provisional Budgets</b>			
				<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Income	1,003,472	1,001,633	1,019,771	1,039,868	1,071,962	1,099,967	1,129,821
Less:							
NI Income	(247,213)	(250,948)	(256,543)	(269,362)	(276,253)	(283,429)	(290,792)
Reserve Fund Interest	(7,733)	(8,000)	(8,000)	(6,000)	(4,000)	(2,000)	
<b>OPERATING INCOME</b>	<b>748,526</b>	<b>742,685</b>	<b>755,228</b>	<b>764,506</b>	<b>791,709</b>	<b>814,538</b>	<b>839,029</b>
Expenditure	1,028,252	1,061,614	1,042,876	1,085,138	1,105,062	1,122,831	1,140,904
Less NI Expenditure	(245,726)	(253,670)	(245,103)	(257,992)	(265,732)	(273,704)	(281,915)
<b>OPERATING EXPENDITURE</b>	<b>782,526</b>	<b>807,944</b>	<b>797,773</b>	<b>827,146</b>	<b>839,330</b>	<b>849,127</b>	<b>858,989</b>
<b>OPERATING DEFICIT</b>	<b>(34,000)</b>	<b>(65,259)</b>	<b>(42,545)</b>	<b>(62,640)</b>	<b>(47,621)</b>	<b>(34,590)</b>	<b>(19,960)</b>
<b>NI (Deficit)/Surplus</b>	1,487	(2,722)	11,440	11,370	10,521	9,726	8,877
<b>Capital</b>	24,331	530	8,305	(7,558)	(21,340)	(3,055)	(2,107)
<b>Structural Deficit</b>	<b>(8,182)</b>	<b>(67,451)</b>	<b>(22,800)</b>	<b>(58,829)</b>	<b>(58,440)</b>	<b>(25,920)</b>	<b>(13,190)</b>
Estimated returns held in the reserves	69,549	42,803	39,816	42,367	41,694	46,601	50,891
Reserve Fund Interest	7,733	8,000	8,000	6,000	4,000	2,000	
<b>Overall Net (Deficit)/Surplus</b>	<b>69,100</b>	<b>(16,648)</b>	<b>25,016</b>	<b>(10,462)</b>	<b>(12,746)</b>	<b>20,681</b>	<b>37,701</b>



## Capital Programme

Key to the successful delivery of the capital programme is its affordability and sustainability. The trend for Government's actual capital expenditure outturn is for it to be lower than the budgeted levels each year (typically around £60-£70 million per annum).

The following table presents the projected position on the Capital Account based on the proposed Capital Programme but forecast for a more realistic annual expenditure position as described above.

It can be seen that the balance on the Capital Account is expected to retain a healthy but declining balance throughout the period of the Five Year Financial Plan, making the proposed capital programme challenging but affordable on the basis of previous delivery trends. Further details are outlined at Section 7.

With a drive to increase delivery of capital projects comes the risk of depletion or over commitment in the capital programme. With this in mind there is a plan to review and develop a Capital Financing Strategy for the future to ensure long term sustainability.

**TABLE 5 - Projected Capital Account**

CAPITAL ACCOUNT (PROJECTED)					
£ million	Probable 2018-19	Budget 2019-20	Provisional Budgets		
			2020-21	2021-22	2022-23
<b>Income</b>					
Loan Charges	45.8	46.9	47.4	48.2	49.1
MUA	14.5	13.1	14.3	15.2	15.3
Housing Reserve Fund	2.1	1.9	1.9	1.9	1.9
Capital Receipts	1.0	1.0	1.0	0.5	0.5
<b>Total Income</b>	<b>63.3</b>	<b>62.9</b>	<b>64.6</b>	<b>65.8</b>	<b>66.8</b>
<b>Expenditure</b>					
Capital Programme	55.0	70.5	86.0	68.9	68.9
<b>Total Expenditure</b>	<b>55.0</b>	<b>70.5</b>	<b>86.0</b>	<b>68.9</b>	<b>68.9</b>
<b>Capital Fund Brought Forward</b>	<b>58.8</b>	<b>67.1</b>	<b>59.5</b>	<b>38.1</b>	<b>35.0</b>
Surplus/(deficit)	8.3	(7.6)	(21.4)	(3.1)	(2.1)
<b>Capital Fund Carried Forward</b>	<b>67.1</b>	<b>59.5</b>	<b>38.1</b>	<b>35.0</b>	<b>32.9</b>



## Use of Reserves

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

**TABLE 6 - Reserve Valuations**

RESERVES ESTIMATED VALUE WITH INVESTMENT RETURNS AND STABLE MARKET						
£ million	Budget	Probable	Budget	Provisional Budgets		
	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
National Insurance Fund	808	823	861	900	940	980
Public Service Employees Pension Reserve	110	110	76	40	2	-
Other reserves and cash including Reserve Fund	788	784	784	770	791	791
<b>Estimated Value</b>	<b>1,706</b>	<b>1,717</b>	<b>1,721</b>	<b>1,710</b>	<b>1,733</b>	<b>1,771</b>

## Notes

- 1) External fund balances are presented here at market value rather than book value, and it should be noted that market values may fluctuate against market and economic conditions.
- 2) More detail on the NI Fund and the Pension Reserve is given in Section 6 (Table 15 and Table 16).
- 3) An explanation of the reserves is provided in Appendix 8.



## 5. REVENUE – INCOME

### 5.1. 2018-19 Performance – Treasury Income

**TABLE 7 - 2018-19 Year End Forecast (Treasury Income)**

2018-19 BUDGET AGAINST PROBABLE					
£000	Budget 2018-19	Transfers	Revised Budget	Probable 2018-19	Variance
<b>INCOME</b>					
Customs & Excise	369,436	-	369,436	369,436	-
Income & Other Taxes	223,200	-	223,200	232,730	9,530
NI Operating Account	250,948	-	250,948	256,543	5,595
Other Treasury Income	9,333	-	9,333	9,133	(200)
<b>Total Treasury Income</b>	<b>852,917</b>	<b>-</b>	<b>852,917</b>	<b>867,842</b>	<b>14,925</b>

When comparing the 2018-19 budgeted Treasury income to the probable income, the most significant variance is in relation to income tax which is projected to be approximately £9.5 million ahead of budget. An additional £5.6 million of NI income is also anticipated, primarily within Class 1 receipts.

### 5.2. 2019-20 Budget Overview

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

**TABLE 8 – Budget Income Projections**

BUDGET INCOME PROJECTIONS						
£000	Budget 2018-19	Probable 2018-19	Budget 2019-20	Provisional Budgets		
				2020-21	2021-22	2022-23
Customs & Excise	369,436	369,436	380,519	391,935	403,693	415,804
Income & Other Taxes	223,200	232,730	230,520	238,135	245,744	253,347
Other Treasury Income	9,333	9,133	7,035	6,202	4,204	3,433
NI Operating Account	250,948	256,543	269,362	276,253	283,429	290,792
Departmental Fees & Charges	124,626	124,591	125,622	130,667	133,267	135,932
Pension Contributions	24,090	27,338	26,810	28,770	29,630	30,513
<b>Total Income</b>	<b>1,001,633</b>	<b>1,019,771</b>	<b>1,039,868</b>	<b>1,071,962</b>	<b>1,099,967</b>	<b>1,129,821</b>

A further breakdown of income due to be raised by Treasury in the coming year is included at Appendix 1. Appendix 4 contains details of the Departmental Fees and Charges, including tables of planned increases for the coming year.





## **2019-20 Budget proposals**

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

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

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

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

Whilst there is still confidence in the Island's ability to generate the required levels of growth there remains some uncertainty surrounding the final amount of that income. Therefore, in the interests of prudence and good financial management, the budget has been based on a growth level of 3% over the Five Year Financial Plan period rather than the 4.5%.

The Treasury invited HM Revenue and Customs to review our processes in relation to the VAT treatment of aircraft and yachts. As a result of that review additional resource has been added to the Customs and Excise budget in order to enable the Division to increase the level of post registration compliance reviews it completes annually, thereby ensuring that the Island is fulfilling its requirements under the 1979 Revenue Sharing Agreement.

Additionally, the Customs & Excise budget has been increased to strengthen its Law Enforcement team. This will ensure the Division is prepared for the UK's exit from the EU and ensure that the recommendations of MONEYVAL are fully incorporated into every day activity.

### **Non-Shared Duties**

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

### **Soft Drinks Industry Levy ('Sugar Tax')**

The Soft Drinks Industry Levy or 'Sugar Tax' will be introduced on 1<sup>st</sup> April 2019 as a shared common duty under the 1979 Customs and Excise Agreement. Income raised under this duty will be held in a ring-fenced Fund to be utilised by the Department of Health & Social Care to tackle obesity.



## 5.4. Income Tax

**TABLE 9 – Tax Rates and Allowances**

<b>TAXATION RATES AND ALLOWANCES</b>			
<b>INDIVIDUAL TAX</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>
Lower rate	10%	10%	10%
Higher rate	20%	20%	20%
<b>Higher rate threshold:</b>			
Single Person	£6,500	£6,500	£6,500
Jointly Assessed Couples	£13,000	£13,000	£13,000
<b>Personal Allowances:</b>			
Single Person	£14,000	£13,250	£12,500
Jointly Assessed Couples	£28,000	£26,500	£25,000
Single Parent	£6,400	£6,400	£6,400
Blind Person	£2,900	£2,900	£2,900
Disabled Person	£2,900	£2,900	£2,900
Age Allowance	£0	£0	£0
<b>COMPANY TAX</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>
Standard Rate	0%	0%	0%
Banking Business	10%	10%	10%
Land & Property in the Island (Incl. Property Dev)	20%	20%	20%
Retail Trade (Small companies limit of £500,000)	10%	10%	10%

### **Individual Tax**

For 2019-20, the lower rate of income tax remains at 10% and the higher rate at 20%.

The threshold up to which the lower rate of income tax applies remains at £6,500 for a single person and £13,000 for a jointly assessed couple.

The Personal Allowance will increase to £14,000 for a resident individual or £28,000 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 rate of income tax on taxable income for non-resident individuals remains at 20%.

For new Tax Cap elections commencing from the 2019-20 tax year, the maximum income tax liability for an individual will be increased to £175,000 and £350,000 for a jointly assessed couple.

For any existing five year Tax Cap elections which commenced in the 2015/16 to 2018/19 tax years, the amount charged for each year is the value of the Tax Cap applicable in the first tax year covered by the election.



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

## Deductions granted during the financial year 2016-17

During the financial year 2016-17, the latest full year for which figures are available, other deductions that were granted are outlined for information in the table below:

**TABLE 10 - Cost of Income Tax Deductions 2016-17**

Deduction Type	Number of Claims	Total Amount Claimed (£ million)	Average Relief per Claim (£)	Cost of Tax Relief (£ million)
Mortgage Interest	11,938	31.80	249	2.97
Loan Interest	10,917	9.82	84	0.92
Charitable deed of covenant	352	0.47	114	0.04
Charitable giving	2,327	2.84	112	0.26
Private medical insurance	835	1.67	180	0.15
Nursing Expenses	481	3.66	229	0.11

## National Insurance Contributions (NIC)

Net National Insurance contributions 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.

## National Insurance Holiday

Treasury are working with the Department for Enterprise to introduce a scheme to encourage individuals to come to the Isle of Man to work.

## Employed Contributors

The rates of Class 1 NIC in the Isle of Man for 2019-20 will remain at the current rates of 11% for employees and 12.8% for employers, and the employees' additional rate will remain at 1% for earnings over £784.00 per week.

The Lower Earnings Limit (LEL) will increase from £116 per week to £118 per week from April 2019 to reflect the equivalent change announced in the UK Budget.

The thresholds at which both employees and employers start to pay Class 1 NIC will increase from £118 per week to £125 per week. The Upper Earnings Limit will remain at £784 per week.



With the introduction of the new Manx State Pension from 6 April 2019 the Additional State Pension scheme will cease and therefore the contracted-out National Insurance rebate applicable on earnings below the Upper Accrual Point will also cease.

Employers who currently operate a contracted-out salary related pension scheme should ensure that from 6 April 2019 they only use the rates of National Insurance specified in the first paragraph above for all employees under state pension age

### Self-Employed Contributors

For the 2019-20 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%. The earnings level at which Class 4 NIC becomes payable will increase to £125 per week (Lower Profit Limit).

Self-employed Class 2 NIC will remain at £5.40 per week and the share-fisherman Class 2 NIC will remain at £6.70 per week from April 2019. Class 2 NIC are not profit-related, but self-employed people can apply for exemption if their net earnings from self-employment are below a certain level. From April 2019, this level will increase to £6,500 for the year (Small Earnings Exception Limit).

From April 2019, the Class 2 contribution payable by a volunteer development worker while employed as such will increase automatically from £5.80 per week to £5.90 per week as a result of the increase in the Lower Earnings Limit.

### TABLE 11 – Contribution Rates

The table below summarises the contribution rates for 2019-20 for workers and employers:

Employed Contributors		
Total Weekly Earnings	Class 1 Employee NIC	Class 1 Employer NIC
Up to £125.00	Nil	Nil
£125.01 - £784.00	11%	12.80%
£784.01 and over	1%	12.80%

Self-Employed Contributors	
Total Weekly Profits	Self-Employed Class 2 and 4 NIC
Below £125	Nil
£125.00	£5.40
£125.01 - £784.00	As above + 8%
£784.01 and over	As above + 1%

### Other Contributors

From April 2019, the voluntary Class 3 NIC rate will increase from £14.65 per week to £15.00 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 2017, there has been a surplus of contributions over expenditure which has resulted in growth in the Manx National Insurance Fund. Further details of this can be seen in Appendix 2.

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

In line with the policy agreed as part of the Five Year Financial Plan, a blanket uplift of 2% was applied to Departmental income targets (including fees and charges) to reflect the impact of inflation and/or growth. Departments were then able to request an exemption from this policy where they did not feel the increase was appropriate, for example, rental income for properties on fixed term agreements. These requests were then considered on a case-by-case basis and are included in Departmental budgets as per Appendix 4 along with a detailed breakdown of Departmental Fees & Charges.

### **5.6. Investment Income**

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

Following a tender exercise in 2015-16, five different external investment managers were appointed to manage the investment portfolio on a discretionary basis. The appointment of the five managers, which is for a period of five years from 1<sup>st</sup> April 2016, provides a diversification of investment management and style. Detailed information on the types and requirements of the mandates in place are included in the Isle of Man Government Accounts (Dark Blue Book) <sup>1</sup>.

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

The returns generated by the funds may be reduced in the short term as a result of market uncertainty as a result of BREXIT.

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



## 6. REVENUE – EXPENDITURE

**TABLE 12 - Revenue Net Expenditure Targets by Department**

2019-20 NET REVENUE BUDGETS BY DEPARTMENT			
Net Revenue Budgets £000	Gross Income	Gross Expenditure	Net Expenditure
Enterprise	26,641	26,658	17
Education, Sport & Culture	11,066	118,839	107,773
Environment, Food & Agriculture	3,872	20,615	16,743
Health & Social Care	53,552	276,672	223,120
Home Affairs	1,183	38,669	37,486
Infrastructure	56,588	124,634	68,046
Treasury (Note 1)	887,436	380,751	(506,685)
Cabinet Office	1,547	31,995	30,448
Executive Government	2,435	13,632	11,197
Manx Museum & National Trust	862	5,500	4,638
Statutory Boards	8,722	8,977	255
Legislature	9	4,925	4,916
Employees' Pension Contributions (Note 2)	26,810	26,810	-
<b>TOTAL</b>	<b>1,080,723</b>	<b>1,078,677</b>	<b>(2,046)</b>

Note 1 - Gross income and expenditure figures for 2019-20 include National Insurance Contributions NHS allocation of £40.9 million.

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

### 6.1. 2018-19 Performance - Expenditure

Table 13 overleaf provides a summary of the 2018-19 probable figures.

Treasury expenditure has been lower than anticipated, causing a net positive effect on the year-end probable. Social Security revenue-funded payments in particular are expected to be around £8 million lower than the budget put forward in the previous Pink Book.

Within the Departments, there is still some uncertainty in the Department of Health and Social Care which is currently projecting to be £600k lower than budget in expenditure, and in the Department of Home Affairs which is projecting a £1.1 million overspend. Both of those Departments are working through options for further legitimate claims from the internal funds and other adjustments which will determine the final result.

Taking into account the favourable income position described in section 5.2, overall, the November Management Accounts are projecting a surplus of £27.8m, which is approximately £17.6 million better than the budgeted surplus.



**TABLE 13 – 2018-19 Expenditure - Budget versus Probable**

EXPENDITURE - 2018-19 BUDGET VERSUS PROBABLE					
£000	2018-19 Budget	Transfers	Revised Budget	2018-19 Probable	Variance
<b>Government Departments</b>					
Cabinet Office	30,449	0	30,449	30,442	7
Enterprise	24	0	24	24	0
Education, Sport & Culture	102,437	0	102,437	101,988	449
Environment, Food & Agriculture	16,054	0	16,054	15,099	955
Health & Social Care	216,107	0	216,107	216,726	(619)
Home Affairs	33,255	0	33,255	34,320	(1,065)
Infrastructure	63,229	0	63,229	63,227	2
Treasury	361,370	0	361,370	358,451	2,919
<b>Sub-total</b>	<b>822,925</b>	<b>0</b>	<b>822,925</b>	<b>820,277</b>	<b>2,648</b>
<b>Other Bodies</b>					
Executive Government	10,467	0	10,467	10,467	0
Manx Museum & National Trust	4,450	0	4,450	4,450	0
Statutory Boards	90	0	90	90	0
<b>Sub-total</b>	<b>15,007</b>	<b>0</b>	<b>15,007</b>	<b>15,007</b>	<b>0</b>
Legislature	4,791	0	4,791	4,790	0
<b>TOTAL VOTED SERVICES</b>	<b>842,723</b>	<b>0</b>	<b>842,723</b>	<b>840,074</b>	<b>2,648</b>
<b>SURPLUS (Income over expenditure)</b>	<b>10,194</b>	<b>0</b>	<b>10,194</b>	<b>27,767</b>	<b>17,573</b>

## 6.2. 2019-2020 Budget

### Overview

Government's total expenditure after the use of reserves for 2019-20 is budgeted to be £1.038 billion and is analysed in detail by each Department at Appendix 4. In overall terms, this gives a net expenditure surplus of £2.0 million indicating that no transfer from the General Reserve is required for revenue purposes, other than the utilisation of £6.0 million of interest from the Reserve Fund that is included in Other Treasury Income.

As with recent years, all Departments were asked to provide detailed submissions for the next 3 years to Treasury. This included any transfers between Departments, movements between income, employee and non-employee costs and any potential savings proposed. The more significant transfers in 2019-20 are the decentralisation of primary school catering from the Department of Health & Social Care and the transfer of LEaD (Government's Learning, Education and Development team) both to the Department of Education, Sport and Culture.

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





Included within 2019-20 budget is additional funding for the Department of Home Affairs to bolster our capability in fighting economic and organised crime, and in improving community and road safety on the Island, and for Treasury to boost the international compliance teams within Income Tax and Customs.

Sir Johnathan Michael's Health Service Review will help inform future funding for the Department of Health and Social Care, however the 2019-20 budget includes £903k to meet increased costs of medication at Noble's Hospital and £2.1m to meet the cost of the recent Public Service Commission pay award.

The Department of Infrastructure enjoy continued support in the 2019-20 budget to ensure the Island's infrastructure supports this Government's commitment to keep the Island a special place to live and work.

In this budget, £1.5m has been ring-fenced for the Department of Education, Sport & Culture to allow them to consider changes to higher education funding.

### 6.3. Pay Costs

The Government wide policy is a cap of 2% growth per annum as the management of pay costs is an integral part of the Five Year Financial Plan set out by this administration.

Also included within these projections is the impact of the end of Contracting Out which will increase employee costs from 2019/20 accordingly. See Table 14b.

#### Table 14a - Pay Reconciliation

This table details how the agreed 2018-19 budget has been adjusted to arrive at the employee costs reflected in the 2019-20 budget.

£000	Note	Basic	Over time	National Insurance	Other Payroll Costs	Sub-total Employee Costs	Pension	Total Including Pension
<b>2018-19 Agreed Budget</b>		<b>268,179</b>	<b>7,766</b>	<b>22,017</b>	<b>25,547</b>	<b>323,509</b>	<b>44,486</b>	<b>367,995</b>
Approved Adjustments	1	2,644	228	1,461	(2,869)	1,464	(2,262)	(798)
2% Uplift	2	5,418	-	490	-	5,908	982	6,890
Pension Re-profiling	3	-	-	-	-	-	3,784	3,784
Contracting Out NI impact	4	-	-	6,701	-	6,701	-	6,701
Bids	5	4,358	-	491	16	4,865	546	5,411
<b>Budget 2019-20</b>		<b>280,599</b>	<b>7,994</b>	<b>31,160</b>	<b>22,694</b>	<b>342,447</b>	<b>47,536</b>	<b>389,983</b>

#### Notes

1. Approved adjustments include movements within different pay codes and between pay and non-pay codes, including for example reductions in income streams which have resulted in reductions in expenditure.
2. The 2% uplift is in line with Treasury's current pay cap policy.
3. Pension contributions have been re-profiled in line with revised actuarial projections.
4. The £6.7m additional cost of National Insurance is as a result of the end of Contracting Out which comes into effect 1<sup>st</sup> April 2019.
5. The bids are detailed within the Departmental analysis within Appendix 4.





**TABLE 14b – Total Employee Costs**

£000	TOTAL EMPLOYEE COSTS							
	Basic Pay	Over time	National Insurance	Pension	Other	2019-20	2020-21	2021-22
<b>Department</b>								
Enterprise	7,294	211	833	1,203	106	9,647	9,833	10,023
Education, Sport & Culture	62,997	63	6,770	9,329	926	80,085	81,643	83,255
Environment, Food & Agriculture	6,920	79	716	1,106	299	9,120	9,295	9,473
Health & Social Care	106,938	3,783	12,681	19,458	14,606	157,465	161,614	164,493
Home Affairs	21,506	641	2,412	3,616	2,107	30,282	30,658	31,183
Infrastructure	31,059	3,109	3,407	5,808	1,799	45,182	45,987	46,765
Treasury	12,114	18	813	2,000	315	15,260	16,277	16,594
Cabinet Office	13,271	50	1,496	2,096	962	17,875	18,216	18,402
<b>Executive Government</b>								
Industrial Relations	223	-	18	22	2	265	196	200
Veterans' Welfare Service	65	2	6	11	8	92	94	96
Information Commissioner	313	-	21	29	10	373	377	382
General Registry	2,944	10	322	468	87	3,831	3,905	3,980
Attorney General's Chambers	3,864		407	567	35	4,873	4,965	5,069
<b>Other Boards</b>								
Communications Commission	332	-	33	47	9	422	429	436
Financial Services Authority	3,833	1	463	604	263	5,164	5,251	5,351
Gambling Supervision Commission	812	2	82	112	34	1,042	1,063	1,083
Financial Intelligence Unit	580	-	49	57	62	748	760	773
Public Sector Pensions Authority	734	-	61	132	21	948	966	985
Manx Museum & National Trust	2,451	17	189	397	208	3,262	3,277	3,336
Legislature	2,348	7	381	477	835	4,048	4,113	4,178
<b>TOTAL</b>	<b>280,599</b>	<b>7,994</b>	<b>31,160</b>	<b>47,536</b>	<b>22,694</b>	<b>389,983</b>	<b>398,919</b>	<b>406,057</b>



#### 6.4. Public Sector Pensions

The latest expenditure forecasts are based on the actuarial work undertaken by Hymans Robertson and are in line with previous budget figures. The Public Service Pension Reserve is therefore still forecast to be depleted in 2022 and the level of additional revenue expenditure that will be required when the fund runs out is estimated to be around £45m. This allows time to adjust our finances to meet this increased pressure and along with the higher than previously forecast income tax receipts means, for example that the increase in the overall pay budget can be afforded.

**TABLE 15 - Pension Account**

PENSION ACCOUNT					
£ million	Probable 2018-19	Budget 2019-20	Provisional Budgets		
			2020-21	2021-22	2022-23
Pension Costs	107	110	113	120	125
Less:					
Employee Contributions	(27)	(27)	(29)	(30)	(30)
Department Contributions	(41)	(48)	(48)	(50)	(52)
PSPA Administration Costs	1	1	1	2	2
PSEPR Budgeted Drawdown	(39)	(37)	(38)	(40)	0
<b>REVENUE LIABILITY</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>45</b>
<b>PSEPR Balance (Est Value) B/F</b>	<b>145</b>	<b>110</b>	<b>76</b>	<b>40</b>	<b>0</b>
Investment Return	4	3	2	0	0
PSEPR Budgeted Drawdown	(39)	(37)	(38)	(40)	0
<b>PSEPR Balance (Est Value) C/F</b>	<b>110</b>	<b>76</b>	<b>40</b>	<b>0</b>	<b>0</b>

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



## 6.5. National Insurance and Welfare Benefits

A summary of the estimate for the use of the National Insurance Fund (NIF) is shown in the table below.

**TABLE 16 - National Insurance Account**

NATIONAL INSURANCE ACCOUNT							
£ million	Actual	Budget	Probable	Budget	Provisional Budgets		
	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Income:</b>							
NI Contributions	196.3	200.2	205.8	217.0	222.4	228.0	233.7
Agency Income	50.9	50.7	50.7	52.4	53.9	55.4	57.1
<b>Total Income</b>	<b>247.2</b>	<b>250.9</b>	<b>256.5</b>	<b>269.4</b>	<b>276.3</b>	<b>283.4</b>	<b>290.8</b>
<b>Expenditure:</b>							
NI Funded Welfare Payments	205.2	212.0	203.4	215.0	221.5	228.2	235.0
Administration Costs	2.0	2.0	2.0	2.1	2.1	2.2	2.3
NHS Allocation (DHSC)	38.5	39.7	39.7	40.9	42.1	43.3	44.6
<b>Total Expenditure</b>	<b>245.7</b>	<b>253.7</b>	<b>245.1</b>	<b>258.0</b>	<b>265.7</b>	<b>273.7</b>	<b>281.9</b>
<b>NIF Brought Forward</b>	<b>756.4</b>	<b>785.3</b>	<b>793.7</b>	<b>831.0</b>	<b>869.6</b>	<b>908.9</b>	<b>948.5</b>
Investment Return	35.8	25.9	25.9	27.2	28.5	29.9	31.3
NI Account (Deficit)/ Surplus	1.5	(2.7)	11.4	11.4	10.5	9.7	8.9
<b>NIF Carried Forward</b>	<b>793.7</b>	<b>808.5</b>	<b>831.0</b>	<b>869.6</b>	<b>908.9</b>	<b>948.5</b>	<b>988.7</b>

Expenditure on both National Insurance funded benefits and revenue funded benefits in 2018-19 is forecast to be significantly lower than originally anticipated. Spending on the State Pension, which is NI funded, is forecast to be around £8m lower than budget. Expenditure on revenue funded benefits is also projected to be around £8m lower than budget primarily on account of very low levels of unemployment and consequently reduced spending on income-related benefits. This has allowed these benefits to be re-profiled to a more realistic in this budget.

The 2019 uprating of benefits is expected to result in expenditure out of the NI Fund increasing by around 2.0% overall, with the State Pension increasing by 2.5%. The gross increase is expected to be £4.2 million.

With regards to revenue funded benefits, the overall increase is 3.4%, with above inflation increases for Child Benefit (5%), and both the disability living allowance and attendance allowance (3.4%). The gross increase is expected to be £2.4 million.

National Insurance income from contributions is projected to rise by 5.4% from the 2018-19 probable figure and as a consequence the NHS Allocation is also projected to rise by 5.4%.

## 6.6. Non-pay costs

Non-pay budgets have remained static for a number of years which represents a level of efficiency saving achieved in real terms given that inflation, as measured by CPI, for this year is 2.5% (as at December 2018). As with pay, an allowance has been included in the General Revenue Account to allow for some increase in the non-employee budgets in future years which will inevitably be required. This can and will be reallocated on the provision and scrutiny of any viable business case.



### **6.7. Contingency Funding**

Treasury will continue to hold a revenue contingency budget which can be accessed on the production of a robust business case if Departments or Boards incur unanticipated costs which cannot be contained within their annual target. This has been maintained at £3m per annum for the duration of the 5 year budget.

In addition to the £3m revenue contingency budget, there was a balance brought forward of £8.3m held in the internal Contingency Fund to cover revenue contingency requirements over and above what can be covered by the revenue budget. Commitments have been made during 2018-19 of around £3 million.

There is also a Capital Projects Contingency Budget included in the Capital Programme. It is proposed to retain the Capital Contingency at £5 million going forward to act as a provision for emergency or unforeseen financial pressures, as well as minor timing variances on projects within agreed parameters.

### **6.8. Loan Charges and Capital Financing**

Loan Charges have been updated to reflect new bids, re-profiling and the delay or removal of all schemes. The final proposed programme is shown in further detail at Appendix 5. The Capital Programme has a direct influence on the revenue budget via the payment of loan charges. This year the loan charge interest has remained at 2% and the figure included in the 2019-20 budget of £48.8 million includes both this interest charge and the repayment (principal) element of borrowing. In addition to this, a further £1.9m is included in relation to schemes funded through the Housing Reserve – this is drawn down from the Housing Reserve Fund at each year-end. No further increases to the loan charge interest rate are planned, however this will be reviewed annually and adjusted on the basis of affordability.

With a drive to increase delivery of capital projects comes the risk of depletion or over commitment in the capital programme. With this in mind there is a plan to review and develop a capital financing strategy fit for the future to ensure long term sustainability.

Government capital projects are currently funded via the Consolidated Loans Fund ('CLF') which itself is financed through the annual mechanism of ringfenced revenue funded loan charges. These loan charges are set at the draft budget stage, charged to revenue, and recouped 100% into the CLF. The revenue funded loan charges are allocated as budgeted, and in instances where spend on new schemes is delayed, adjustments are made by the Treasury, per Department/Board, to accelerate repayment on current schemes.

Reimbursements to the CLF are also made on an annual basis for expenditure relating to the Housing Reserve Fund. These are reimbursements in full, the expenditure for which is not subject to loan charges.

Capital receipts for disposals of properties for example are allocated as income to the CLF.

MUA electricity and sewerage schemes are also funded via the CLF, and the repayments of both capital and interest into the CLF for these are based on actual expenditure, rather than on budgeted expenditure which is the case for the revenue funded Government Departments and revenue funded Statutory Boards.



## 6.9. Grants Payable

The following grants will be made by Government in 2019-20:

**TABLE 17 – Grants Payable 2019-20**

GRANTS PAYABLE					
£000	2018-19	2019-20			
	Total Budget	Treasury Grants	Other Grants	Lottery Duty	Total Budget
MUA – Flood Defence	500	500	-	-	500
Financial Services Authority	2,864	3,059	-	-	3,059
Manx Radio (Subvention)	955	980	-	-	980
Laxey Glen Mills	41	41	-	-	41
Culture Vannin	430	100	-	330	430
International Development	2,500	-	2,500	-	2,500
Manx Lottery Trust (Big Lottery)	750	-	600	150	750
Manx Lottery Trust (Community Fund)	-	250	-	-	250
Sports Council (DESC)	501	-	21	480	501
Arts Council (DESC)	539	-	99	440	539
	<b>9,080</b>	<b>4,930</b>	<b>3,220</b>	<b>1,400</b>	<b>9,550</b>

### Community Fund

The Isle of Man is rightly proud of its UNESCO Biosphere recognition and as part of this year's Budget Treasury has made £250,000 available to assist with the development of community projects that are in keeping with this recognition.

It is intended that this fund will be administered by the Manx Lottery Trust. The fund will provide a maximum grant of up to £25,000 to match fund costs associated with projects that can demonstrate a clear community benefit in line with our UNESCO recognition. In essence the three stated pillars of Conservation, Development and Learning would form the key assessment criteria but the exact interpretation of the requirements would be the responsibility of the Trust.

The key target is supporting community projects that develop and enhance our environment or help with the provision of community services. These would be one-off clearly identifiable capital or revenue costs (but not to be used to cover ongoing or cyclical costs such as rent, salary or other overhead costs) and set against match funding of 70:30 for registered charities and 50:50 for all other organisations.

### Other Grants

The subvention to Manx Radio will be increase in 2019-20 to cover the increased costs associated with the transfer of the responsibility for the transmission equipment from the Department of Home Affairs.

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



## **7. THE CAPITAL PROGRAMME**

### **7.1. Overview**

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

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

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

The majority of the Capital Programme is funded via the CLF or the Capital Account as it is also known. The CLF is replenished each year through the repayment of loan charges made by the Departments. This also includes an element of interest which for 2019-20 will remain at 2% in line with the Five Year Financial Plan. When a capital project is approved, the term of the repayment is set based on the expected useful life of the asset and repayments are made over this period (similar to mortgage repayments) – this can be seen in Column 5 of the Approvals table (Table 19). There are no plans to alter the interest rate as part of this year’s budget although the budget will be monitored and the rate may be reviewed. The CLF also receives income from the sale of assets which are known as Capital Receipts.

The Capital Programme includes the revised capital estimates for 2019-20 onwards. These amendments and bids are then reviewed by the Strategic Assets and Capital Investment Committee (SACIC) which is a sub-committee of Treasury, before onward endorsement from the Treasury Board and the Council of Ministers. All business cases are assessed in the context of their fit within the Programme for Government, priority, affordability and deliverability within the overall Capital Programme and following dialogue with each relevant department.

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

### **7.2. 2018-19 Performance**

The current 2018-19 year will see significant progression of Clagh Vane Phases 7&8, St Mary’s School Extension, Day Care Services Eastcliffe, the National Sports Centre Pool Hall scheme, the Douglas Promenade, and Liverpool Ferry Terminal.

Actual spend (excluding borrowing authorities and property purchase) has been lower than anticipated and for 2018-19 is projected to be £55 million by the end of the financial year against a budget of almost £117 million (excluding non-CLF funded expenditure). This equates to a forecast budget utilisation in 2018-19 of 47% which compares to actual performance to budget in 2017-18 of 47% (£41.5 million 2017-18 actual vs a budgeted £88.3 million). The programme has now been updated to accommodate and carry forward this underspend and any other changes to Departmental priorities.



Treasury's £5 million generic Capital Contingency budget has been used extensively this year following the decision to expand the remit of the budget to more generic contingency funding for urgent or emergency items of capital expenditure. As at December 2018 £2.8 million from the fund had been identified to support storm damage repairs, emergency repairs to strategically important structures in Douglas Harbour and a number of airport schemes to support security and reduce queues. The expanded remit has helped to provide Treasury with greater flexibility to respond to unforeseen circumstances or to respond to any potential opportunities to achieve savings that require a quick response.

The balance of the Consolidated Loans Fund as at the 1<sup>st</sup> April 2018 stood at £58.8 million. As at the end of quarter 2 or to the 1<sup>st</sup> October 2018, 21% of the full year estimate (£116.7 million) had been delivered with a year-end forecast of £55 million. This is in line with recent years' lower capital expenditure trends averaging around £60-£70 million per annum. This underspend has been due to a number of reasons but those that have had the most significant impact on the projected outturn include the slippage of Douglas Promenade works, the Older Persons Residential Resource Unit – Summerhill, and the Ramsey Station.

Additional approval made by Tynwald during 2018-19 includes the Heritage Rail Horse Tramway Depot which was identified as Column 3 approvals during the 2018-19 budget. This will carry forward as a Column 1 approval into the new Heritage Rail Budget scheme, a capture all scheme for capital expenditure on the Heritage Rail Network which is to be managed by the Department of Infrastructure. In addition delayed expenditure carried forward on Derby Castle Workshop Repairs, and Nunnery Bridge will be combined into this new scheme.

### **7.3. 2019-20 Budget**

Looking forward, the proposed Capital Programme for 2019-20 amounts to £130 million. This compares with £117 million approved for the current 2018-19 year. Given that historical trends indicate that it is extremely unlikely that the proposed Capital Programme would ever be 100% delivered, the forecast is adjusted for a more realistic annual expenditure position. Underspending like this can be for a number of reasons; internal delays within the Department, capacity issues, problems obtaining planning permission or failure to obtain Tynwald approval.

This year, with a small number of schemes, such as the bus replacement programme, appearing to have scope for 100% delivery the assumption has been made that expenditure will be approximately £60-72 million per annum of the budgeted expenditure based on an analysis of expenditure in previous years. At this level of spending, the balance on the Capital Account is expected to retain a surplus of between £67m to £28m throughout the next five years making the proposed Capital Programme affordable. This is demonstrated in Table 18 on the following page.





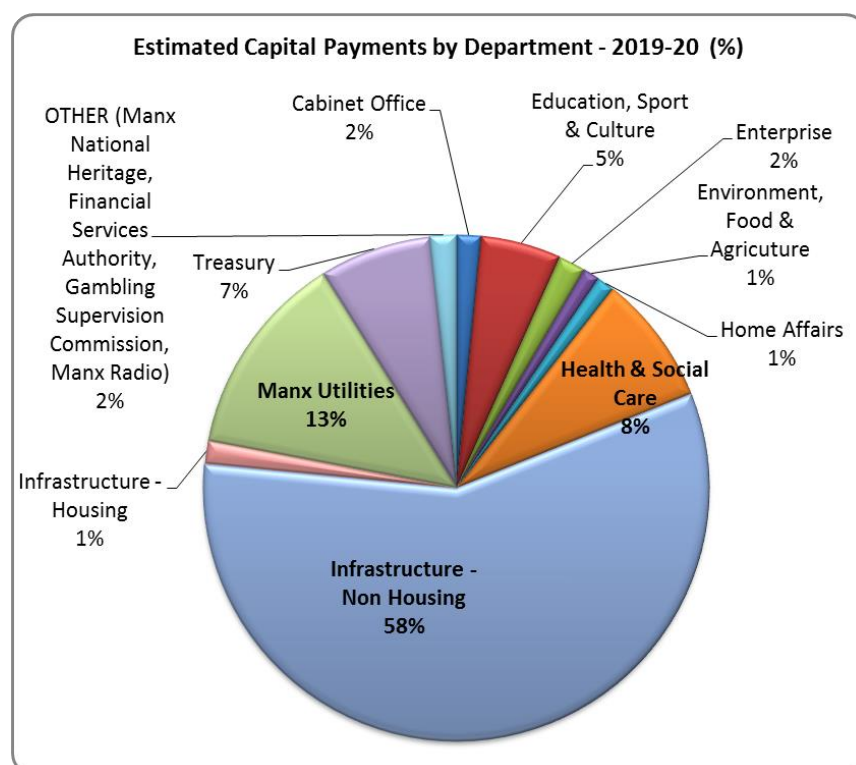
**TABLE 18 - Consolidated Loans Fund (CLF) Adjusted Forecast**

CLF ADJUSTED FORECAST						
£000	Probable 2018-19	Budget 2019-20	Provisional Budgets			
			2020-21	2021-22	2022-23	2023-24
<b>CLF Opening Balance</b>	<b>58,753</b>	<b>67,058</b>	<b>59,500</b>	<b>38,160</b>	<b>35,105</b>	<b>32,998</b>
Forecasted Net Expenditure	8,305	-7,558	-21,340	-3,055	-2,107	-5,244
<b>CLF Closing Balance</b>	<b>67,058</b>	<b>59,500</b>	<b>38,160</b>	<b>35,105</b>	<b>32,998</b>	<b>27,754</b>

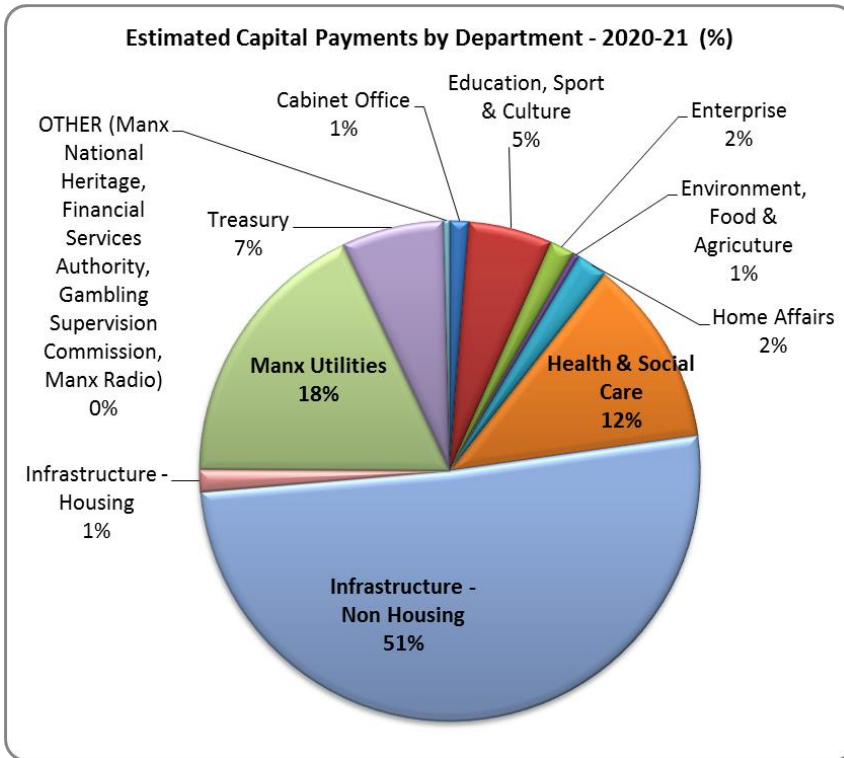
The expenditure expected in 2019-20 on Capital Projects is circa £70.5 million, whilst the income to the fund from loan charges and capital receipts is estimated at circa £43 million plus a £6 million contribution from the Housing Reserve Fund and the Hospital Estate Development Fund to offset their relevant costs. This means that the fund is projected to decrease by an estimated £7.6 million in 2019-20. £70.5 million represents a realistic estimate of deliverability that will require significant effort to deliver and includes an assumed 100% spend of the budgeted amounts for the Liverpool Ferry Terminal and Bus Replacement Scheme in 2019-20.

As is usual, some capital projects for Manx Utilities continue to be funded through the CLF over the next 5 years.

As can be seen from the charts below, the majority of the Capital Programme for 2019-20 will be undertaken by the Department of Infrastructure in line with their responsibility to manage and maintain the bulk of Government's infrastructure and its own share of the public sector housing stock. The Department of Health and Social Care also draws significantly from the budget, and 2019-20 includes expenditure on Acute Adult Psychiatric In-Patient Facility (Gedden Reesht), the Redevelopment of Grianagh Court, and the Residential Unit to replace Glenside (Summerhill).







The following TABLE 19 shows the proposed total capital cost for all Capital Projects incurring expenditure during 2019-20 in accordance with Section 3 of the Budget Order Paper.

The main column for consideration is Column 2 (C2) which requests approval as part of the presentation of this Budget. The values in Column 1 (C1) represent committed schemes which already have Tynwald approval from previous years; and the values in Column 3 (C3) represent new schemes which will need to be presented to Tynwald during the 2019-20 financial year once the detail has been developed. The right-hand column headed Loan Sanction outlines the additional amount that the Department is requesting authority to spend up to (i.e. the balance required once previous approvals (granted in 2018-19 or earlier) have been deducted). Finally, the last column shows the number of years over which the loan in question will be applied. The full Capital Programme is attached for information at Appendix 5.

An explanation of the projects listed within Column 2 is provided at Appendix 7.

Treasury will undertake a review of the key drivers for historic under-delivery of the capital programme and will use the results from this and improved Departmental prioritisation to try to establish a more deliverable programme for the future. As a cautionary note, delivery will continue to be closely monitored through both Treasury and the Council of Ministers and should it identify that there is a threat to affordability then a mid-year review may be required to re-consider profiling and allocation of funds. Affordability will be a key consideration where Column 3 items are being brought forward for approval.



**TABLE 19 - 2019-20 Capital Approvals**

SCHEME	Total Expend. 2019-20 £000	Breakdown by Approval Type				C5 YEARS
		Tynwald Approved C1 £000	To be Approved C2 £000	Future Approvals C3 £000	Loan Sanction C4 £000	
<b>Cabinet Office</b>						
DOI Network Migration	535	-	535	-	-	7
MCW - Technology	250	-	250	-	-	7
NUIX Solution	707	-	707	-	-	7
Technology - Passports & Immigration System	400	-	400	-	-	7
TT Race Timing System	130	-	130	-	-	7
<b>Cabinet Office Total</b>	<b>2,022</b>	<b>-</b>	<b>2,022</b>	<b>-</b>	<b>2,172</b>	
<b>Department of Education, Sport and Culture</b>						
Castle Rushen High School	2,300	310	-	1,990	-	40
Covered Play and Teaching Areas	200	200	-	-	-	30
DDA Works to Department Sites	967	472	495	-	-	30
MCW - National Sports Centre	100	-	100	-	-	10
MCW - Regional Pools	300	150	150	-	-	10
National Sports Centre - Pool Hall	750	246	504	-	-	20
QEII Science and Technology	400	400	-	-	-	40
School Security	250	250	-	-	-	30
St Mary's Extension Scheme	600	600	-	-	-	30
Villa - Gaiety - Light and Sound	800	800	-	-	-	10
<b>DESC Total</b>	<b>6,667</b>	<b>3,428</b>	<b>1,249</b>	<b>1,990</b>	<b>9,963</b>	
<b>Department for Enterprise</b>						
Fibre Optic Network	2,000	-	2,000	-	-	20
TT Grandstand Development	250	-	250	-	-	30
<b>DFE Total</b>	<b>2,250</b>	<b>-</b>	<b>2,250</b>	<b>-</b>	<b>327</b>	
<b>Department of Environment, Food and Agriculture</b>						
Ballure Slope Periodic Maintenance	20	20	-	-	-	30
Essential Building Maintenance	358	106	252	-	-	30
National Glens & Footpaths	350	250	100	-	-	30
Mill Road Yard Development	87	28	59	-	-	30
Public Analyst Lab - Equipment Replacement	66	-	66	-	-	10
Wildlife Park - Redevelopment	497	47	450	-	-	30
<b>DEFA Total</b>	<b>1,378</b>	<b>451</b>	<b>927</b>	<b>-</b>	<b>1,062</b>	
<b>Department of Home Affairs</b>						
TETRA	400	373	27	-	-	10
Equipment Replacement - Fire & Rescue Service	140	34	106	-	-	10
Equipment Replacement - Police	103	10	93	-	-	10
Fire Station - Port Erin	10	10	-	-	-	30
Malew Fire & Ambulance Station	70	-	70	-	-	30
MCW – Prison	210	-	210	-	-	10
New Emergency Services HQ	475	-	475	-	-	40
Police HQ Redevelopment	50	-	50	-	-	30
<b>DHA Total</b>	<b>1,458</b>	<b>427</b>	<b>1,031</b>	<b>-</b>	<b>-</b>	



SCHEME	Total Expend. 2019-20 £000	Breakdown by Approval Type				C5 YEARS
		Tynwald Approved C1 £000	To be Approved C2 £000	Future Approvals C3 £000	Loan Sanction C4 £000	
<b>Department of Health and Social Care</b>						
Acute Adult Psychiatric In-Patient Facility (Gedden Reesht)	1,741	250	1,491	-	-	30
Day Care Services - Eastcliffe	1,080	1,080	-	-	-	30
DHSC Strategic Development Fund	250	250	-	-	-	30
GP Surgery Development - Peel	260	260	-	-	-	30
MCW - Asset Replacement Scheme	1,644	1,450	194	-	-	10
Radiology Equipment Replacement	550	550	-	-	-	10
Redevelopment of Grianagh Court	1,500	-	1,500	-	-	30
Older Persons RRU - North	147	143	4	-	-	30
Older Persons RRU - Summerhill	3,500	-	34	3,466	-	30
Purchase of Bonwick House	100	80	20	-	-	30
<b>DHSC Total</b>	<b>10,772</b>	<b>4,063</b>	<b>3,243</b>	<b>3,466</b>	<b>270</b>	
<b>Department of Infrastructure</b>						
Active Travel	1,631	206	1,425	-	-	20
A5 Road Reconstruction	52	-	52	-	-	20
Airport Ground Services Refurbishment	2,150	150	2,000	-	-	30
Airport X-Ray Machines Upgrade	2,020	2,020	-	-	-	10
Ambulance Fleet Replacement	370	370	-	-	-	10
Clagh Vane Redevelopment 7/8	1,978	-	1,978	-	-	30
Climate Change Adaption	3,314	1,764	1,550	-	-	50
DHA Vehicle Acquisition	2,252	834	1,418	-	-	10
DDA - Public Buildings	112	112	-	-	-	30
Douglas Outer Harbour Development	254	254	-	-	-	40
Douglas Harbour Strategy - A Cruise Berth Victoria Pier	494	-	494	-	-	40
Douglas Promenade	9,036	9,036	-	-	-	30
Douglas Promenade Walkway	138	-	138	-	-	30
East Quay Peel	2,341	143	2,198	-	-	30
EFW Control Emissions Monitoring	23	23	-	-	-	10
Glencrutchery Road Reconstruction	127	89	38	-	-	20
Heritage Rail Budget	6,082	1,582	4,500	-	-	30
Heritage Trail Improvements	705	460	245	-	-	20
House Purchase Assistance Scheme	500	500	-	-	-	30
Jurby Development Initiative	813	-	813	-	-	30
Liverpool Ferry Terminal	6,520	6,520	-	-	-	40
MCW - DfE.	125	5	120	-	-	10
MCW - DHA.	202	2	200	-	-	10
MCW - DHSC	1,086	481	605	-	-	10
MCW - Education and Children	3,028	954	2,074	-	-	10
MCW - Government Estate	1,514	1,015	499	-	-	10
MCW - Nobles Hospital (Compliance)	397	396	1	-	-	10
MCW - Nobles Hospital (Plant & Machinery)	937	262	675	-	-	10
MCW - Public Transport	1,160	10	1,150	-	-	10
MCW - Villa/Gaiety.	290	90	200	-	-	10

DOI Continues on next page...



SCHEME	Total Expend. 2019-20 £000	Breakdown by Approval Type				C5 YEARS
		Tynwald Approved C1 £000	To be Approved C2 £000	Future Approvals C3 £000	Loan Sanction C4 £000	
<b>DOI (Continued)</b>						
MCW - Wildlife Park.	138	-	138	-	-	10
Non-Tidal Marina Development	250	-	250	-	-	30
Peel Harbour Bridge Replacement	38	23	15	-	-	30
Peel Marina Works	909	-	909	-	-	30
Plant & Vehicle Replacement	4,689	1,662	3,027	-	-	15
Problematic Waste Landfill Facility	1,711	100	1,611	-	-	30
Public Transport - Banks Circus Road Renewal	128	128	-	-	-	30
Public Transport - Bus Fleet Replacement	1,991	-	1,991	-	-	8
Pulrose River Bridge	1,605	105	1,500	-	-	30
Quarry Plant Replacement	1,302	131	1,171	-	-	15
Raggatt Landfill	220	220	-	-	-	30
Ramsey Station	200	200	-	-	-	30
Refurbishment of Michael Street Peel	49	-	49	-	-	30
Runway Instrument Landing System	1,460	960	500	-	-	10
Residential Road Refurbishment	529	29	500	-	-	20
Site Feasibility Studies	125	89	36	-	-	10
Strategic Highway Refurbishment	4,690	1,086	3,604	-	-	20
Strategic Structural Maintenance Technology - Asset Management System	2,102	-	2,102	-	-	30
47	46	1	-	-	7	
Regeneration - Douglas (Castle/Duke St)	950	950	-	-	-	20
Vehicle Test Centre Relocation	1,750	-	1,750	-	-	40
West Quay Ramsey	180	80	100	-	-	30
<b>DOI Total</b>	<b>74,714</b>	<b>33,087</b>	<b>41,627</b>	-	-	
<b>Schemes Funded from Housing Reserve</b>						
MCW - Housing Planned Works	1,900	-	1,900	-	-	-
<b>DOI-HR Total</b>	<b>1,900</b>	-	<b>1,900</b>	-	-	-
<b>DOI and DOI-HR total</b>	<b>76,614</b>	<b>33,087</b>	<b>43,527</b>	-	<b>93,888</b>	
<b>Manx Museum and National Trust</b>						
MCW - MMNT	300	-	300	-	-	10
MCW - Gallery Redisplay	250	-	250	-	-	10
<b>MMNT Total</b>	<b>550</b>	-	<b>550</b>	-	<b>508</b>	
<b>Manx Utilities Authority</b>						
Combined Cycle Gas Turbine	1,700	60	1,640			5
Advanced Metering Conversion	4,214		4,214			10
Electricity Network Refurbishment	1,200		1,200			20
MCW - MUA	1,907	1,902	5			10
Refurbishment of Local Sewage Treatment Works	2,735	103	2,632			20
Regional Sewage Treatment Works for Peel, Laxey and Baldrine	3,500	527		2,973		30
Sewer Flood Alleviation	850	482	368			20
Sewers Network Refurbishment	950		950			20

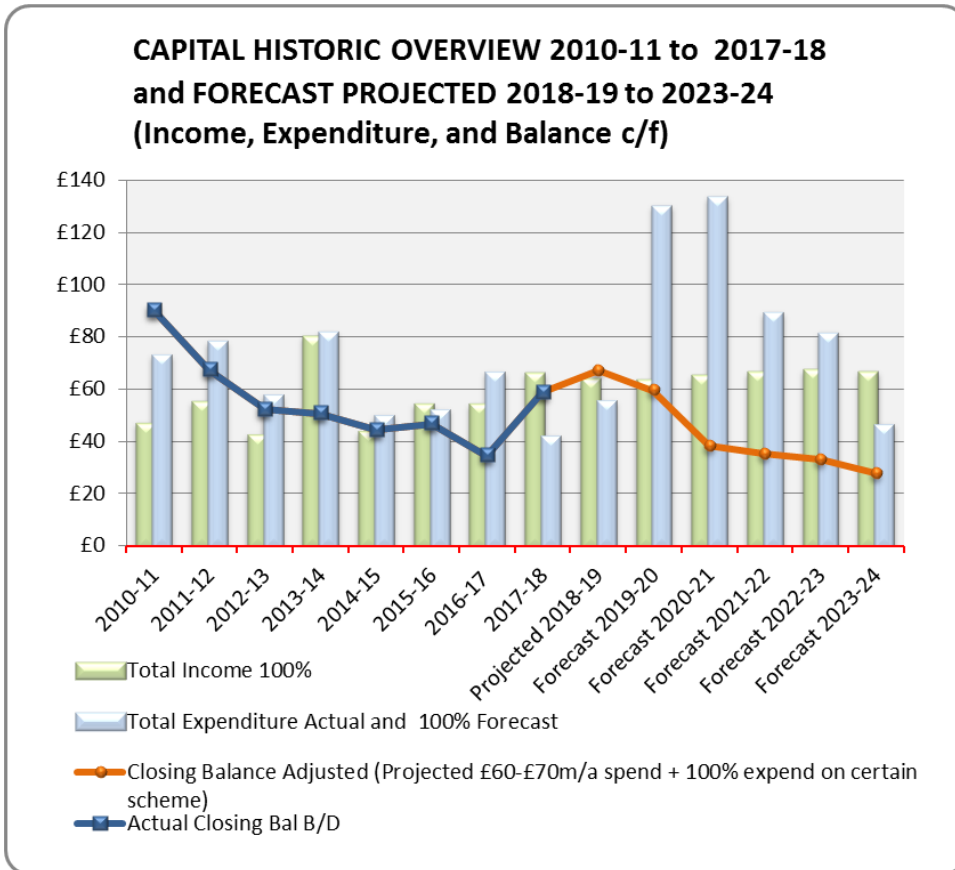


SCHEME	Total Expend. 2019-20 £000	Breakdown by Approval Type				C5 YEARS
		Tynwald Approved C1 £000	To be Approved C2 £000	Future Approvals C3 £000	Loan Sanction C4 £000	
<b>MUA Total</b>	<b>17,056</b>	<b>3,074</b>	<b>11,009</b>	<b>2,973</b>	<b>16,705</b>	
<b>Financial Services Authority</b>						
Technology - FSA New System	268	268	-	-	-	7
FSA Infrastructure Costs	36	36	-	-	-	10
<b>FSA Total</b>	<b>304</b>	<b>304</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Gambling Supervision Commission</b>						
Technology - GSC New System	212	212	-	-	-	7
<b>GSC Total</b>	<b>212</b>	<b>212</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Statutory Boards Total</b>	<b>516</b>	<b>516</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Treasury</b>						
Capital Projects Contingency Budget	5,000	-	5,000	-	-	-
Technology - Operational Change Programme	4,309	2,759	1,550	-	-	7
<b>Manx Radio</b>						
MCW - Broadcasting House	150	38	112	-	-	10
Broadcasting House Refurbishment	969	-	-	969	-	30
<b>Treasury &amp; Manx Radio Total</b>	<b>10,428</b>	<b>2,797</b>	<b>6,662</b>	<b>969</b>	<b>2,878</b>	
<b>TOTAL</b>	<b>129,711</b>	<b>47,843</b>	<b>72,470</b>	<b>9,398</b>	<b>127,773</b>	

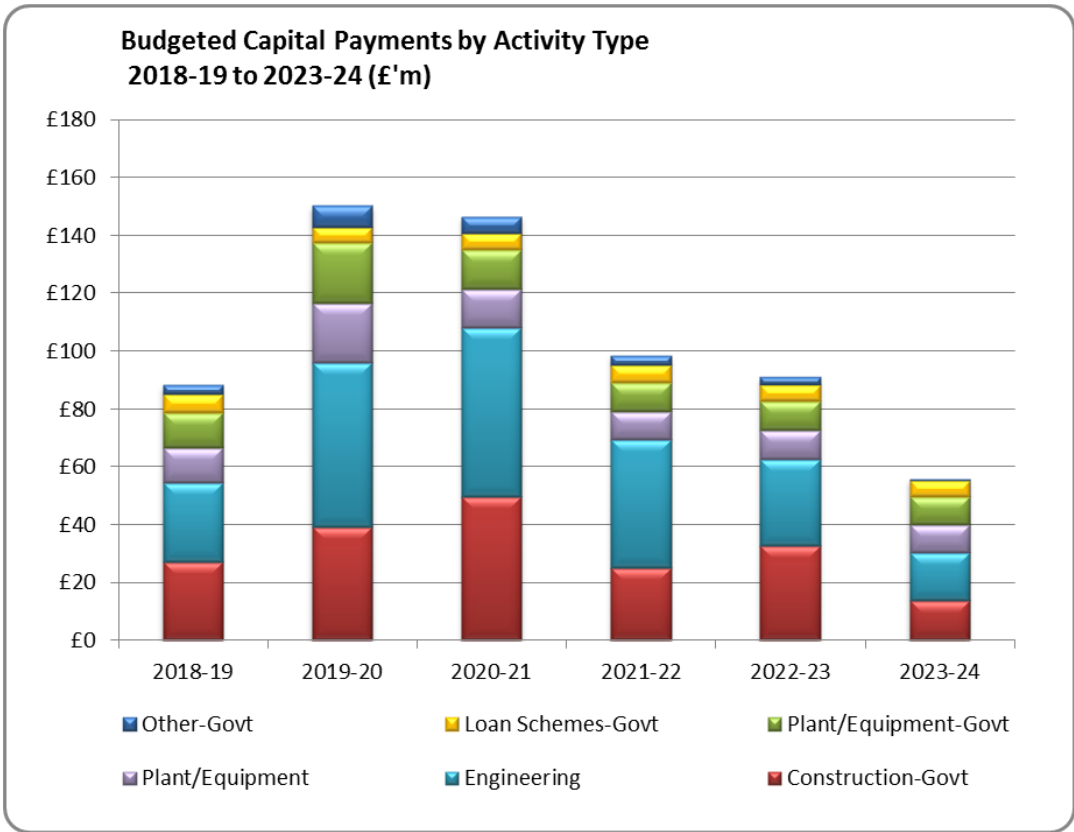


### 7.4. The 5 year Capital Programme

The table below shows the balance of the Consolidated Loans Fund (CLF) historically over the last 7 years and projected forward to include the duration of the current capital programme. As can be seen, the balance of the CLF is reducing, however at such a rate that it is unlikely that the fund will be depleted or will require “topping up” in the short to medium term. Unless there is a significant spike in delivery the fund remains affordable and at a level that allows for a considered review of future capital funding strategies.



An estimate of probable spend has been used rather than the traditional budgeted spend which has been used to model affordability in previous years, as this more accurately reflects Government’s assessment of the current capacity of local industry to deliver these projects. Liaison with the industry does take place regularly and efforts are made to schedule works to, as far as possible, avoid significant peaks and troughs to maximise delivery. Table 20 below shows the breakdown of the Capital Programme by type of expenditure.



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

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



**TABLE 20 - Capital Account Summary**

CAPITAL ACCOUNT SUMMARY						
£000	Probable	Budget	Provisional Budgets			
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>RECEIPTS</b>						
Repayment of Capital and Interest	45,757	46,912	47,407	48,235	49,080	49,035
Capital Receipts	1,000	1,000	1,000	500	500	500
Drawdown from Housing Reserve	2,053	1,900	1,900	1,900	1,900	1,900
MUA Repayment	14,495	13,141	14,344	15,244	15,347	14,758
<b>TOTAL INCOME</b>	<b>63,305</b>	<b>62,953</b>	<b>64,651</b>	<b>65,879</b>	<b>66,827</b>	<b>66,193</b>
<b>PAYMENTS (BUDGET)</b>						
<b>Departments</b>						
Cabinet Office	1,920	2,022	250	250	250	250
Enterprise	-	2,250	-	-	-	-
Education, Sports and Culture	7,444	6,667	1,150	1,076	1,300	300
Environment, Food & Agriculture	775	1,378	435	450	450	450
Health & Social Care	5,807	10,772	1,911	1,800	1,800	1,250
Home Affairs	818	1,458	2,630	630	630	630
Infrastructure	37,543	74,714	56,837	28,260	21,164	22,251
Housing Reserve Funded Schemes	2,053	1,900	1,900	1,900	1,900	1,900
Treasury	5,339	9,309	5,413	5,210	5,210	5,000
<b>Other Bodies</b>						
Manx Museum & National Trust	435	550	400	320	310	310
Statutory Board FSA	246	304	-	-	-	-
Statutory Board GSC	288	212	-	-	-	-
Manx Radio	150	1,119	150	150	150	150
Manx Utilities Authority	13,557	17,056	1,424	600	1,950	600
Total Future Schemes (Appendix 6)	-	-	60,619	48,172	45,999	13,060
<b>TOTAL EXPENDITURE</b>	<b>76,375</b>	<b>129,711</b>	<b>133,119</b>	<b>88,818</b>	<b>81,113</b>	<b>46,151</b>

The table above shows all elements of the Capital Programme. As explained earlier, given the trend for Government's delivery of the capital expenditure to be lower than the full programme, Treasury has included a more realistic projected spend of £60-72 million per annum delivery against budget, plus 100% of the budgeted Liverpool Ferry Terminal and Bus Fleet Replacement. This level of capital expenditure is considered both affordable and sustainable. This explains the difference between the total expenditure figures above and those included in the Capital Account Forecast at Table 2.

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

Last year, Tynwald delegated authority to Treasury, to allow it to approve where appropriate, the funding for scheme overspends up to £250,000 where they relate to timing differences and account for less than 10% of the total cost of the project. This has saved Tynwald time over the last year and will continue to do so for what are primarily timing related discrepancies. Departments will still be required to explain any overspends where necessary. With the scale of projects coming forward in the next few years, particularly the harbour schemes, it is proposed to increase this authority to £500,000.





## 8. THE RESERVES

Government's reserves are made up of internal and external funds. Summaries of the purpose of each of these funds can be found at Appendix 8.

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

This budget relies on the use of reserves to the order of £56.4 million (compared to an estimated £61.0 million for 2019-20 in the previous budget), which can be used as a proxy for Government's underlying operating deficit. Investment returns on our externally invested reserves are forecast at £48 million. A summary of the projected reserves position is shown below.

A considerable proportion of the use of reserves is in relation to the draw down from the Public Service Employee Pension Reserve of around £37 million in 2019-20. As explained earlier, a key part of the Five Year Financial Plan is to ensure that reliance on the Pensions Reserve is eliminated by 2021-22 in line with the depletion of the Fund.

**TABLE 21 - Use of Reserves**

USE OF RESERVES						
£ million	Budget 2018-19	Probable 2018-19	Provisional Budgets			
			2019-20	2020-21	2021-22	2022-23
Internal Funds	18.0	17.0	16.0	18.0	17.0	16.0
Hospital Estate Development Fund	3.8	3.8	3.8	3.7	3.7	3.6
Housing Reserve Fund	5.7	2.0	1.9	1.9	1.9	2.0
NI Investment Account	2.7	(11.4)	(11.4)	(10.5)	(9.7)	(8.9)
PSEPR	40.0	39.5	37.0	38.0	40.0	-
<b>Sub-total Transfer to Revenue</b>	<b>70.2</b>	<b>50.9</b>	<b>47.3</b>	<b>51.1</b>	<b>52.9</b>	<b>12.7</b>
Reserve Fund Interest	8.0	8.0	6.0	4.0	2.0	-
Capital Account	(0.5)	(8.3)	7.6	21.3	3.1	2.1
Revenue Account Surplus	(10.2)	(27.8)	(2.0)	(18.0)	(30.0)	(1.6)
<b>Use of Reserves</b>	<b>67.5</b>	<b>22.8</b>	<b>58.9</b>	<b>58.4</b>	<b>28.0</b>	<b>13.2</b>

### 8.1. External Reserves

The purpose of each external fund is enshrined within the investment mandates supplied to the discretionary investment managers and forms part of investment manager contracts. As of 2016-17, all investment mandates and benchmarks are on an absolute return basis. Details of the mandates are provided within the Government Accounts which can be found at: <https://www.gov.im/categories/tax-vat-and-your-money/government-accounts/>

#### Enterprise Development Fund

As part of the 2016 Budget the Enterprise Development Fund was created with an initial £10m, supporting the £50m Enterprise Development Scheme. The scheme has not worked as expected with only £3m invested in the first two years and in September 2018 the Department for Enterprise and the Scheme Managers agreed to part company. The Department has revised the Scheme to



open it up to a wider range of applicants, to focus on job creation and to strengthen the requirement for co-investment. Investment decisions will be taken by the Department, Treasury and an external Chair going forward requiring unanimous approval.

The Department will also use the revised Enterprise Development Scheme to invest in Media productions where these create sustainable jobs.

It is difficult to predict what impact these changes will have on overall levels of investment in future years, but the Department and Treasury are both committed to supporting businesses that will create jobs in the local economy through a range of financial support options.

### **Media Development Fund**

Tynwald agreed in 2012 that £25m would be placed into this fund and invested into film and other media projects, through Pinewood Film Advisors Ltd. The contract with Pinewood came to an end in October 2017 so the fund now receives receipts from legacy projects. The ongoing use of the fund is subject to review and consideration.

## **8.2. Internal Reserves**

As part of the 2018-19 budget process, Treasury requested devolved authority to transfer funding between the internal reserves without further recourse to Tynwald. This allows Treasury sufficient flexibility in place to transfer funding to wherever it is most required at short notice.

For the 2019-20 budget, Treasury has recommended topping up the funds as follows:

- **The Agriculture and Forestry Fund** – to be topped up by £1 million per year for three years in order to support the operation of the Meat Plant if required.
- **The Brexit Fund** – to be topped up by £1 million to ensure funds are available to meet the ongoing challenges.
- **The Legal Costs Reserve** – to be topped up by £1.5 million, to keep the balance on this fund at a sustainable level going forward, as it is clear that there is a continued demand for access to this fund from a number of different areas of Government, and it is unrealistic to expect that the relevant costs can be effectively budgeted for in the relevant areas, given the variable and unpredictable nature of such costs.
- **The Medical Indemnity Fund** – At the end of 2017/18 future liabilities of up to £10.2m were identified by the Department of Health & Social Care so a transfer of £3m is recommended into the fund in order to be in a position to meet the future liability demands against it.
- **The Town & Village Regeneration Fund** - will be topped up by £250,000 in 2019-20 and new Terms of Reference will be drawn up for use of the scheme.
- **Marketing Initiatives Fund** - The four executive Agencies within the Department for Enterprise are working on product development and marketing proposals at present, which remain reliant upon funds from the MIF. Treasury will continue to liaise with the Department to assess the ongoing need for this fund. However, no top-up is planned during 2019-20 at present.



### 8.3. Reserves 2018-19 Performance

The projected Probable Income and Expenditure for 2018-19 in respect of each of the internal and externally managed funds is presented in the table on the next page.

**TABLE 22 - Probable Income & Expenditure 2018-19**

THE RESERVES - PROJECTED INCOME & EXPENDITURE 2018-19							
£000	1 Balances brought forward at 01/04/2018	Projected Income & Expenditure 2018-19					7 Balances carried forward at 31/03/19
		2 Transfers To/from the Operating Account	3 Contributions Seizures & Other	4 Realised Investment Income	5 Transfer to Revenue & Capital Accounts	6 Other Expenses	
<b>Managed External Invested Funds</b>							
Enterprise Development Scheme	3,085	-	-	240	2,000	300	1,025
Hospital Estate Development Fund	35,183	-	-	1,500	3,786	70	32,827
Manx Currency Account - Notes	33,444	-	-	1,110	400	55	34,099
Media Development Fund	7,441	-	-	-	1,000	200	6,241
MUA Bond Repayment Fund	54,589	-	1,500	1,700	-	120	57,669
National Insurance Investment Account	779,408	-	11,440	37,900	-	1,920	826,828
Public Service Employees' Pension	132,843	(39,473)	-	6,300	-	310	99,360
Reserve Fund	327,374	-	-	19,600	8,000	820	338,154
<b>Total - External Funds</b>	<b>1,373,367</b>	<b>(39,473)</b>	<b>12,940</b>	<b>68,350</b>	<b>15,186</b>	<b>3,795</b>	<b>1,396,203</b>
<b>Internal Funds</b>							
Academic Business Planning Fund	967	1,000	-	17	650	-	1,334
Agricultural & Forestry Fund	2,364	-	-	43	1,200	-	1,207
BREXIT Fund	1,006	1,000	-	18	500	-	1,523
Contingency Fund	8,283	-	-	149	3,200	-	5,233
Digital Strategy Fund	7,138	-	-	128	3,400	-	3,866
Economic Development Fund	9,997	-	-	180	-	-	10,177
Healthcare Transformation Fund	5,054	-	1,000	91	1,700	-	4,445
Invest to Save Fund	3,157	1,000	-	57	400	-	3,814
Legal Costs Reserve	1,369	2,000	-	25	700	-	2,694
Marketing Initiatives Fund	4,403	-	-	79	850	-	3,632
Medical Indemnity Fund	3,642	2,500	-	66	2,500	-	3,707
Seized Assets Fund	1,470	-	600	26	1,900	-	196
Town & Village Centre Regeneration	758	500	-	14	-	-	1,271
<b>Sub-total: Funds for revenue reimbursement</b>	<b>49,607</b>	<b>8,000</b>	<b>1,600</b>	<b>893</b>	<b>17,000</b>	<b>-</b>	<b>43,099</b>
<b>Internal element of external Funds:</b>							
Manx Currency Account - Other	51,179	-	-	512	-	800	50,891
Media Development Fund	13,959	-	-	-	-	-	13,959
Public Service Employees' Pension	5,321	39,473	-	-	39,473	-	5,321
Enterprise Development Fund	8,454	-	-	-	-	-	8,454
<b>Sub-total: Internal element of external Funds</b>	<b>78,913</b>	<b>39,473</b>	<b>-</b>	<b>512</b>	<b>39,473</b>	<b>800</b>	<b>78,625</b>
<b>Funds used for capital reimbursement:</b>							
Housing Reserve Fund	8,683	-	3,000	156	2,053	-	9,787
Land & Property Acquisition Reserve	3,255	-	-	59	92	-	3,221
<b>Sub-total: Funds for capital reimbursement</b>	<b>11,938</b>	<b>-</b>	<b>3,000</b>	<b>215</b>	<b>2,145</b>	<b>-</b>	<b>13,008</b>
<b>Total - Internal Funds</b>	<b>140,458</b>	<b>47,473</b>	<b>4,600</b>	<b>1,620</b>	<b>58,618</b>	<b>800</b>	<b>134,732</b>
<b>TOTAL</b>	<b>1,513,825</b>	<b>8,000</b>	<b>17,540</b>	<b>69,970</b>	<b>73,804</b>	<b>4,595</b>	<b>1,530,935</b>



### 8.4. Reserves 2019-20 Projected Income & Expenditure

The projected Income and Expenditure for 2019-20 in respect of each of the internal and externally managed funds is presented in the table below:

**TABLE 23 - Projected Income & Expenditure 2019-20**

THE RESERVES - PROJECTED INCOME & EXPENDITURE 2019-20							
£000	1 <i>Balances brought forward at 01/04/2019</i>	Projected Income & Expenditure 2019-20					7 <i>Balances carried forward at 31/03/2020</i>
		2 <i>Transfers To/from the Operating Account</i>	3 <i>Contributions Seizures &amp; Other</i>	4 <i>Realised Investment Income</i>	5 <i>Transfer to Revenue &amp; Capital Accounts</i>	6 <i>Other Expenses</i>	
<b>Managed External Invested Funds</b>							
Enterprise Development Scheme	1,025	-	-	247	1,000	100	172
Hospital Estate Development Fund	32,827	-	-	1,250	3,786	60	30,231
Manx Currency Account - Notes	34,099	-	-	1,130	450	70	34,709
Media Development Fund	6,241	-	-	-	1,000	250	4,991
MUA Bond Repayment Fund	57,669	-	1,500	1,900	-	130	60,939
National Insurance Investment Account	826,828	-	11,370	39,500	-	1,940	875,758
Public Service Employees' Pension	99,360	(37,000)	-	4,550	-	280	66,630
Reserve Fund	338,154	-	-	20,000	6,000	860	351,294
<b>Total - External Funds</b>	<b>1,396,203</b>	<b>(37,000)</b>	<b>12,870</b>	<b>68,577</b>	<b>12,236</b>	<b>3,690</b>	<b>1,424,724</b>
<b>Internal Funds:</b>							
Academic Business Planning Fund	1,334	-	-	26	1,000	-	360
Agricultural & Forestry Fund	1,207	1,000	-	23	1,230	-	1,000
BREXIT Fund	1,523	1,000	-	30	1,000	-	1,553
Contingency Fund	5,233	-	-	103	370	-	4,965
Digital Strategy Fund	3,866	-	-	75	2,000	-	1,941
Economic Development Fund	10,177	-	-	200	2,000	-	8,376
Healthcare Transformation Fund	4,445	-	1,000	87	2,000	-	3,532
Invest to Save Fund	3,814	-	-	75	400	-	3,489
Legal Costs Reserve	2,694	1,500	-	53	1,500	-	2,747
Marketing Initiatives Fund	3,632	-	-	71	1,000	-	2,703
Medical Indemnity Fund	3,707	3,000	-	73	2,000	-	4,780
Seized Assets Fund	196	-	1,000	4	1,000	-	200
Town & Village Centre Regeneration	1,271	250	-	25	500	-	1,046
<b>Sub-total: Funds for revenue reimbursement</b>	<b>43,099</b>	<b>6,750</b>	<b>2,000</b>	<b>843</b>	<b>16,000</b>	<b>-</b>	<b>36,692</b>
<b>Internal element of external Funds:</b>							
Manx Currency Account - Other	50,891	-	-	509	-	800	50,600
Media Development Fund	13,959	-	-	-	-	-	13,959
Public Service Employees' Pension	5,321	37,000	-	-	37,000	-	5,321
Enterprise Development Fund	8,454	-	-	-	1,000	-	7,454
<b>Sub-total: Internal element of external Funds</b>	<b>78,625</b>	<b>37,000</b>	<b>-</b>	<b>509</b>	<b>38,000</b>	<b>800</b>	<b>77,334</b>
<b>Funds used for capital reimbursement:</b>							
Housing Reserve Fund	9,787	-	3,000	192	3,500	-	9,479
Land & Property Acquisition Reserve	3,221	-	-	63	500	-	2,785
<b>Sub-total: Funds for capital reimbursement</b>	<b>13,008</b>	<b>-</b>	<b>3,000</b>	<b>255</b>	<b>4,000</b>	<b>-</b>	<b>12,263</b>
<b>Total - Internal Funds</b>	<b>134,732</b>	<b>43,750</b>	<b>5,000</b>	<b>1,607</b>	<b>58,000</b>	<b>800</b>	<b>126,290</b>
<b>TOTAL</b>	<b>1,530,935</b>	<b>6,750</b>	<b>17,870</b>	<b>70,184</b>	<b>70,236</b>	<b>4,490</b>	<b>1,551,013</b>

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



### 8.5. Reserves Projected Future Expenditure

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

**TABLE 24 - Probable Expenditure Future Years**

PROJECTED FUTURE EXPENDITURE FROM RESERVES				
£000	Budget 2019-20	Provisional Budgets		
		2020-21	2021-22	2022-23
<b>Managed External Invested Funds</b>				
Enterprise Development Fund	2,100	2,000	2,000	2,000
Hospital Estate Development Fund	3,846	3,695	3,650	3,604
Manx Currency Account - Notes	520	790	790	790
Media Development Fund	1,250	50	50	50
MUA Bond Repayment Fund	130	100	100	100
National Insurance Investment Account	1,940	1,835	1,835	1,835
Public Service Employees' Pension	280	324	324	
Reserve Fund	6,860	4,275	2,275	275
<b>Total - External Funds</b>	<b>16,926</b>	<b>13,069</b>	<b>11,024</b>	<b>8,654</b>
<b>Internal Funds</b>				
Academic Business Planning Fund	1,000	500	500	500
Agricultural & Forestry Fund	1,230	1,000	1,000	-
BREXIT Fund	1,000	1,000	500	-
Contingency Fund	370	1,000	1,000	1,000
Digital Strategy Fund	2,000	3,000	3,000	3,000
Economic Development Fund	2,000	1,500	750	750
Healthcare Transformation Fund	2,000	2,000	2,000	2,000
Invest to Save Fund	400	1,000	1,000	1,000
Legal Costs Reserve	1,500	1,500	1,500	1,500
Marketing Initiatives Fund	1,000	-	-	-
Medical Indemnity Fund	2,000	4,250	4,500	5,000
Seized Assets Fund	1,000	1,000	1,000	1,000
Town & Village Centre Regeneration	500	250	250	250
<b>Sub-total: Funds for revenue reimbursement</b>	<b>16,000</b>	<b>18,000</b>	<b>17,000</b>	<b>16,000</b>
<b>Internal element of external Funds:</b>				
Manx Currency Account - Other	750	750	750	750
Media Development Fund	-	-	-	-
Public Service Employees' Pension	37,000	38,000	40,000	-
<b>Sub-total: Internal element of external Funds</b>	<b>37,750</b>	<b>38,750</b>	<b>40,750</b>	<b>750</b>
<b>Funds used for capital reimbursement:</b>				
Housing Reserve Fund	3,500	3,500	3,500	3,500
Land & Property Acquisition Reserve	500	500	500	500
<b>Sub-total - Internal capital funds</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>Total Internal Funds</b>	<b>57,750</b>	<b>60,750</b>	<b>61,750</b>	<b>20,750</b>
<b>TOTAL DRAWDOWN</b>	<b>74,676</b>	<b>73,819</b>	<b>72,774</b>	<b>29,404</b>



**APPENDIX 1 - ANALYSIS OF TREASURY INCOME**

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

**TABLE 25 - Analysis of Treasury Income**

Budget 2018-19	Probable 2018-19	ANALYSIS OF TREASURY INCOME £000	Budget 2019-20	Budget 2020-21	Budget 2021-22
		<b>CUSTOMS &amp; EXCISE</b>			
		<u>Shared Revenue</u>			
276,836	277,136	Value Added Tax	287,219	296,435	306,193
75,600	74,800	Excise Duty	76,800	78,900	80,700
6,500	6,500	Customs Duty	6,700	7,000	7,300
0	0	Soft Drinks Industry Levy	300	200	100
(1200)	(1,300)	Cost of Collection Adjustment	(1,300)	(1,400)	(1,400)
		<u>Non-Shared Revenue</u>			
4,900	4,900	Gambling Duty	3,700	3,700	3,700
5,000	5,400	Air Passenger Duty	5,400	5,400	5,400
1,400	1,300	Lottery Duty	1,300	1,300	1,300
400	700	Non-Revenue Receipts	400	400	400
<b>369,436</b>	<b>369,436</b>	<b>TOTAL CUSTOMS &amp; EXCISE</b>	<b>380,519</b>	<b>391,935</b>	<b>403,693</b>
		<b>INCOME TAX</b>			
191,550	201,450	Resident Income Tax	198,920	205,535	212,144
12,500	12,380	Company Tax	12,300	12,700	13,100
19,150	18,900	Non-Resident Tax	19,300	19,900	20,500
<b>223,200</b>	<b>232,730</b>	<b>TOTAL INCOME TAX</b>	<b>230,520</b>	<b>238,135</b>	<b>245,744</b>
<b>250,948</b>	<b>256,543</b>	<b>NI Operating Account</b>	<b>269,362</b>	<b>276,253</b>	<b>283,429</b>
		<b>OTHER TREASURY INCOME</b>			
750	600	Fines	750	750	750
8,000	8,000	Interest on Investments	6,000	4,000	2,000
83	33	Miscellaneous	285	1,452	1,454
500	500	IOMPO – Revenue Contribution	0	0	0
<b>9,333</b>	<b>9,133</b>	<b>TOTAL OTHER TREASURY INCOME</b>	<b>7,035</b>	<b>6,202</b>	<b>4,204</b>
<b>852,917</b>	<b>867,842</b>	<b>TOTAL</b>	<b>887,436</b>	<b>912,525</b>	<b>937,070</b>



**APPENDIX 2 - NATIONAL INSURANCE ACCOUNT**

**TABLE 26 - National Insurance Fund (NIF) Account**

NATIONAL INSURANCE ACCOUNT							
£ million	Actual 2017-18	Budget 2018-19	Probable 2018-19	Budget 2019-20	Provisional Budgets		
					2020-21	2021-22	2022-23
<b>Income:</b>							
NI Contributions	196.3	200.2	205.8	217.0	222.4	228.0	233.7
Agency Income	50.9	50.7	50.7	52.4	53.9	55.4	57.1
<b>Total Income</b>	<b>247.2</b>	<b>250.9</b>	<b>256.5</b>	<b>269.4</b>	<b>276.3</b>	<b>283.4</b>	<b>290.8</b>
<b>Expenditure:</b>							
NI Funded Welfare Payments	205.2	212.0	203.4	215.0	221.5	228.2	235.0
Administration Costs	2.0	2.0	2.0	2.1	2.1	2.2	2.3
NHS Allocation (DHSC)	38.5	39.7	39.7	40.9	42.1	43.3	44.6
<b>Total Expenditure</b>	<b>245.7</b>	<b>253.7</b>	<b>245.1</b>	<b>258.0</b>	<b>265.7</b>	<b>273.7</b>	<b>281.9</b>
<b>NIF Brought Forward</b>	<b>756.4</b>	<b>785.3</b>	<b>793.7</b>	<b>831.0</b>	<b>869.6</b>	<b>908.9</b>	<b>948.5</b>
Investment Return	35.8	25.9	25.9	27.2	28.5	29.9	31.3
NI Account (Deficit)/ Surplus	1.5	(2.7)	11.4	11.4	10.5	9.7	8.9
<b>NIF Carried Forward</b>	<b>793.7</b>	<b>808.5</b>	<b>831.0</b>	<b>869.6</b>	<b>908.9</b>	<b>948.5</b>	<b>988.7</b>

See Appendix 8 for more information on the NI Account.





## APPENDIX 3 - WELFARE BENEFIT PAYMENTS

**TABLE 27 - Welfare Benefits Payments**

Benefit/Payment	Base Cost 2018-19	Up-rating %	Cost of up-rating	Uprated Cost
	£	%	£	£
<b>National Insurance (NI) Benefits</b>				
Retirement Pension (see note 2)	146,655,000	2.50%	3,666,000	150,321,000
Age addition	455,000	0.00%	0	455,000
Pension supplement (RP)	36,750,000	0.00%	0	36,750,000
Retirement pension premium	1,627,000	2.40%	39,000	1,666,000
Old person's pension	160,000	2.60%	4,000	164,000
Nursing Care Contribution Scheme	2,530,000	2.40%	61,000	2,591,000
Long term Incapacity benefit	8,858,000	2.40%	213,000	9,071,000
Short term Incapacity benefit	2,987,000	2.40%	72,000	3,059,000
Incapacity benefit Youth	36,000	2.40%	1,000	37,000
Pension supplement (Incapacity)	550,000	0.00%	0	550,000
Bereavement allowances	577,000	2.40%	14,000	591,000
Pension supplement (Bereavement)	80,000	0.00%	0	80,000
Bereavement lump sum payment	50,000	0.00%	0	50,000
Widows Pension	124,000	2.40%	3,000	127,000
Pension supplement (Widows Pension)	25,000	0.00%	0	25,000
Guardian's allowance	0		0	0
Funeral payments	50,000	3.70%	2,000	52,000
Maternity allowance	3,810,000	0.00%	0	3,810,000
Adoption allowance	10,000	0.00%	0	10,000
Paternity allowance	100,000	0.00%	0	100,000
Carer's Allowance	2,678,000	2.40%	64,000	2,742,000
Industrial Disablement Benefit	773,000	2.40%	19,000	792,000
Contribution based jobseeker's allowance	400,000	0.00%	0	400,000
Redundancy payments/rebates	165,000	0.00%	0	165,000
Insolvency payments	400,000	0.00%	0	400,000
Christmas bonus	1,000,000	0.00%	0	1,000,000
<b>NI Benefits - Total</b>	<b>210,850,000</b>		<b>4,158,000</b>	<b>215,008,000</b>
<b>General Revenue (GR) Benefits</b>				
Disability Living Allowance (see note 3)	10,000,000	3.40%	340,000	10,340,000
Attendance allowance	4,200,000	3.40%	143,000	4,343,000
Severe disablement allowance	540,000	2.40%	13,000	553,000
Child benefit	10,500,000	5.00%	525,000	11,025,000
Income Support	33,000,000	2.40%	924,000	33,924,000
Winter Bonus	700,000	16.70%	117,000	817,000
Exceptional Needs grants	130,000	0.00%	0	130,000
Maternity payments	67,500	20.00%	14,000	81,500
Employed Person's Allowance	9,500,000	2.90%	276,000	9,776,000
Income based jobseeker's allowance	2,000,000	2.40%	48,000	2,048,000
T.V. Licence Refunds/Payments	365,000	0.00%	0	365,000
<b>GR Benefits - Total</b>	<b>71,002,500</b>		<b>2,400,000</b>	<b>73,402,500</b>
<b>Grand Total</b>	<b>281,852,500</b>		<b>6,558,000</b>	<b>288,410,500</b>

Notes:

1. Based on projected caseloads for 2018-19 & anticipated spend in 2019-20
2. Basic pension increased by 2.6%, additional pension increased by 2.4%. Average 2.5%
3. Higher rate mobility component to be uprated by 2.4%, same as UK
4. Net of BBC contribution of £480k





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

### 4.1. Department for Enterprise (DfE)

The Department has a key role to play in the achievement of the Programme for Government's stated intention to be an Island of Enterprise and Opportunity and we recognise that supporting economic development is of strategic importance for the Island's future growth and prosperity.

The Department's mission is aligned with these outcomes and objectives: to create an environment, through innovation and collaboration, where the economy thrives.

The Isle of Man economy is strong and diverse and offers a wide variety of opportunities for growth as well as challenges to overcome.

To support this aim for growth and prosperity the Department has introduced four Executive Agencies made up of a private/public sector partnership to promote and develop their sectors and deliver long term, sustainable economic growth for the Isle of Man:

- [Finance Isle of Man](#)
- [Digital Isle of Man](#)
- [Business Isle of Man](#)
- [Visit Isle of Man](#)

The Executive Agencies sit alongside the Department's central functions of strategy and policy development, business intelligence and marketing, enterprise support, legislation, and the locate team.

For more information on the Department for Enterprise and the four executive agencies, go to <https://www.iomdfenterprise.im/>

Collectively, the functions work hand in hand with the executive agencies and the broader private sector in growing real businesses, generating real jobs and real opportunities for the Island.

Alongside the Executive Agencies and support functions, the Department is the lead agency for the promotion, organisation and delivery of the TT and Festival of Motorcycling.

The Department is also responsible for three distinct registry functions which are all highly regarded in their own right and contribute to long term economic success:

- [Isle of Man Aircraft Registry](#)
- [Isle of Man Ship Registry](#)
- [Isle of Man Central Registry](#)

These areas in particular have invested heavily in technology and continue to need investment in digital services to remain at the forefront of a competitive global environment.

Consequently all areas of the Department contribute to "an environment, through innovation and collaboration, where the economy thrives", and the Department aims to be broadly cost neutral – with revenue generated across the whole Department being actively applied in pursuit of this mission, and the aim for economic prosperity and growth.

### Department Key Successes in 2018/2019:

- This year the Department for Enterprise has worked tirelessly to reform and restructure our operations to better serve the Island's evolving economy, implementing four new executive agencies.
- In delivering an economy where local entrepreneurship is supported and thriving and more new businesses are choosing to call the Isle of Man home we have published a Tynwald approved Telecoms Strategy to better serve the Island in the future.
- We have made good progress in exploring the use of internships in developing the future workforce, to work towards addressing the Island's skills gap. Working in partnership with the Department of Education, Sport & Culture we have supported over 20 schemes to help younger people get the skills they need to join key areas of our economy.



## DfE (Continued)

- We have also completed a full review of the Department's Enterprise Support Schemes which has increased the funding available to start-up businesses, enhanced support for developing companies in new areas such as Brexit and Legislation Consultation, invested in relocating employees and halved some approval times due to streamlined processes.
- As part of this we have developed an improved Enterprise Development Scheme to ensure it is delivering jobs and new businesses for our Island - presenting a restructured scheme to Tynwald in December 2018.
- Our newly created Executive Agencies have taken the lead on increasing the uptake of our new products like the alternative banking regime which has issued the first licence this year.
- We are working on updating our Economic Strategy via Sector Strategies within the Agencies and will update Vision2020 when this is complete.
- In delivering a diverse economy where people choose to work and invest we have very successfully completed a review of the effectiveness of the reformed work permit system to ensure employers are able to access skilled workers, where they are not readily available in the residential market. This has resulted in a tenfold increase of applications online, with 84% approved either the same or next working day.
- In delivering an Island where people choose to live and visit we have been targeting higher spending visitors and new markets as well as getting more spend from existing visitors.
- The new Visit Isle of Man Executive Agency has been taking the lead in working with the industry to improve and enhance our overall proposition for tourists.

- Finally, the Department committed to launching a comprehensive Locate strategy targeting key workers not available in the residential labour market – going to Tynwald in February 2019. As part of this, we will work with Treasury to introduce a National Insurance holiday scheme for new workers in support of the Locate strategy.

## Department Key Challenges in 2019/2020:

- Strategic direction: Through our Executive Agencies developing strategies to make our Island a special place to live and work.
- Legislative programme: Working with industry to develop new legislation to support business growth.
- Brexit: Responding to economic priorities and opportunities.
- Reputation: Maintaining our reputation as a world class international business centre.
- Growing the workforce: Attracting workers to meet the needs of our diverse sectors is the biggest single challenge facing the economy.
- Technology: Ensuring that we have an excellent telecoms infrastructure and that we are ready to adapt to new technologies.
- Business barriers: Attracting skilled workers by removing barriers, creating incentives and increasing marketing.
- Central Registry: Subject to Central Registry analysis, and Tynwald approval, it is intended that the fee structure for Land Registry Fees will be amended as soon as possible to provide more support to low and middle incomes and first and second time buyers, and be more aligned with other jurisdictions.



## Department for Enterprise (DfE) – Financial Summary

TABLE 28 – DfE - Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Chief Executive's Office	2,743	2,344	3,797	753	3,044
Employment & Skills Group	-	(180)	236	425	(188)
Digital Agency	-	775	804	-	804
Visit Agency	998	1,504	1,754	26	1,728
Finance Agency	556	505	724	-	724
Motorsport	4,894	4,642	7,691	3,081	4,609
Financial Assistance Scheme	3,441	3,500	-	-	-
Ship Registry	(1,268)	(677)	3,337	4,310	(973)
Aircraft Registry	(1,747)	(1,075)	2,602	4,022	(1,420)
Central Registry	(12,175)	(11,848)	1,567	13,924	(12,357)
Enterprise Support	-	126	3,725	100	3,624
Business Agency	-	408	421	-	421
Economic Development Group	1,328	-	-	-	-
Training & Employment Group	2,996	-	-	-	-
Fund Reclaims	111	-	-	-	-
E-Business & Space Commerce	575	-	-	-	-
Tourism Events	322	-	-	-	-
Villa Gaiety	589	-	-	-	-
<b>NET EXPENDITURE</b>	<b>3,363</b>	<b>24</b>	<b>26,658</b>	<b>26,641</b>	<b>17</b>

TABLE 29 - DfE - Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	2,209	1,575	1,607	1,639	1,671
Third Party Contributions	351	129	(175)	(178)	(182)
Operating Income	26,456	25,329	25,209	26,238	26,751
Other Non-Trading Income	171	-	-	-	-
<b>TOTAL INCOME</b>	<b>29,187</b>	<b>27,033</b>	<b>26,641</b>	<b>27,699</b>	<b>28,240</b>
<b>EXPENDITURE</b>					
Employee Costs	10,942	9,589	9,647	9,833	10,023
Infrastructure Costs	1,334	908	871	871	871
Transport Costs	14	7	7	7	7
Supplies & Services	13,553	11,889	11,453	11,453	11,453
Loan Charges	1,463	1,048	1,063	1,091	1,112
Other	5,244	3,617	3,617	3,617	3,617
<b>TOTAL EXPENDITURE</b>	<b>32,550</b>	<b>27,057</b>	<b>26,658</b>	<b>26,872</b>	<b>27,083</b>
<b>NET EXPENDITURE</b>	<b>3,363</b>	<b>24</b>	<b>17</b>	<b>(827)</b>	<b>(1,157)</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## Department for Enterprise – Financial Summary (continued)

TABLE 30 – DfE - Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>9,317</b>	<b>17,035</b>	<b>(26,328)</b>	<b>24</b>
<u>Transfer of budget between departments</u>				
Energy Policy Unit to DEFA	(156)	(189)	306	(39)
<u>Growth items</u>				
Aircraft registry income & officer uplift	30	-	(306)	(276)
Ship Registry income uplift & systems expenditure	-	150	(313)	(163)
Pay award allowance	147	-	-	147
NI Contracting Out increase & uplift	195	-	-	195
Employer pension contributions	115	-	-	115
<u>Other</u>				
Loan charge adjustment	-	15	-	15
<b>Total Change</b>	<b>331</b>	<b>(24)</b>	<b>(313)</b>	<b>(6)</b>
<b>2019-20 BUDGET</b>	<b>9,647</b>	<b>17,011</b>	<b>(26,641)</b>	<b>17</b>

TABLE 31 – DfE – Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual	Probable	Increase	Other	Total	Increase
SERVICE	2017-18	2018-19	2019-20	adjusts	2019-20	2019-20 as a %
Ship Registry	3,848	3,779	531	-	4,310	10.29%
Aircraft Registry	4,542	3,594	428	-	4,022	10.49%
Motorsport	2,464	3,021	60	-	3,081	2.0%
Central Registry	13,847	13,740	184	-	13,924	1.33%
Visit (Accomm Reg & Taste Reg)	101	730	15	(719)	26	-
Property Rent	890	910	-	(157)	753	-
Work Permits	222	416	9	-	425	2.16%
Mines & Minerals Royalties	269	-	-	-	-	-
Villa Marina	3,185	-	-	-	-	-
FAS - Administration Charge	86	70	-	-	70	-
Other	(267)	773	-	(741)	32	-
<b>TOTAL</b>	<b>29,187</b>	<b>27,033</b>	<b>1,227</b>	<b>(1,617)</b>	<b>26,641</b>	





## **4.2. Department of Education, Sport and Culture (DESC)**

The Department continues to implement its vision of ensuring a world-class education system for all whilst enriching the lives of the Island's people by providing sporting, creative and cultural activities.

Progress has been made towards these objectives, whilst adhering to tight budgetary constraints. The necessary savings have been made with limited impact on front line services. Under the direction of the government's SAVE programme, savings have been identified and plans are underway to consolidate the Island's Higher Education provision. Progress on this initiative can be seen in the transfer of Keyll Daree, which provides Higher Education for health professionals, and it is expected that a single university partner will bolster the choice and delivery of courses through the University College Isle of Man.

The Department's net revenue budget has increased by £5.3m, £1.8m as a result of transfers from other Departments and £3.5m as a result of increased employers national insurance contributions and provision for pay awards in 2019.

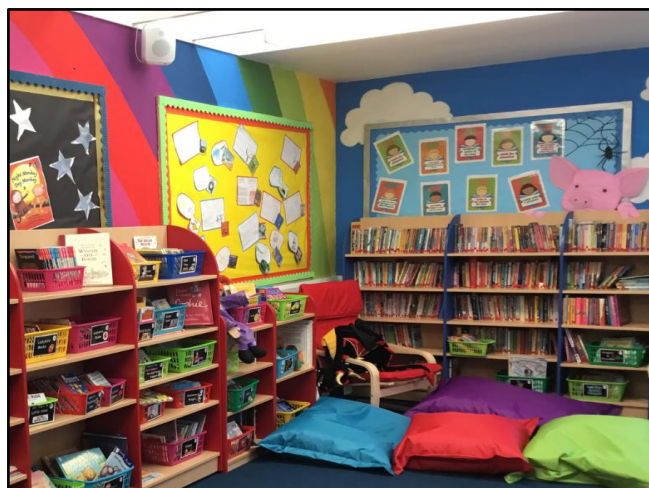
Following the previous year's inter-departmental transfers of the Villa Marina, Gaiety Theatre, training, apprenticeships and careers, the Department has welcomed the return of the primary catering service giving further opportunities to improve the lifestyle of the Island's children with the focus on providing a balanced diet and encouraging healthy eating.



*Scoill-yn-Jubilee refectory and hall*

The Department's employee cost budget was increased to provide 1% for the 2018 pay awards. The actual awards were significantly higher, placing an unprecedented squeeze on resources and requiring cost savings to be applied. The Department, with Treasury, is leading on the development of Priority Based Budgeting which will enable more sophisticated and policy led budget development across all of Government.

The Academic Business Planning Fund, which had a balance of £1m at 31 March 2018, continues to be positively received, by both education and sport, providing the mechanism to utilise funds from the previous financial year. In utilising the fund many of our schools have been able to provide creative, inspirational and innovative learning environments, to allow our talented and committed teachers to actively engage pupils by developing learning pathways to help them reach their full potential.



*Jurby School library*

The Department successfully re-located St Thomas' primary school to the Meadow Crescent campus, alongside Scoill Vallajeelt, at the start of the academic year. The alteration and refurbishment works carried out to facilitate the move were financed from the Capital Projects Contingency Budget.

Work is progressing well on St Mary's Primary School extension and refurbishment scheme and the NSC Pool refurbishment scheme, both will be complete in 2019.

The Department is progressing the briefing for the new Castle Rushen High School development, and Queen Elizabeth II High School science and technology building, in order to progress these schemes into design during the 2019/20 academic year.

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## DESC – Financial Summary

TABLE 32 – DESC - Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Primary Education	22,392	22,599	23,450	67	23,383
Secondary Education	27,373	27,981	30,903	2,063	28,841
University College Isle of Man	9,623	9,760	13,025	1,606	11,420
Primary School Meals	-	-	2,356	1,731	626
Universities etc. Awards	9,741	8,865	9,717	159	9,558
Youth & Community Services	946	1,028	1,112	61	1,051
Education Improvement Service	2,231	2,424	2,540	97	2,444
Safeguarding & Inclusion	9,809	10,107	10,311	-	10,311
Central	10,954	13,249	14,693	183	14,510
Sports and Recreation, Facility Support	3,523	3,851	5,165	1,529	3,636
Arts Council	22	22	22	-	22
Villa Marina & Gaiety Theatre	-	455	3,986	3,571	415
Training & Employment	-	1,645	1,556	-	1,556
<b>NET EXPENDITURE</b>	<b>96,614</b>	<b>101,988</b>	<b>118,839</b>	<b>11,066</b>	<b>107,773</b>

TABLE 33 – DESC - Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	18	-	-	-	-
Third Party Contributions	20	158	161	164	166
Operating Income	2,964	8,091	10,315	10,515	10,718
Grant Income	51	-	-	-	-
Other Non-Trading Income	436	821	589	599	608
<b>TOTAL INCOME</b>	<b>3,488</b>	<b>9,070</b>	<b>11,066</b>	<b>11,277</b>	<b>11,492</b>
<b>EXPENDITURE</b>					
Employee Costs	69,425	74,133	80,085	81,643	83,255
Infrastructure Costs	3,627	4,258	4,518	4,518	4,518
Transport Costs	340	338	344	344	344
Supplies & Services	5,563	9,052	10,005	10,005	10,005
Loan Charges	7,236	7,633	7,713	7,941	8,100
Other	13,913	15,644	16,174	16,174	16,174
<b>TOTAL EXPENDITURE</b>	<b>100,103</b>	<b>111,057</b>	<b>118,839</b>	<b>120,625</b>	<b>122,395</b>
<b>NET EXPENDITURE</b>	<b>96,614</b>	<b>101,988</b>	<b>107,773</b>	<b>109,348</b>	<b>110,903</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## DESC – Financial Summary (continued)

TABLE 34 – DESC - Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>73,933</b>	<b>37,625</b>	<b>(9,120)</b>	<b>102,438</b>
<u>Transfer of budget between departments</u>				
Government Catering from DHSC	1,495	1,207	(1,963)	738
LEaD Team from Cabinet Office	1,022	111	-	1,133
Supplies & Services budget to GTS	-	(18)	-	(18)
Safeguarding Budget to Cabinet Office	-	(16)	-	(16)
Health & Safety Inspector to Cabinet Office	(26)	-	-	(26)
<u>Growth items</u>				
2% Pay award allowance	1,197	-	-	1,197
NI Contracting Out increase & uplift	1,603	-	-	1,603
Employer pension contributions	862	-	-	862
<u>Other</u>				
Realised savings at UCM	-	(36)	-	(36)
Loan charge adjustment	-	80	-	80
Student loans interest & tuition fees decreases	-	(200)	200	-
Fee increases	-	-	(182)	(182)
<b>Total Change</b>	<b>6,152</b>	<b>1,128</b>	<b>(1,945)</b>	<b>5,335</b>
<b>2019-20 BUDGET</b>	<b>80,085</b>	<b>38,753</b>	<b>(11,066)</b>	<b>107,773</b>

TABLE 35 – DESC – Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual	Probable	Increase	Other	Total	Increase
SERVICE	2017-18	2018-19	2019-20	adjusts	2019-20	2019-20 as a %
Primary School Milk	44	66	1	-	67	2%
Primary School Meals	-	1,387	28	-	1,415	2%
Secondary School Meals	70	1,774	36	-	1,810	2%
Secondary School Lettings	227	248	5	-	253	2%
University College Catering	39	227	5	-	231	2%
University College Fees	1,286	1,334	27	(29)	1,332	2%
Interest on Student Loans	121	106	-	53	159	-
Youth Services	41	63	-	(2)	61	-
Music Tuition and Instrument Hire	93	95	2	-	97	2%
Premises Hire	112	179	4	-	183	2%
Villa Gaiety - Catering & Bars	-	605	12	-	617	2%
Villa Gaiety - Admissions & Hire	-	2,896	58	-	2,954	2%
National Sports Centre	1,430	1,307	26	196	1,529	2%
Other	25	(1,218)	-	1,576	358	-
<b>TOTAL</b>	<b>3,488</b>	<b>9,070</b>	<b>202</b>	<b>1,794</b>	<b>11,066</b>	



### **4.3. Department of Environment, Food & Agriculture (DEFA)**

Our vision is a clean, safe, healthy, attractive and vibrant natural and built environment which will be enjoyed by present and future generations alike. This is the essence of our *UNESCO Biosphere* status.

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. All of this will be set against the backdrop of our commitment to address climate change.



#### **Departmental Priorities**

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

- deliver better outcomes and value through a modified Agricultural Development Scheme with an increased emphasis on ensuring that the sector contributes to the environmental priorities and wider public good; alongside sustainable food production and increased investment in modern infrastructure;
- deliver the *Future Fisheries Strategy* including a common approach with our neighbours to sustainable fisheries management in the Irish Sea;
- deliver the *Food Matters Strategy* to add value to the food chain and achieve alignment of production to consumer demand;
- maximise the benefits of UNESCO Biosphere Accreditation for the Isle of Man;
- develop and deliver further strategies to address climate change mitigation; including enhanced targets which ensure that the Island contributes proportionately to the global efforts to address climate change;
- implement strategies to address the effects of climate change, in terms of coastal and inland flooding;
- facilitate economic development through enabling appropriate development of the built environment while protecting quality and finite resources;
- respect and manage our built heritage including enhanced protection of important buildings;
- deliver the *Our Landscape Our Legacy* Amenity & Landscape strategy;
- achieve high standards of animal health and welfare in the industry within modern husbandry systems, balancing the needs of the animal with the promotion of the food industry and facilitation of trade in agricultural produce;
- ensure that the Island remains a safe place through our roles in environmental health, environmental protection and health and safety
- ensure that within its areas of responsibility the Island is prepared to minimise the negative impacts and maximise the opportunities arising from the UK's withdrawal from the EU.





## Financial Performance

The Department is on track to remain within budget for the financial year 2018-19 and as usual, has aligned expenditure to match priorities wherever possible. This will allow a component of Meat plant support to be funded from Revenue budget and correspondingly reduce draw down on the Agricultural and Forestry Fund.

The 2019-20 budget is designed to provide the flexibility to allow the Department to refocus its agricultural support to enhance the contribution of the sector to environmental priorities. This will be subject to a specific strategy which will be considered by Tynwald.

For 2019-20, budgets again include the Office of Fair Trading and the Road Transport Licensing Committee. Whilst these bodies remain independent from DEFA, since 2016 the Department has provided the administrative support necessary for their respective statutory functions.

The operation and cost of the Meat Plant poses significant challenges and the Department continues to work with the agricultural sector and the Meat Plant. Whilst good progress has been made so far there it remains “work in progress”. The evolving solution is fundamental to the long term stability of the whole livestock sector.

## Road Transport Licensing Committee (RTLC)

Since 2016, officers of the RTLC have been ‘stationed employees’ of DEFA, although the RTLC remains an independent body of Government with responsibility for regulating the transport of passengers by road.

From January 1st 2019 the RTLC will also regulate goods vehicles over 3,500kg and their operators – although existing operators will have a 1 year period of grace in which to register.

DEFA provides the necessary support to enable the RTLC to fulfil its regulatory functions and RTLC budget reporting can be found within the DEFA section. During 2019-20 the RTLC will be organising safeguarding and customer service training for taxi and private hire drivers. Such courses were successfully piloted last year.

## Office of Fair Trading (OFT)

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.



## DEFA – Financial Summary

TABLE 36 – DEFA - Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Corporate Services	1,459	1,644	1,878	145	1,732
Agriculture	7,746	6,476	7,878	73	7,804
Fisheries	883	817	1,065	167	898
Forestry, Amenity & Lands	1,745	1,510	2,559	938	1,621
Environment	1,326	1,240	1,464	66	1,398
Government Laboratory	836	781	890	115	775
Wildlife Park	421	632	742	319	423
Animal & Plant Health	577	607	869	302	567
Planning	5	147	1,543	1,340	203
Office of Fair Trading	639	659	783	41	742
Road Transport Licensing Committee	74	130	147	56	90
Eco Systems Policy Unit	-	468	452	2	451
Energy Unit	-	(12)	345	306	39
<b>NET EXPENDITURE</b>	<b>15,712</b>	<b>15,099</b>	<b>20,615</b>	<b>3,872</b>	<b>16,743</b>

TABLE 37 – DEFA – Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	100	90	97	99	101
Third Party Contributions	2	-	308	314	321
Operating Income	3,161	3,269	3,393	3,460	3,528
Other Non-Trading Income	68	100	74	76	78
<b>TOTAL INCOME</b>	<b>3,331</b>	<b>3,459</b>	<b>3,872</b>	<b>3,949</b>	<b>4,028</b>
<b>EXPENDITURE</b>					
Employee Costs	7,764	8,644	9,121	9,295	9,473
Infrastructure Costs	788	744	762	762	762
Transport Costs	108	47	45	45	45
Supplies & Services	2,129	1,804	2,097	2,097	2,097
Agency & Contracted Services	-	-	1	1	1
Loan Charges	796	-	906	938	956
Other	7,459	7,319	7,685	8,034	8,384
<b>TOTAL EXPENDITURE</b>	<b>19,043</b>	<b>18,558</b>	<b>20,615</b>	<b>21,171</b>	<b>21,718</b>
<b>NET EXPENDITURE</b>	<b>15,712</b>	<b>15,099</b>	<b>16,743</b>	<b>17,222</b>	<b>17,689</b>



## DEFA – Financial Summary (continued)

TABLE 38 – DEFA - Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>8,599</b>	<b>10,950</b>	<b>(3,496)</b>	<b>16,054</b>
<u>Transfer of budget between departments</u>				
Energy Policy Unit from DfE	156	189	(306)	39
<u>Growth items</u>				
Pay award allowance	133	-	-	133
NI Contracting Out increase & uplift	174	-	-	174
Employer pension contributions	58	-	-	58
Revenue budget uplift	-	350	-	350
<u>Other</u>				
Fee Increases	-	-	(70)	(70)
Loan charge adjustment	-	5	-	5
<b>Total change</b>	<b>521</b>	<b>544</b>	<b>(376)</b>	<b>689</b>
<b>2019-20 BUDGET</b>	<b>9,121</b>	<b>11,494</b>	<b>(3,872)</b>	<b>16,743</b>

TABLE 39 – DEFA– Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual	Budget	Increase	Other	Total	Increase
SERVICE	2017-18	2018-19	2019-20	adjusts	2019-20	2019-20 as a %
Corporate Services	143	142	3	-	145	2%
Agriculture	73	72	1	-	73	2%
Animal Health	295	296	6	-	302	2%
Fisheries	157	162	3	2	167	2%
Forestry, Amenity and Lands	848	920	18	-	938	2%
Environment	68	65	1	-	66	2%
Government Laboratory	115	115	2	(2)	115	2%
Wildlife Park	313	313	6	-	319	2%
Planning and Building Control	1,223	1,314	26	-	1,340	2%
Office of Fair Trading	41	40	1	-	41	2%
Road Transport Licensing Committee	55	55	1	-	56	2%
Eco Systems Policy Unit	-	2	-	-	2	2%
Energy Policy Unit	-	-	-	306	306	
<b>TOTAL</b>	<b>3,331</b>	<b>3,496</b>	<b>70</b>	<b>306</b>	<b>3,872</b>	



#### **4.4. Department of Health & Social Care (DHSC)**

The Department continues to work on delivering the goals set out in its strategy 'Health and Social Care in the Isle of Man - the next 5 years' which was approved in 2015.

The five strategic goals, which are reflected in the Programme for Government, 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.

Notable achievements during 2018-19 have been the commencement of a pilot to deliver integrated care in the west of the Island, completion of the digitisation of all paper records in Noble's Hospital and significant improvements in the waiting times for people with a suspected diagnosis of cancer.

Last year saw the commencement of a major independent review of the Department's services chaired by Sir Jonathan Michael. In summary, the terms of reference of the review ask Sir Jonathan to answer the following questions:

- What is currently being spent on health and social care, is it sufficient and does it represent value for money?
- What is the likely increase in funding required, projected to the end of the financial year 2035-36, and how might that be funded?
- Is the current service model for the delivery of health and social care to the Isle of Man population optimal now and for the future?

The final report of the review is expected to be presented to Tynwald in May of this year, and any recommendations made in it, subject to their

approval by Tynwald, could lead to changes in the organisation and operation of the Department.

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

- Managing the Department's budget is difficult, and while cost improvement programmes have achieved some success, upward pressure on expenditure is constant: e.g. pay awards in a Department having 64% of its net cost in salaries.
- As people live longer and may sometimes have more complex health and social care needs, the Department will experience a steady increase in the demand for services to meet the needs of older people.
- Maintaining and improving the quality of care provided by the Department.
- The Department continues to rely heavily on temporary agency staff so as to maintain essential services. The recruitment and retention of both health and social care professionals continues to be a problem, and this could worsen depending on the final version of the Brexit deal agreed between the UK and EU.

The Department included two revenue bids in its budget submission for 2019-20. A bid for additional funding for medicines was made. This is broadly in line with the average percentage increase in the cost of hospital drugs seen in the NHS in England since 2010-11. The main drivers for this increase are the growing number of older people in our population and the introduction of new, advanced treatments into the market. The Department also sought funding for the difference between the 2018-19 staff pay award included in financial planning assumptions and the actual amount of the award agreed in the year.

Capital projects for 2019-20 include the refurbishment and re-purposing of vacant mental health facilities following the recent commissioning of Manannan Court inpatient unit.



## DHSC – Financial Summary

TABLE 40 – DHSC - Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Adult Services	28,711	29,233	35,786	5,593	30,193
Child & Families (Social) Services	15,039	14,810	15,695	-	15,695
Mental Health Service	19,749	21,361	21,824	-	21,824
Chief Operating Officer's Office	725	712	987	90	897
DHSC Corporate Services	14,029	11,230	20,444	2,138	18,306
Social Security Administration Act 1992	(38,510)	(39,665)	-	40,855	(40,855)
Public Health Directorate	1,247	1,440	1,833	-	1,833
Government Catering Services	3,474	1,508	2,219	849	1,370
Nobles Hospital	94,061	107,840	105,132	1,942	103,190
UK Referrals & Patient Transport	20,962	19,764	19,342	-	19,342
Primary Health Care Services	59,690	48,493	53,411	2,086	51,325
<b>NET EXPENDITURE</b>	<b>219,178</b>	<b>216,726</b>	<b>276,672</b>	<b>53,552</b>	<b>223,120</b>

TABLE 41 – DHSC - Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	38,605	39,665	40,939	42,290	43,556
Third Party Contributions	1,126	118	1,052	2	2
Operating Income	14,702	14,374	11,550	14,172	14,495
Other Non-Trading Income	15	11	11	12	12
<b>TOTAL INCOME</b>	<b>54,447</b>	<b>54,169</b>	<b>53,552</b>	<b>56,476</b>	<b>58,065</b>
<b>EXPENDITURE</b>					
Employee Costs	154,673	154,100	157,465	161,602	164,493
Infrastructure Costs	1,742	1,459	1,452	1,469	1,469
Transport Costs	4,862	4,806	4,419	4,526	4,526
Supplies & Services	27,078	24,192	27,557	25,513	25,513
Agency & Contracted Services	78,380	77,985	78,239	80,226	80,226
Loan Charges	9,261	9,892	9,397	10,093	10,174
Other	(2,370)	(1,539)	(1,856)	(1,806)	(1,760)
<b>TOTAL EXPENDITURE</b>	<b>273,625</b>	<b>270,895</b>	<b>276,672</b>	<b>281,624</b>	<b>284,642</b>
<b>NET EXPENDITURE</b>	<b>219,178</b>	<b>216,726</b>	<b>223,120</b>	<b>225,148</b>	<b>226,577</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## DHSC – Financial Summary (continued)

TABLE 42 – DHSC - Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>151,159</b>	<b>120,336</b>	<b>(55,388)</b>	<b>216,107</b>
<u>Transfer of budget between departments</u>				
Transfer to DESC	(1,495)	(1,207)	1,964	(738)
Net Transfer from Cabinet Office	94	(46)	-	48
Transfer to DOI	-	(243)	-	(243)
Transfer from DHA	-	32	-	32
<u>Growth items</u>				
Pay award allowance	2,130	-	-	2,130
NI Contracting Out increase & uplift	2,829	-	-	2,829
Employer Pension Contributions	1,951	-	-	1,951
Pay award bid	2,100	-	-	2,100
Drugs budget increase	-	903	-	903
<u>Other</u>				
Loan charge adjustment	-	(495)	-	(495)
Fee increases	-	-	(1,504)	(1,504)
Suspension of private patents activity	(1,304)	(73)	1,377	-
<b>Total Change</b>	<b>6,305</b>	<b>(1,129)</b>	<b>1,837</b>	<b>7,013</b>
<b>2019-20 BUDGET</b>	<b>157,465</b>	<b>119,207</b>	<b>(53,552)</b>	<b>223,120</b>

TABLE 43 – DHSC– Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual	Budget	Increase	Other	Total	Increase
SERVICE	2017-18	2018-19	2019-20	adjusts	2019-20	2019-20 as a %
Care Fees inc Residential & Nursing	5,558	6,962	-	-	6,962	-
Dental Fees	1,022	1,085	-	-	1,085	-
Prescription Fees	832	1,132	-	(132)	999	-
Catering & Commercial Services	1,279	1,055	-	154	1,209	-
Other	761	604	-	313	917	-
Private Patients	1,540	1,754	-	(1,377)	378	-
Accommodation	-	953	-	(953)	-	-
Catering - Primary						
Schools/College/NSC	1,976	1,964	-	(1,964)	-	-
Catering - Secondary Schools	1,733	-	-	-	-	-
Other	39,746	39,879	-	2,123	42,002	-
<b>TOTAL</b>	<b>54,447</b>	<b>55,388</b>	<b>-</b>	<b>(1,836)</b>	<b>53,552</b>	

**Note:** For the new financial year income will be realigned to expected occupancy levels and if there is an uplift to Income Support rates the care fees will be increased in line with these changes.



#### **4.5. Department of Home Affairs (DHA)**

Our Vision is a safe and secure society. We will achieve this by working together, along with our partners to ensure the right intervention at the right time. We will contribute to safe communities with services that are responsive to the needs of the vulnerable where the rights and responsibilities of citizens are always recognised.

The Department consists of the Police, the Fire and Rescue Service, the Prison and Probation Service and the Communications Division. In addition, the Department maintains responsibility for emergency planning and the Civil Defence unit. These agencies within the Department operate 24 hours a day, 365 days a year. The core focus of the Department under the Programme for Government is to ensure we live our lives free from crime and danger. In practice, this includes supporting the road safety strategy which aims to reduce the number of fatal or serious road incidents each year, maintaining low levels of crime against people and property and maintaining high standards of fire safety to name a few.

#### **Financial Performance 2018/19**

2018/19 has been a challenging year for the Department financially. Over previous years, our non-pay budget has been utilised to cover the cost of pay awards and quite simply, we are no longer able to meet the expense of business as usual within our existing resources. As a Department, we have worked closely with Treasury Officers and Politicians and are very grateful for all the support they have provided in helping to address this deficit.

#### **Looking Forward to 2019/20**

For 2019/20, there is a considerable amount of work to do. The Department will be undertaking a strategic review of its functions alongside a Priority Based Budgeting exercise. Work is well on the way to deliver this in line with targets. It is intended that this work will be integral in linking demand for our services to cost and

ensuring that savings can be driven out wherever possible. We have received an uplift of investment directly into our key frontline services which will provide vital additional resources for every area of our remit. This includes:

- Additional revenue funding to meet existing commitments
- Resources for the Economic Crime Unit
- Additional budget for front-line policing and their professional development
- Funding for training to ensure our high standards of safety are maintained
- Resources for the Community Services Team

However, substantial challenges still remain and part of one of our bids was balanced by the need to find internal savings through streamlining our estate and reviewing our working practises. Other risks and challenges include:

- Moving to pro-active rather than reactive spend, investing in early interventions to deliver long term solutions to multiple stakeholders
- Promoting digital transformation wherever possible and introducing effective, modern working practises.
- Managing realistic pay negotiations that reflect the current economic environment but acknowledge the hard work that our staff provides.
- Growing demands of financial and cyber-crime – cases are increasingly complex and require investment in training and officer resources to cope with a changing mandate.
- Succession planning and resilience particularly in key senior roles across the Department.





**DHA - Planned Capital Projects for 2019/20**

The Department has a number of projects due to start in 2019/20 including feasibility work for the replacement of Douglas Fire Station and Police HQ, the redevelopment of our capital replacement budgets to ensure they remain fit for purpose, and ongoing input into the specialist vehicle replacement budget for Vehicles which is managed by the DOI.





## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## DHA – Financial Summary

TABLE 44 - DHA - Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Chief Executive's Office	7,028	5,232	5,190	126	5,064
Civil Defence	146	150	151	1	150
Fire & Rescue Service	4,418	4,912	5,162	43	5,119
Communications	1,172	1,390	1,921	535	1,387
Constabulary	13,347	14,515	17,715	381	17,334
Prison & Probation	7,254	8,120	8,530	97	8,433
<b>NET EXPENDITURE</b>	<b>33,365</b>	<b>34,319</b>	<b>38,669</b>	<b>1,183</b>	<b>37,486</b>

TABLE 45 – DHA - Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Third Party Contributions	111	110	102	104	106
Operating Income	721	760	683	697	711
Other Non-Trading Income	417	424	398	406	414
<b>TOTAL INCOME</b>	<b>1,249</b>	<b>1,294</b>	<b>1,183</b>	<b>1,206</b>	<b>1,231</b>
<b>EXPENDITURE</b>					
Employee Costs	26,210	27,198	30,282	30,658	31,183
Infrastructure Costs	1,156	1,085	1,020	1,000	990
Transport Costs	12	12	3	3	3
Supplies & Services	3,964	3,796	3,959	3,797	3,797
Loan Charges	3,648	4,063	3,773	4,227	4,311
Other	(376)	(540)	(368)	(368)	(368)
<b>TOTAL EXPENDITURE</b>	<b>34,614</b>	<b>35,613</b>	<b>38,669</b>	<b>39,316</b>	<b>39,916</b>
<b>NET EXPENDITURE</b>	<b>33,365</b>	<b>34,319</b>	<b>37,486</b>	<b>38,110</b>	<b>38,686</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## DHA – Financial Summary (continued)

TABLE 46 – DHA – Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000 SERVICE	Actual 2017-18	Budget 2018-19	Increase 2019-20	Other adjusts	Total 2019-20	2019-20 as a %
<b>Communications Division</b>						
Fees & Charges	380	383	7	-	390	2%
Other Non-Trading Income	142	142	3	-	145	2%
<b>Chief Executive's Office</b>						
DBS income	112	123	3	-	126	2%
<b>Constabulary</b>						
Crown Costs Recovered	111	100	-	-	100	-
Fees & Charges	126	106	2	-	108	2%
Miscellaneous Income	55	168	-	-	168	-
Other	16	(102)		108	6	-
<b>Fire &amp; Rescue Service</b>						
Event Income	23	21	-	-	21	2%
Fees, Levies & Charges	23	11	-	-	11	2%
Miscellaneous Income	129	11	-	-	11	2%
<b>Prison &amp; Probation Service</b>						
Sale of Goods & Services	132	86	2	-	88	2%
Miscellaneous Income		9	-	-	9	2%
<b>TOTAL</b>	<b>1,249</b>	<b>1,057</b>	<b>18</b>	<b>108</b>	<b>1,183</b>	

TABLE 47 - DHA Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>26,872</b>	<b>7,441</b>	<b>(1,057)</b>	<b>33,255</b>
<u>Transfer of budget between departments</u>				
Transfer to Cabinet Office – Safeguarding & FRS	-	(18)	-	(18)
Transfer to DHSC	-	(32)	-	(32)
Transfer to DOI	-	(12)	-	(12)
<u>Growth items</u>				
Pay award allowance	397	-	-	397
NI Contracting Out increase & uplift	592	-	-	592
Employer Pension Contributions	629	-	-	629
Revenue Budget Increase	411	115	-	526
Economic Crime Unit	400	558	-	958
Organised Crime	475	10	-	485
Road Safety Strategy	455	-	-	455
Recruitment & Succession	-	351	-	351
Fire Service Training	-	154	-	154
Community Service Staffing Resource	60	-	-	60
<u>Other</u>				
Other internal adjustments	(9)	110	-	101
Loan adjustment	-	(290)	-	(290)
Fee increases	-	-	(126)	(126)
<b>Total Change</b>	<b>3,411</b>	<b>946</b>	<b>(126)</b>	<b>4,232</b>
<b>2019-20 BUDGET</b>	<b>30,282</b>	<b>8,387</b>	<b>(1,183)</b>	<b>37,486</b>



#### **4.6. Department of Infrastructure (DOI)**

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

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



Together, these people enable us all to:

- travel safely and efficiently around the Island;
- move between the Island and other places;
- rely on properly maintained Government buildings, such as schools, the Airport, the Sea Terminal and Noble's Hospital, and vehicles such as fire appliances and buses;
- access to affordable housing;
- dispose of our waste properly.

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

These are:

- securing off-Island transport links that meet the social and economic needs of the Isle of Man;
- maintaining existing assets appropriately to make best use of resources;
- planning for the infrastructure that the Island will need in the future;
- providing on-Island transport that meets the needs and requirements of our customers;
- ensuring that we have affordable and accessible housing to meet our social and economic needs
- managing the government estate to derive the best overall outcome for the Island.

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

#### **Financial Performance**

In spite of continued increased demands on the services provided across the Divisions, the Department is working hard to ensure that it ends 2018-19 within its pre-agreed budget. As in previous years, delays experienced in recruiting skilled workers have led to difficulties in progressing works in some areas, which has inadvertently helped to ensure that savings targets will be achieved. This is far from an ideal situation as while it means the Department will operate within its allocated annual budget, the result is that not all planned works have been completed. As a consequence, this will put extra pressure on the 2019-20 budget to carry out all planned works as well as any works from the current year that are incomplete.

#### **Achievements in 2018-19**

During 2018-19 the Department –

- started work on the Douglas Promenade Refurbishment project
- secured land for new Isle of Man Ferry Terminal in Liverpool
- developed a new Sea Services Agreement to replace the existing User Agreement in 2020
- introduced contactless payments on the Island's buses
- carried out the first Highway's public perception benchmarking exercise, which saw the Department achieving one of the highest return rates in the UK
- enabled the redevelopment of the Lord Street site
- carried a record number of bus passengers during TT 2018 with an 11% increase from 2017 to give a total of 234,418 passenger journeys
- received Tynwald approval for the reconstruction of the Strathallan Horse Depot
- launched a trial of demand responsive transport services in the northern parishes
- Increased maintenance and surfacing work on improving highways
- Tynwald approved Waste Strategy
- Tynwald approved Active Travel Strategy to promote more walking and cycling plus engagement of Sustrans as partner
- Submitted requests for planning approval for an innovative solution to the silting of Peel Marina
- Made significant improvements to the central search area at the Isle of Man airport



## Our aims for 2019-20

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

A recent report showed that the Department earned more revenue per bus than that achieved by any comparable UK operator. Building on this success, the Department has agreed to secure further efficiencies whilst protecting service levels. A bus and rail budget reduction of £1,000,000 over the next three years will form part of the SAVE programme.

## Capital Project Schemes

The Department progressed a number of capital schemes and minor capital works during 2018/19, with one of the most anticipated being the commencement of the Douglas Promenade scheme in September 2018.

A key milestone was achieved in relation to the new Isle of Man Ferry Terminal in Liverpool when the planning application was submitted in December 2018.

Other schemes included the Clagh Vane Housing Scheme which is now well advanced and expected to be completed in Summer 2019.

Castle Street regeneration works were completed in November 2018. The remaining phases at the opposite end of the main town centre have been commenced and it is planned that the entire Lower Douglas Regeneration scheme, from Castle Street to Market Hill, will be completed by Summer 2019.

Projects to be progressed for 2019-20 will include:

- Much needed work to improve the A5 road to Castletown
- Construction of the Isle of Man Ferry Terminal in Liverpool
- Development and improvement in Jurby
- Refurbishment of Michael Street Peel



## Department of Infrastructure – Financial Summary

### TABLE 48 – DOI - Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Minister & Chief Executive's Office	192	200	202		202
Strategy, Policy & Performance	785	804	857		857
Finance & Governance	8,489	6,928	37,465	9,475	27,990
Ports Division	4,607	4,900	13,031	11,567	1,464
Highway Services Division	(1,123)	360	13,811	15,872	(2,061)
Public Estates & Housing Division	28,631	32,608	39,528	12,563	26,965
Transport Services Division	17,157	17,428	19,741	7,111	12,630
<b>NET EXPENDITURE</b>	<b>58,738</b>	<b>63,227</b>	<b>124,634</b>	<b>56,588</b>	<b>68,046</b>

### TABLE 49 – DOI - Income & Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	12,902	13,302	13,568	13,840	14,117
Third Party Contributions	2,366	3,664	3,410	3,479	3,548
Operating Income	36,076	35,911	36,009	37,362	38,109
Other Non-Trading Income	3,612	3,530	3,600	3,672	3,746
<b>TOTAL INCOME</b>	<b>54,957</b>	<b>56,407</b>	<b>56,588</b>	<b>58,352</b>	<b>59,519</b>
<b>EXPENDITURE</b>					
Employee Costs	42,796	43,064	45,181	45,987	46,765
Infrastructure Costs	36,591	34,410	34,110	34,110	34,110
Transport Costs	5,999	5,192	5,547	5,547	5,547
Supplies & Services	9,495	11,269	12,014	10,451	10,342
Agency & Contracted Services	2,020	3,085	3,485	3,485	3,485
Loan Charges	17,323	20,159	21,841	20,973	21,393
Other	(529)	2,456	2,456	2,456	2,456
<b>TOTAL EXPENDITURE</b>	<b>113,695</b>	<b>119,635</b>	<b>124,634</b>	<b>123,010</b>	<b>124,099</b>
<b>NET EXPENDITURE</b>	<b>58,738</b>	<b>63,228</b>	<b>68,046</b>	<b>64,658</b>	<b>64,580</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## DOI - Financial Summary (continued)

TABLE 50 – DOI Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>43,069</b>	<b>76,169</b>	<b>(56,009)</b>	<b>63,228</b>
<u>Transfer of budget between departments</u>				
Transfer to Cabinet Office	(26)	-	-	(26)
Transfer from DHSC	-	243	-	243
Transfer from DHA	-	12	-	12
<u>Growth items</u>				
Reduction in income	-	-	620	620
Waste Gate Expenditure Decrease	-	323	-	323
Dredging Peel Marina	-	1,273	-	1,273
Pay award allowance	612	-	-	612
NI Contracting Out increase & uplift	922	-	-	922
Employer Pension Contributions	610	-	-	610
<u>Other</u>				
Loan charge adjustment	-	1,682	-	1,682
Bus & Rail Savings Programme	-	(330)	-	(330)
Other internal adjustments	(6)	81	-	75
Fee increases	-	-	(1,199)	(1,199)
<b>Total Change</b>	<b>2,112</b>	<b>3,284</b>	<b>(579)</b>	<b>4,817</b>
<b>2019-20 BUDGET</b>	<b>45,181</b>	<b>79,453</b>	<b>(56,588)</b>	<b>68,046</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



TABLE 51 – DOI – Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000 SERVICE	Actual 2017-18	Budget 2018-19	Increase 2019-20	Other adjusts	Total 2019-20	2019-20 as a %
<b>Finance and Governance</b>						
EFW Lease income	3,403	3,405	-	-	3,405	-
Miscellaneous	98	-	-	-	-	-
Reimbursements	80	65	-	-	65	-
Sale of other goods	833	1,054	17	-	1,071	1.6%
Waste Disposal	4,886	4,671	263	-	4,934	5.7%
<b>Highway Services Division</b>						
Driver Licences	243	255	5	-	260	2%
Inspection Fees	224	354	7	-	361	2%
Miscellaneous	40	27	-	-	27	-
Road Tax	12,901	13,298	-	-	13,298	-
Sale of Goods	600	716	-	(13)	703	-
Sale of Services	257	70	-	-	70	-
Search Fees	71	61	1	-	62	2%
Test Fees	267	371	7	-	378	2%
Vehicle Registration Fees	794	704	14	-	718	2%
Other	-	(78)	-	73	(5)	-
<b>Ports Division</b>						
Car Parking	729	744	-	-	744	-
Flight Related	3,312	3,624	72	-	3,696	2%
Harbour Related	4,474	3,859	54	-	3,913	2%
Miscellaneous	188	187	4	-	191	2.1%
Other Rentals	2,221	2,608	-	-	2,608	-
Property Rents	302	411	-	-	411	-
Registration Fees	2	4	-	-	4	-
Reimbursements	7	-	-	-	-	-
Sale of other goods	4	13	-	(13)	-	-
Sale of Services	-	33	-	(33)	-	-
<b>Public Estates and Housing</b>						
Car Parking	1,168	1,451	(10)	-	1,441	-
Miscellaneous	44	9	-	-	9	-
Rentals – Commercial	2,696	2,722	-	-	2,722	-
Rents - Housing	5,599	5,690	123	-	5,813	2.1%
Reimbursements	1,579	1,806	-	-	1,806	-
Reimbursements - Housing	830	772	-	-	772	-
<b>Strategy Policy and Performance</b>						
Miscellaneous	1	-	-	-	-	-
<b>Transport Services Division</b>						
Advertising	43	23	-	-	23	-
Event Income	220	231	-	-	231	-
Fare Income	5,407	5,603	-	-	5,603	-
Miscellaneous	31	6	-	-	6	-
Other Rentals	25	-	-	-	-	-
Property Rents	76	64	-	-	64	-
Reimbursements	747	700	-	-	700	-
Sale of other goods	554	476	8	-	484	1.7%
<b>TOTAL</b>	<b>54,957</b>	<b>56,009</b>	<b>565</b>	<b>14</b>	<b>56,588</b>	

**Note:** "2019-20 as a %" column represents the budget increase and the actual price increases needed to reach the income target may differ





#### 4.7. The Treasury

Treasury's core purpose and strategic direction is underpinned by the Programme for Government outcomes: to be a financially responsible government while providing services that meet the needs of the community through inclusivity and by creating enterprise and opportunity.

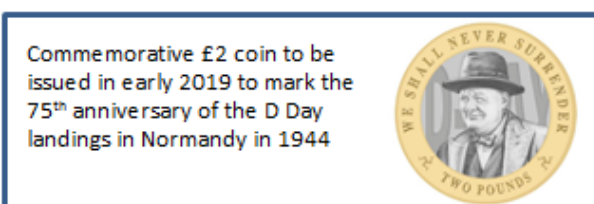
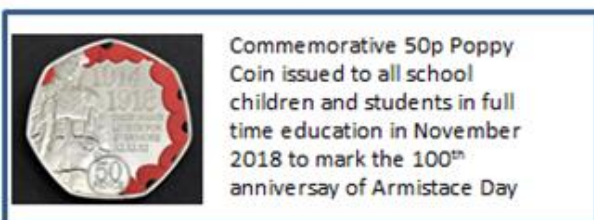
Treasury's strategic direction is further influenced by the key outcome within the Programme of providing fit for purpose modern services at the right time.

The Treasury delivers a wide range of services to high standards across various parts of the public sector to the Manx community and internationally.

The quality of our services must be maintained in accordance with statutory requirements and in line with international regulations and expectation in order to ensure compliance and maintain our reputation on the world stage.

The functions of the Treasury include:

- Collection of revenue for the funding of public services
- Distribution of payments such as benefits
- Financial governance through financial oversight
- International Engagement
- Financial reporting
- Asset management
- Management of Government's Investment and Banking arrangements
- Issue and promotion of Manx Currency.



Treasury made 4 revenue bids as part of this year's budget process which totalled £496k.

Within the Income Tax Division, additional funding has been provided for resources to ensure that the Island's tax system addresses EU and international requirements in relation to substance. A project was approved by the National Strategy Group in 2018 and new primary legislation introduced in December 2018. A redesigned online corporate tax return, together with new processes and staff will be required in 2019 to ensure the Income Tax Division is fully equipped to implement, monitor and enforce the new requirements.

Following the publication of the so called "Paradise Papers" in November 2017, the Treasury invited HM Revenue and Customs to review our processes in relation to aircraft and yachts. As a result of the review being requested, IOM Customs & Excise undertook an internal review in relation to the VAT Treatment and ongoing assessment of Aircraft. This has resulted in the need for additional staff to undertake this work and it has been considered necessary for us to commit to these staffing levels for the longer term to avoid any doubts about our ability to assess future aircraft liabilities.

Additionally, the Customs & Excise budget has been increased to strengthen its Law Enforcement team. This will ensure the Division is prepared for the UK's exit from the EU and ensure that the recommendations of MONEYVAL are fully incorporated into every day activity.

Within Financial Governance Division, a bid was approved to increase the Insurance budget, following rising costs over the past few years.

From a capital viewpoint, the Department has embarked on a significant programme of work which will revamp and upgrade our IT systems to modernise service delivery within the Department.





## The Treasury – Financial Summary

### TABLE 52 - The Treasury Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Actual Spend 2017-18	Probable Spend 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Finance & Governance Division	12,653	10,945	11,196	6,740	4,456
Customs & Excise Division	2,143	2,312	2,712	380,519	(377,807)
Income Tax Division	4,955	4,305	5,191	230,520	(225,329)
Assurance Advisory Division	585	576	768	95	673
Manx Radio Subvention	875	955	980	-	980
Grants	4,250	3,547	3,950	-	3,950
Government Contingency (See Note)	-	2,459	6,292	-	6,292
Lottery Duty Distribution	1,891	1,400	1,400	-	1,400
Non-Contributory Benefits	70,307	70,987	73,403	-	73,403
National Insurance Operating Account	212,394	216,878	269,362	269,362	-
Social Security Administration	4,311	4,597	5,496	200	5,296
<b>NET EXPENDITURE</b>	<b>314,363</b>	<b>318,961</b>	<b>380,751</b>	<b>887,436</b>	<b>(506,685)</b>

#### Note

The Contingency Budget includes £3.0 million of General Contingency & £1.8m ring-fenced non-pay contingency provision which will be reallocated on the provision & scrutiny of any viable business case from Departments.

Additionally £1.5 million has been ring-fenced for DESC in respect of possible changes to the Student Award Scheme. This funding will be released once any changes to the scheme are agreed.

### TABLE 53 - The Treasury Income & Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Customs & Excise	358,744	369,436	380,519	391,935	403,693
Income Tax	232,897	232,730	230,520	238,135	245,744
Other Treasury Income	10,905	9,306	7,035	6,202	4,204
NI Operating Account	247,213	256,543	269,362	276,253	283,429
<b>TOTAL INCOME</b>	<b>849,760</b>	<b>868,016</b>	<b>887,436</b>	<b>912,525</b>	<b>937,069</b>
<b>EXPENDITURE</b>					
Employee Costs	13,422	13,557	15,261	16,277	16,594
Infrastructure Costs	11	14	88	88	88
Transport Costs	2				
Supplies & Services	3,809	4,120	7,233	9,963	12,805
Agency & Contracted Services	3,416	3,462	3,566	3,566	3,566
Loan Charges	505	481	531	500	510
Social Security Clients	318,378	327,355	331,395	340,603	350,072
Other	13,331	9,461	22,677	20,739	23,174
Unallocated savings	-	-	-	(3,000)	(10,000)
<b>TOTAL EXPENDITURE</b>	<b>352,873</b>	<b>358,451</b>	<b>380,751</b>	<b>388,736</b>	<b>396,808</b>
<b>NET EXPENDITURE</b>	<b>(496,886)</b>	<b>(509,565)</b>	<b>(506,685)</b>	<b>(523,789)</b>	<b>(540,261)</b>



## The Treasury – Financial Summary (continued)

TABLE 54 - The Treasury - Reconciliation from 2018-19

<b>BUDGET MOVEMENT FROM 2018-19 TO 2019-20</b>				
<b>£000</b>	<b>Gross Pay</b>	<b>Gross Non-Pay</b>	<b>Gross Income</b>	<b>Net Budget</b>
<b>2018-19 Budget</b>	<b>14,744</b>	<b>346,627</b>	<b>(852,918)</b>	<b>(491,547)</b>
<u>Transfer of budget between departments</u>				
Transfer to Cabinet Office	-	(28)	-	(28)
<u>Growth items</u>				
Government Insurance Increase	-	103	-	103
Customs Law Enforcement Officers	84	9	-	93
Customs Revenue Protection & Audit Officers	96	5	-	100
Income Tax Substance Compliance Team	200	-	-	200
DESC Centralised Student Award Funding	-	1,497	-	1,497
Manx Radio CPI Uplift	-	25	-	25
Pay award allowance	217	-	-	217
NI Contracting Out increase & uplift	250	-	-	250
Employer Pension Contributions	163	-	-	163
SSD Pay to Non-Pay Budget Realignment	(485)	485	-	-
Income Adjustment	-	-	(34,518)	(34,518)
<u>Other</u>				
Contributory benefits decrease	-	(4,223)	-	(4,223)
Non-Contributory benefits increase	-	4,322	-	4,322
Non-Pay Revenue Contingency	-	1,795	-	1,795
Net change in NI Fund Transfer	-	14,091	-	14,091
Increase in Infrastructure Costs	-	2	-	2
Reduction in Supplies & Services	-	(2)	-	(2)
Loan charge adjustment	-	50	-	50
Internal Fund Adjustments	-	(219)	-	(219)
Increase in Grants & Subsidiaries	-	943	-	943
Pay to non-pay adjustments	(8)	8	-	-
<b>Total Change</b>	<b>517</b>	<b>18,863</b>	<b>(34,518)</b>	<b>(15,138)</b>
<b>2019-20 Budget</b>	<b>15,261</b>	<b>365,490</b>	<b>(887,436)</b>	<b>(506,685)</b>



#### 4.8. Cabinet Office



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

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

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

#### The Department's Key Challenges

<b>BREXIT</b>	The impact of the United Kingdom's exit from the EU (BREXIT) on the Cabinet Office is significant. The Cabinet Office faces the challenge of meeting the ongoing demands for its services whilst, at the same time, planning for and implementing new arrangements.
<b>Blacklists</b>	The Cabinet Office continues to monitor the political landscape of EU and international blacklisting that presents risk to the Island's economy. This has included the EU Code of Conduct Group (Business Taxation) and Anti Money Laundering Blacklists.
<b>Public Sector Reform</b>	Modernisation of public service through implementation of Digital Strategy, People Strategy and organisation design.
<b>Development and Implementation of Social Legislation</b>	Maintaining our position as far as social legislation is concerned as a responsible jurisdiction.

#### Equality Act 2017

The Cabinet Office has responsibility for ensuring the successful implementation of the Equality Act, an important piece of social legislation that supports our continued work towards an inclusive and caring society. Statutory protection from discrimination in the provision of goods and services and in employment has been extensively broadened and strengthened with the initial statutory provisions having commenced on the 1 January 2019. Support to all sectors is ongoing through the provision of training, awareness, Codes of Practice, conciliation and advice, with guidance notes to follow.



This will see the continued roll out of the Equality Act 2017 for the public, private, third and voluntary sectors through the provision of training, guidance, Codes of Practice, conciliation and advice.

### **Safeguarding Act**

The Cabinet Office has responsibility for ensuring the successful implementation of the Safeguarding Act, and the introduction accompanying Regulations.

The Act establishes a single Safeguarding Board. The Board, which replaces the existing Safeguarding Children Board and Safeguarding Adults Partnership, will take responsibility for the comprehensive and strategic review of safeguarding practice in the Isle of Man.

In addition it creates a safeguarding duty on those who work with children or vulnerable adults to make arrangements to ensure they have due regard to the need to safeguard and promote the welfare of children and safeguard and protect vulnerable adults.

### **Planning Policy**

The team undertakes comprehensive strategic planning for land use across the Isle of Man. In 2018/19 this included:

- Consultation of a draft local area plan for the east of the island (including the key growth drivers - Douglas/Braddan/Onchan)
- Maintaining data monitoring for the Residential Land Availability Study (RLAS) throughout the year
- Conducting the Castletown Housing Land Review
- Support continued work on the Action Plan to Improve the Planning System, an action from the Programme for Government

For 2019/20 onwards the focus of this team will be:

- Implementation of the final version of the local area plan for the east of the Isle of Man
- Preparation of the next local area plan, for the north and west of the Isle of Man

- Preparation for a complete review of the strategic section of the Isle of Man Development Plan by 2021
- Continued stakeholder workshops to maintain essential linkages with economic drivers

### **Elections**

The Cabinet Office Elections team ensures that elections are properly administered. Keeping and maintaining a robust democratic process and help protect the Isle of Man's international reputation.

The Cabinet Office is currently conducting a root and branch review of the Island's electoral legislation and related matters. The intention is to introduce reforms that will modernise the system for all elections in the Isle of Man and put the voter at the heart of the process. The focus is on achieving clarity, simplicity and consistency, while protecting the integrity of free and fair elections.

### **Office of Human Resources**

The Office of Human Resources provides the full range of HR services to Government including recruitment, employee and industrial relations, organisational development and learning, education and training for over 10,000 employees.

The 2018/19 financial year saw significant progress on a number of key projects and programmes. This included implementing phase two of a new HR system, to introduce a new job evaluation and grading system for manual and craft workers, an independent review of Civil Service terms and conditions, and the payment of the Living Wage for established Government workers.

### **Economic Affairs**

The Economic Affairs Division of the Cabinet Office provides economic advice and statistical analysis to all parts of Government and acts as the principal collator and publisher of Government statistics. In 2018/19 this has included:

- Conducting a range of surveys that will underpin the first review of the Isle of Man's Revenue Sharing Agreement.
- Produced the second Isle of Man Living Wage.



## Cabinet Office – Financial Summary

TABLE 55 - Cabinet Office Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Exec Office/Office of Chief Secretary	1,464	1,509	2,038	-	2,038
Safeguarding Board (see Note)	-	-	308	-	308
Government Technology Services	19,736	20,059	20,062	124	19,938
Policy & Reform	691	757	871	92	779
Office of Human Resources	5,910	5,962	5,113	-	5,113
Policy & Strategy	401	398	536	-	536
Crown & External Relations	1,809	1,502	2,815	1,331	1,484
OCSIA		255	252	-	252
<b>NET EXPENDITURE</b>	<b>30,012</b>	<b>30,441</b>	<b>31,995</b>	<b>1,547</b>	<b>30,448</b>

**Note**

With effect from 1<sup>st</sup> March 2019 the Safeguarding Board will exist as a separate Statutory Body outside of the Cabinet Office and the budget will be held and managed separately.

TABLE 56 - Cabinet Office Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	1	-	-	-	-
Third Party Contributions	943	414	422	431	439
Operating Income	1,325	1,101	1,123	1,146	1,169
Other Non-Trading Income	1	(69)	1	1	1
<b>TOTAL INCOME</b>	<b>2,270</b>	<b>1,446</b>	<b>1,547</b>	<b>1,578</b>	<b>1,609</b>
<b>EXPENDITURE</b>					
Employee Costs	16,880	17,546	17,875	18,216	18,402
Infrastructure Costs	105	127	76	76	76
Transport Costs	8	8	8	8	8
Supplies & Services	19,798	14,683	14,402	14,562	14,995
Loan Charges	74	88	195	91	93
Other	(4,583)	(565)	(561)	(561)	(561)
<b>TOTAL EXPENDITURE</b>	<b>32,282</b>	<b>31,887</b>	<b>31,995</b>	<b>32,393</b>	<b>33,015</b>
<b>NET EXPENDITURE</b>	<b>30,012</b>	<b>30,441</b>	<b>30,448</b>	<b>30,816</b>	<b>31,405</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## Cabinet Office – Financial Summary (continued)

TABLE 57 - Cabinet Office - Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>17,170</b>	<b>14,794</b>	<b>(1,516)</b>	<b>30,448</b>
<u>Transfer of budget between departments</u>				
Transfer to DHSC GTS Team	(88)	-	-	(88)
Transfer to DHSC Info Governance Team	(25)	(3)	-	(28)
Transfer from DHSC Safeguarding Contribution	19	49	-	68
Transfer from DHA Safeguarding Contribution	-	3	-	3
Transfer from DHA Fire Service	-	15	-	15
Transfer from DESC Software	-	18	-	18
Transfer from DESC Safeguarding	-	16	-	16
Transfer from DESC Health & Safety	26	-	-	26
Transfer of LEaD Team to DESC	(1,022)	(111)	-	(1,133)
Transfer from DfE for CALM (less than £1k)	-	-	-	-
Transfer from DOI for Health & Safety	26	-	-	26
Transfer from Treasury for MONEYVAL	-	28	-	28
<u>Growth items</u>				
AML Policy Officer	87	-	-	87
Major Initiatives Programme Manager	150	-	-	150
Pay award allowance	262	-	-	262
NI Contracting Out increase & uplift	246	-	-	246
Employer Pension Contributions	228	-	-	228
GTS & Safeguarding Salary Conversions	796	(796)	-	-
<u>Other</u>				
Loan charge adjustment	-	107	-	107
Fee increases	-	-	(30)	(30)
<b>Total Change</b>	<b>705</b>	<b>(674)</b>	<b>(30)</b>	<b>-</b>
<b>2019-20 BUDGET</b>	<b>17,875</b>	<b>14,120</b>	<b>(1,547)</b>	<b>30,448</b>

TABLE 58 – Cabinet Office – Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual	Probable	Increase	Other	Total	Increase
SERVICE	2017-18	2018-19	2019-20	adjusts	2019-20	2019-20 as a %
Government Technology Services	145	40	1	15	56	-
Passport	651	752	-	-	752	-
Nationality	108	99	-	-	99	-
Immigration	415	345	-	-	345	-
Immigration – EU Settlement Scheme	-	-	-	-	-	New
Other	857	120	27	57	204	-
<u>Welcome Centre</u>						
Fees and sale of goods	94	90	2	-	92	2%
<b>TOTAL</b>	<b>2,270</b>	<b>1,446</b>	<b>30</b>	<b>72</b>	<b>1,547</b>	





## **4.9. Executive Government**

### **MANX INDUSTRIAL RELATIONS SERVICE**

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

### **VETERANS WELFARE SERVICE**

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

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

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

Veterans Welfare Service also work closely with local authorities, voluntary organisations service charities and Government agencies to access appropriate services and benefits.

### **INFORMATION COMMISSIONER**

The Information Commissioner is the independent supervisory body for the Data Protection Act 2018 and associated Orders and regulations, the Freedom of Information Act 2015, the Unsolicited Communications Regulations 2005 and the Code of Practice on Access to Government Information.

The new data protection legislation has placed considerable resource pressures on the Office. A bid for additional resources has been incorporated into the budget subject to Tynwald approval.

A new fees model, which is intended to cover some of these additional costs, will be introduced in 2019 following relevant consultation and Tynwald approval.

## **GENERAL REGISTRY**

### **Departmental Vision**

Improve access to justice through a courts and tribunals administration which works better for everyone.

### **Departmental Priorities**

In the coming year we will:-

- lay the foundations for making improvements to aid the public's understanding of the operation of courts and tribunals;
- prioritise the implementation of the Government's People Strategy;
- continue to identify and implement process and organisational improvements; and
- undertake a wide-ranging review of our Fees structure.

It is vital that the Isle of Man has a system of justice that we can all be proud of and which serves all of its users.

### **Departmental Challenges**

The key challenges facing us include:-

- increasing demands on our services including more complex civil and other proceedings coming before the courts and tribunals;
- allocating appropriate resources in a timely manner to minimise the risk of limiting access to justice;
- allocating appropriate resources in a timely manner to support the continuation of organisational improvements and the future provision of IT systems; and
- the impact on factors outside of our control affecting our ability to provide the necessary services.

### **Financial Performance**

There is little indication that 2019/20 will be any different to recent years with continuing pressure on expenditure and no tangible reduction in the workload within the courts and tribunals. We will continue to act with prudence when spending public money but exceptional expenditure to enable the justice system to function properly is likely to continue to be reliant, in part, on drawdowns from the Legal Cost Reserve.





### ATTORNEY GENERAL'S CHAMBERS (AGC)

The AGC aims to be a centre of excellence for legal services provided to Government for the benefit of the Isle of Man community. AGC is committed to an ongoing programme of change as detailed in its published Business Plan 2017-2020.

Her Majesty's Attorney General (HMAG), as the Accountable Officer in relation to AGC's budget, anticipates being able to contain the current year spending within the agreed budget parameters and within previously agreed drawdown limits from other funding sources for 2018/2019 financial year. AGC is committed to continuing to absorbing any increase in legal support required by Government and controlling employee costs within AGC's existing budget; however year on year absorbing rising costs and the growing demand for legal services is becoming an increasingly difficult challenge. As the Government focuses on various aspects of reform and broaden its horizons in relation to international standards, AGC is increasingly called upon to participate and support large scale negotiations, assessments and evaluations. AGC must also focus on HMAG's broad ranging statutory responsibilities and its own compliance.

HMAG published his second Annual Operating Report of AGC in September 2018, in order to demonstrate in a transparent manner how its legal resources were utilised by Government and explain the statutory responsibilities for which he is responsible. His report also included a progress update against the AGC Business Plan. It is hoped that publishing a refreshed Business Plan and an Operating Report annually will support a culture of continuous improvement in AGC and will be of value to the public and other stakeholders.

The AGC supports other Departments, Boards and Offices in delivering their services, taking forward reforms and identifying contributions to the savings of Government. For example, AGC has a central commercial legal team which includes procurement services for Government and AGC is supporting the various projects within the Treasury's SAVE

programme of reforms as they are taken forward. In particular HMAG is providing oversight in relation to a criminal legal aid funding review.

Government now has a focused Programme for Government which AGC supports with legal services as required. For example, a dedicated Legal Officer has been recruited and is now working with the DHSC to improve the consistency of case management and legal representation in respect of potential litigation related to health care.

HMAG continues to ensure that no external legal advice is commissioned without his express approval, thereby achieving a significant reduction in legal expenditure within Department's, Boards and offices.

AGC has requested additional revenue funding for the 2019/2020 and subsequent financial years to facilitate the following major reforms or improvements to its services:-

1. **Working with the Local and International Community to prevent Money Laundering and Terrorist financing through the work of the International Cooperation and Asset Recovery Team (ICART).**

AGC has sought funding to enable the continuance and permanent establishment of the recently created ICART. The team has been successfully established and HMAG is committed to ensuring that the team's efforts are continued and strengthened. ICART was created as a result of the National Risk Assessment and in anticipation of the Moneyval assessment in 2016. It was initially part funded through redeployment of AGC's existing resources and partly by the Seized Asset Fund. The team works closely with other criminal justice partners and International Competent Authorities to provide legal assistance and representation in criminal matters. Using all available statutory powers open to them, the team members ensure that swift action through the Courts results in suspicious assets being made



inaccessible to the suspected criminal, with the aim of disrupting the financing of further criminal activity. The team secures crucial evidence for the purposes of prosecution in the IOM and in other countries.

**2. Developing the Isle of Man Statutes website to include subordinate legislation, in order to improve the accessibility of law.**

The proposal is to work towards the position where eventually all legislation, whether primary or subordinate, will be within the Isle of Man Statutes website and to capitalise on the advanced functions which are currently only available for primary legislation.

Funding has been requested to start the foundation work which will involve correctly formatting certain historical documents which will ultimately be required as part of a library to be loaded onto the existing Statutes website.

**3. Supporting improved digital working throughout the criminal justice system.**

This project will see the AGC Prosecutions team increasing the amount of digital working, developing more efficient ways of working with the Constabulary and the defence advocates in preparation for the move to virtually paperless criminal courts. Essential funding has been requested to increase the capacity within the administration team and improve mobile working in order to deliver this reform.

**4. Re-establishing the Trainee Legal Officer scheme to reduce recruitment costs and play a part in developing Advocates of the future for the Isle of Man community.**

AGC can now provide the appropriate experiences which are mandatorily required by the Isle of Man Law Society in order for a person to train and qualify as a Manx Advocate and achieve admission to the Manx Bar. The funding will see AGC recruiting a Trainee Advocate for the first time in over a decade. The AGC continues to experience problems with recruitment to the workforce. In particular, the ability to recruit high quality, enthusiastic and suitably experienced legal officers who are flexible in their specialist legal areas has become increasingly difficult. This factor is considered to be the greatest risk to delivery of AGC services and it is hoped that re-establishing the Trainee Legal Officer scheme will partly help to alleviate the difficulties with future recruitment.



## Executive Government – Financial Summary

TABLE 59 - Executive Government Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Industrial Relations	185	229	273	-	273
Veterans Welfare Service	87	101	104	-	104
Information Commissioner	144	185	420	270	150
General Registry	1,565	2,639	4,908	2,100	2,807
Attorney General	4,573	4,813	5,427	65	5,362
Overseas Aid	2,400	2,500	2,500	-	2,500
<b>NET EXPENDITURE</b>	<b>8,954</b>	<b>10,467</b>	<b>13,632</b>	<b>2,435</b>	<b>11,197</b>

TABLE 60 - Executive Government Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	94	88	268	270	272
Third Party Contributions	63	65	65	66	68
Operating Income	2,644	2,055	2,098	2,140	2,183
Other Non-Trading Income	34	4	4	4	4
<b>TOTAL INCOME</b>	<b>2,836</b>	<b>2,212</b>	<b>2,435</b>	<b>2,480</b>	<b>2,526</b>
<b>EXPENDITURE</b>					
Employee Costs	8,040	8,526	9,433	9,537	9,726
Infrastructure Costs	32	80	80	80	80
Supplies & Services	1,429	1,573	1,619	1,604	1,604
Other	2,289	2,500	2,500	2,500	2,500
<b>TOTAL EXPENDITURE</b>	<b>11,790</b>	<b>12,679</b>	<b>13,632</b>	<b>13,721</b>	<b>13,909</b>
<b>NET EXPENDITURE</b>	<b>8,954</b>	<b>10,467</b>	<b>11,197</b>	<b>11,241</b>	<b>11,383</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



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

TABLE 61 - Executive Government Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net
<b>2018-19 Budget</b>	<b>8,533</b>	<b>4,146</b>	<b>(2,212)</b>	<b>10,467</b>
<u>Growth items</u>				
Information Commissioner GDPR Resource	145	13	(178)	(20)
General Registry Change Manager	51	-	-	51
Industrial Relations Payroll Uplift	15	-	-	15
Attorney General ICART Team	267	30	-	297
Attorney General Trainee Lawyer	50	-	-	50
Pay award allowance	133	-	-	133
NI Contracting Out increase & uplift	183	-	-	183
Employer Pension Contributions	67	-	-	67
<u>Other</u>				
Internal adjustment	(10)	10	-	-
Fee increase	-	-	(45)	(45)
<b>Total Change</b>	<b>901</b>	<b>53</b>	<b>(223)</b>	<b>730</b>
<b>2019-20 BUDGET</b>	<b>9,433</b>	<b>4,199</b>	<b>(2,435)</b>	<b>11,197</b>

TABLE 62 – Executive Government- Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual 2017-18	Probable 2018-19	Increase 2019-20	Other adjusts	Total 2019-20	Increase 2019-20 as a %
<b>SERVICE</b>						
<b><u>Attorney General Chambers</u></b>						
Court Payments	63	45	-	20	65	-
<b><u>Information Commissioner Fees</u></b>	129	88	2	180	270	-
<b><u>General Registry</u></b>						
<b><u>Court Services Fees</u></b>						
High Court Civil	202	261	5	-	266	2%
High Court Family	25	36	1	-	37	2%
Staff of Government	7	8	-	-	8	2%
Court Service Fees - General	311	326	7	-	333	2%
Crim./Summary General	1	-	-	-	-	2%
Court Service Fees - Probate	1,445	1,847	37	-	1,884	2%
Summary Court - Family	2	4	-	-	4	2%
General Gaol	1	1	-	-	1	2%
Other	26	(660)	-	(35)	(695)	-
<b><u>Fees &amp; Duties &amp; Miscellaneous Fees</u></b>						
Apostille Fees	252	226	5	-	231	2%
<b><u>Licensing Fees</u></b>						
Licensing Court Duties	371	30	1	-	31	2%
<b>TOTAL</b>	<b>2,836</b>	<b>2,212</b>	<b>56</b>	<b>167</b>	<b>2,435</b>	



#### **4.10. 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 its users and a key contributor to many parts of the Manx community and economy. About half a million people each year engage with us by visiting our sites, having coffee at our cafes, walking their dogs on our footpaths, watching seals or birds from our land, enjoying our exhibitions, volunteering with us or just following us online.

The Trust's Statement of Purpose is:

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

Our critical success factors are:

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

The organisation holds a significant legacy of iconic historic buildings and landscapes which it maintains in Trust for current and future generations. A major challenge every year 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. To support this legacy a bid has been made for additional funding from 2019/20 for which we welcome support.

MNH has successfully delivered accessible facilities, a new military history gallery (photo below) and trialled Sunday opening at the Manx Museum for

which a bid has been made for future funding from 2019/20, remodelled Castle Rushen ground floor and prepared an outline design for a new Laxey Wheel Visitor Centre.



Part of the new Military History Gallery at the Manx Museum

In line with a changing economic environment MNH has reduced running costs by around £1m in the last ten years and maintained income receipts in difficult trading conditions. Self-generated income now contributes in the region of £868k annually but with consumer confidence still low there is a real risk of not meeting future income targets. We do not control our environment, for example the weather or the number of visitors to the island, which can adversely impact MNH properties, retail and site admissions.

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



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

#### Challenges and priorities for 2019

- Adapting to formally acknowledge our Charitable status in all that we do
- Planning for new TT Gallery at Manx Museum
- Consolidating Sunday opening at the Manx Museum
- Developing plans for new Laxey Visitor centre
- Refurbishing Thornbank (Baillie Scott) house



## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## Manx Museum &amp; National Trust – Financial Summary

TABLE 63 - Manx Museum &amp; National Trust Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Manx Museum & National Trust	4,403	4,451	5,500	862	4,638
<b>NET EXPENDITURE</b>	<b>4,403</b>	<b>4,451</b>	<b>5,500</b>	<b>862</b>	<b>4,638</b>

TABLE 64 - Manx Museum &amp; National Trust Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Operating Income	962	799	803	819	836
Other Non-Trading Income	98	62	59	60	62
<b>TOTAL INCOME</b>	<b>1,059</b>	<b>861</b>	<b>862</b>	<b>880</b>	<b>897</b>
<b>EXPENDITURE</b>					
Employee Costs	2,991	3,172	3,262	3,277	3,338
Infrastructure Costs	556	547	659	648	648
Transport Costs	2	-	-	-	-
Supplies & Services	939	599	597	597	597
Loan Charges	973	993	983	1,033	1,054
<b>TOTAL EXPENDITURE</b>	<b>5,461</b>	<b>5,312</b>	<b>5,500</b>	<b>5,555</b>	<b>5,636</b>
<b>NET EXPENDITURE</b>	<b>4,403</b>	<b>4,451</b>	<b>4,638</b>	<b>4,675</b>	<b>4,739</b>



## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## Manx Museum &amp; National Trust – Financial Summary (cont'd)

TABLE 65 - Manx Museum &amp; National Trust Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net
<b>2018-19 Budget</b>	<b>3,174</b>	<b>2,138</b>	<b>(861)</b>	<b>4,451</b>
Manx Museum Sunday Opening	45	11	-	56
Heritage Property Maintenance	-	100	-	100
Pay award allowance	28	-	-	28
NI Contracting Out increase & uplift	6	-	-	6
Employer Pension Contributions	10	-	-	10
Loan charge adjustment	-	(10)	-	(10)
Fee increase	-	-	(1)	(1)
<b>Total Change</b>	<b>89</b>	<b>101</b>	<b>(1)</b>	<b>189</b>
<b>2019-20 Budget</b>	<b>3,262</b>	<b>2,238</b>	<b>(862)</b>	<b>4,638</b>

TABLE 66 – Manx Museum &amp; National Trust – Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£ per pass	Adult		Child		Pre-booked Group	
Site	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
House of Manannan	10	10	5	5	5	8
Castle Rushen	8	8	4	4	5	6
Rushen Abbey	8	8	4	4	4	6
Laxey Wheel	8	8	4	4	4	6
Peel Castle	6	6	3	3	4	5
Cregneash	6	6	3	3	4	5
Grove	6	6	3	3	4	5
Nautical	6	6	3	3	4	5
Old House of Keys	6	6	3	3	4	5
Manx Museum	FREE	FREE	FREE	FREE	FREE	FREE
Old Grammar School	FREE	FREE	FREE	FREE	FREE	FREE
Holiday Pass	20	25	10	12	18	22
Increase 2019-20 as a %		25%		20%		22%
Season Pass	20	25	N/A	N/A	N/A	N/A
Increase 2019-20 as a %		25%				



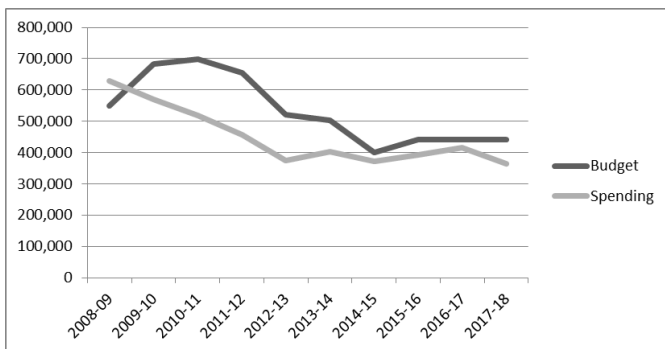
**4.11. Legislature (Parliament)**

**2019-20 Budget Commentary – Expenses of the Legislature**

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

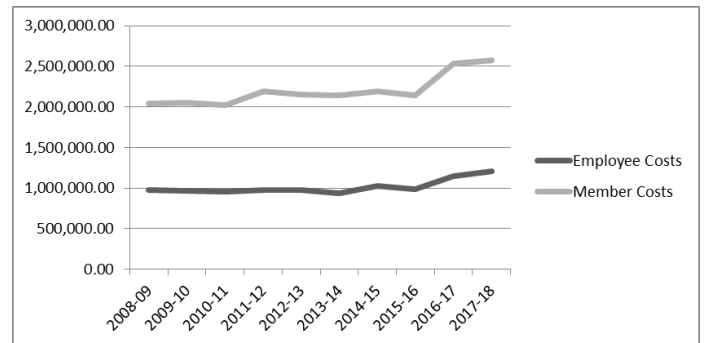
Within Supplies and Services overall spending has decreased year on year from a high of £630,000 in 2008-09 to £371,000 in 2014-15, see Figure 1. In 2017-18 the expenditure reduced to £365,207. Spending is also predicted to be within budget for 2018-19. The annual budget (other than staff costs) for 2017-21 will not increase so, as stated previously, the challenge will continue to be to maintain services while containing costs.

Employee costs have been controlled by a headcount reduction from 26 FTE in 2007 to 21 in the 2017-18 financial year. During 18-19 the FTE will increase to 22 as a second intern post has been offered for this year. Salary increases are being managed within budgets provided. Note that the 2016-17 increase relates to the newly delegated employer pension contribution of 11%.



**Figure 1 - Supplies and Services: Budget v Spending 2008-18**

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



**Figure 2 – Member and Staff Costs 2008-18**

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



## Legislature (Parliament) - Financial Summary

TABLE 67 - Legislature Net Expenditure by Division

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Legislature	4,506	4,790	4,925	9	4,916
<b>NET EXPENDITURE</b>	<b>4,506</b>	<b>4,790</b>	<b>4,925</b>	<b>9</b>	<b>4,916</b>

TABLE 68 - Legislature Income &amp; Expenditure by Category

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income					
Third Party Contributions	1	-	-	-	-
Operating Income	58	9	9	9	10
<b>TOTAL INCOME</b>	<b>59</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>
<b>EXPENDITURE</b>					
Employee Costs	3,776	3,914	4,048	4,112	4,178
Supplies & Services	365	441	441	441	441
Loan Charges	423	443	437	461	471
<b>TOTAL EXPENDITURE</b>	<b>4,565</b>	<b>4,799</b>	<b>4,925</b>	<b>5,015</b>	<b>5,090</b>
<b>NET EXPENDITURE</b>	<b>4,506</b>	<b>4,790</b>	<b>4,916</b>	<b>5,005</b>	<b>5,080</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



TABLE 69 - Legislature Reconciliation from 2018-19

BUDGET CHANGE FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net
<b>2018-19 Budget</b>	<b>3,914</b>	<b>884</b>	<b>(9)</b>	<b>4,790</b>
Member allowance uplift	16	-	-	16
Pay award allowance	46	-	-	46
NI Contracting Out increase & uplift	62	-	-	62
Employer Pension Contributions	9	-	-	9
Loan charge adjustment	-	(7)	-	(7)
<b>Total Change</b>	<b>133</b>	<b>(7)</b>	<b>-</b>	<b>126</b>
<b>2019-20 BUDGET</b>	<b>4,048</b>	<b>878</b>	<b>(9)</b>	<b>4,916</b>

TABLE 70 – Breakdown of Employee Costs

BREAKDOWN OF EMPLOYEE COSTS					
	Actual	Budgeted			
	2017-18	2018-19	2019-20	2020-21	2021-22
Staff	1,203	1,247	1,285	1,310	1,336
Member's Emoluments	2,573	2,667	2,763	2,802	2,842
<b>NET EXPENDITURE</b>	<b>3,776</b>	<b>3,914</b>	<b>4,048</b>	<b>4,112</b>	<b>4,178</b>



#### **4.12. Statutory Boards and Bodies (Revenue Funded)**

##### **COMMUNICATIONS COMMISSION**

The Commission was established in 1989 and has responsibility for licensing and regulating telecommunications and broadcasting on the Isle of Man under the Telecommunications Act 1984, the Radio Masts Regulation Act 1988 and the Broadcasting Act 1993. The Commission returns a surplus to Government and is essentially self-funding.

Its activities are a key support to the Government's National Telecommunications Strategy. The Programme for Government and the National Telecommunications Strategy both recognised that the Commission needs to be adequately resourced in order to help achieve the ambitious targets approved by Tynwald. The Commission's role as an economic regulator is unique on the Island and calls for a range of very specific skill sets from staff and external experts. The strategy states that "modern, adaptive and responsive regulation is seen as key in encouraging market confidence, innovation and investment". The National Telecommunications Strategy also emphasises the importance of evolving telecoms regulation on the Island to meet industry needs. There are likely to be additional demands on the Commission's resources as a result of the National Telecommunications Strategy but the Commission notes that Government has pledged its support in this regard.

The Commission is bringing forward new communications legislation to support its work initially in the form of the Communications Bill to be followed by further secondary legislation. It is also undertaking market reviews that will shape the regulatory framework on Island for the next 3 to 5 years. The work of monitoring compliance with the regulatory remedies continues.

The Commission's income is dependent to a large extent on the success of its licensees to generate revenue from its regulated activities. This can be difficult to predict but it should be noted there has been a reduction in fixed line services as well as mobile and SMS traffic with increasing usage of over the top services such as Skype, Messenger, WhatsApp, as well as social media such as Facebook

and Twitter. This downward trend in the use of traditional telephony services may have an effect on revenue generated through licensing telecoms operators in the long term, though new services may be developed by industry that could counterbalance this.

##### **FINANCIAL SERVICES AUTHORITY**

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

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

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

During 2018/19 the Authority continued to advance work on its key priorities, including:

- the modernisation of the insurance framework in line with international standards;
- working with the Gambling Supervision Commission to specify and develop of a new regulatory data system;
- working in conjunction with Treasury on the development of a Resolution framework for the Banking industry; and
- a review of how the Authority undertakes risk based supervision to support a better allocation of resources.

These initiatives run into 2019/20, with a number reaching a conclusion during the period.

The year 2018/19 also marked a number of firsts for the Authority. In early 2018, the Authority undertook its first industry survey to better understand issues around the effectiveness of the



Authority, the nature of its engagement and the use of various communication modes with the industry. The overall results along with various proposed actions were published in November 2018. The survey results were taken into consideration in producing the Authority's first Strategic Plan. The plan, also published in November 2018, communicates the Authority's long term goals and strategic objectives and articulates the values and principles that guide the work of the Authority.

During 2018/19 the Authority enhanced its focus on protecting consumers and was involved in two significant public campaigns aimed at consumer education. The first campaign run over several weeks was conducted under the banner "Pension Matters", followed later in the year by events to support World Investor Week, an international initiative led by the International Organisation of Securities (IOSCO). On the back of World Investor Week, the Authority launched a leaflet campaign with a focus on topical consumer matters. During 2019/20 the Authority will continue its work to enhance consumer awareness.

An ongoing theme for the Authority is the application of technology in the provision of financial services. Over 2018/19 there was a spike in interest around the registration of convertible crypto-currency businesses and in particular initial coin offerings. This interest has caused the Authority to review the current registration requirements to help ensure that the risks are properly considered including the risks to the public. The Authority is also working alongside the new Digital Agency to help avoid unreasonable impediments to the advancement of FinTech opportunities in the Isle of Man. Technology will be a key theme for 2019/20 requiring additional resources to be targeted at this ever developing area.

As well as progressing its priority initiatives, the Authority continues to undertake a robust supervisory program with on-site visits to regulated entities, complemented by an increased schedule of annual business meetings, thematic reviews and

attendance at supervisory colleges. In addition the Authority continues to support IOM Government wide initiatives including a lead role on some of the priority work streams arising from Moneyval's Mutual Evaluation Report and the EU Substance work lead by the Income Tax Division.

### **GAMBLING SUPERVISION COMMISSION**

The Gambling Supervision Commission 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.

### **Current year performance**

The Commission generates income from licensing and administration fees which are paid to Treasury and an annual stipend provided to the Commission fund the department's costs. A recent uplift in online gambling licence applications coupled with a decrease in operator flight means that the Commission had received 75% of its budgeted income by half year.

Overall expenditure remains on track despite the increased costs associated with the growth of the online gambling sector. Staff costs are predicted to exceed budget by the end of the year due to an increase in staff numbers and costs associated with an HR project aiming to attract, develop and retain talent. It is anticipated that the small shortfall will be minimised through savings in other areas.

### **Future year projections/objectives**

The Isle of Man remains an attractive jurisdiction for gambling businesses to set up operations. The Commission expects to see plentiful and diverse licence applications into 2019/20 and beyond. The



Commission is also working in partnership with the Department for Enterprise to explore the potential for introducing new licence types which could further increase licence applications and revenue income.

The increase in operator numbers will impact upon costs associated to supervise those entities however there is no direct correlation as the Commission strives to implement efficiencies and identify cost-effective suppliers and service providers.

### **New bids**

Budgeted income has been increased (from the requisite 2% uplift) by £149,309 from 2019-20 to reflect the anticipated increase in online gambling operators.

Budgeted staff costs increased by £145,041 from 2019-20 to reflect the increase head count and costs associated with implementing the actions recommended in the HR review.

### **Risks to delivery**

The Commission's income derived from licensing fees can be affected by factors outside the control of the Commission such as regulatory changes within competitor jurisdictions and, as such, fee income shall remain under regular review.

### **Capital projects**

The Commission is part way through a joint project with the Financial Services Authority to create a multi-regulatory IT system, required to streamline the process of demonstrating/achieving compliance for its regulated entities, ensure the organisation can effectively manage its data and deliver operational efficiencies.

## **PUBLIC SECTOR PENSIONS AUTHORITY (PSPA)**

The PSPA is responsible for the management and administration of the majority of Public Sector Pension Schemes in accordance with its statutory responsibilities set out in the Public Sector Pensions Act 2011.

Over the last twelve months the PSPA has continued to progress its programme of public sector pensions reform. Key activities have included the implementation of revised provisions to the Police and Teachers Pension Schemes to move towards future sustainability and ongoing discussions with scheme members in relation to reforms of the Judicial Pension Scheme and further development of Cost Sharing provisions for all Schemes.

The implementation of the changes to the Police and Teachers' Schemes has resulted in the PSPA embarking upon a programme of significant updates to its actuarial, software and administrative systems and processes, which in turn has resulted in the utilisation of the previously approved additional budget.

Following the Submission of the Cabinet Office Report entitled "Public Sector Pensions - Legacy Funding" the PSPA has been working with Treasury, supported by the PSPA's Actuaries, to exploring a number of options to manage the legacy position and overall costs of public sector pension Schemes in line with the motion approved by Tynwald at its July 2018 sitting.

In relation to Public Sector Pension Scheme expenditure, in 2017-18 total income from all Schemes was £62.8m whilst expenditure across all schemes was £98.6m. The forecast outturn for 2018/19 is income of £66.5m and expenditure to be £102.6m but this is very much dependent upon the number of members who decide to retire in the year.

In the coming year the PSPA will continue with its programme of reform to schemes and the finalisation and implementation of the cost sharing basis for all schemes to be effective for 2020. This





will include a further actuarial valuation as at 31 March 2019.

In addition, the PSPA anticipates further work will emerge once the further report in relation to legacy funding and future pension costs has been completed and considered by Tynwald in March 2019.

Finally, a key risk to the delivery of the PSPA's key objectives is the quality of the data upon which many of the functions of the PSPA rely, including annual audits, valuations and cash flow estimates. The PSPA will therefore continue to work closely with colleagues in all Employing Authorities on improving the data upon which it relies.

### **FINANCIAL INTELLIGENCE UNIT**

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

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

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

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

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

- Ensuring that its staff continue to receive training from recognised experts, including in relation to anti-money laundering, terrorist financing and proliferation financing;
- Increasing the ability of its staff to carry out meaningful analysis of the information received by the FIU;
- Continuing with its programme for increased liaison with industry, including speaking at forums/conferences and meeting with the regulators, industry bodies and industry members, producing relevant statistics and analyses for these bodies;
- Increasing the dissemination of actionable intelligence to law enforcement agencies and regulatory bodies;
- Continuing to represent the Island at international money laundering and terrorist financing forums such as the Egmont Group of Financial Intelligence Units, increasing its participation in and contribution to the stated aims of the forums.

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.

### **SAFEGUARDING BOARD**

With effect from 1<sup>st</sup> March 2019 the Safeguarding Board will exist as a separate Statutory Body and the budget will be transferred and managed outside of the Cabinet Office where it is currently held.



## Appendix 4 – Net Revenue Expenditure By Department, Office or Board

### Statutory Boards and Bodies (Revenue Funded) - Financial Summary

**TABLE 71 - Statutory Boards and Bodies - Net Expenditure by Division**

NET EXPENDITURE - BY DIVISION					
£000	Net Actual 2017-18	Net Probable 2018-19	Gross Spend 2019-20	Gross Income 2019-20	Net 2019-20
<b>DIVISION</b>					
Communications Commission	(661)	(262)	594	804	(211)
Financial Services Authority	-	-	6,295	6,295	-
Gambling Supervision Commission	(664)	(369)	1,262	1,623	(361)
Financial Intelligence Unit	221	722	826	-	826
Public Sector Pensions Authority	-	-	-	-	-
<b>NET EXPENDITURE</b>	<b>(1,105)</b>	<b>91</b>	<b>8,977</b>	<b>8,722</b>	<b>255</b>

**Notes:**

1. FSA deficit (£3.059m in 2019-20) is met by Treasury grant.
2. Gross cost of PSPA (£1.442m in 2018-19) is met by a transfer from the PSEPR.
3. The budget for the Financial Intelligence Unit excludes the expenditure met from the Seized Assets Fund

**TABLE 72 - Statutory Boards and Bodies - Income & Expenditure By Category**

INCOME & EXPENDITURE - BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Taxation Income	4,672	4,485	4,724	4,818	4,915
Operating Income	1,282	903	939	942	961
Grant Income	2,876	2,906	3,059	3,082	3,116
Other Non-Trading Income	6	1	-	-	-
<b>TOTAL INCOME</b>	<b>8,836</b>	<b>8,295</b>	<b>8,722</b>	<b>8,842</b>	<b>8,992</b>
<b>EXPENDITURE</b>					
Employee Costs	7,195	7,736	8,323	8,468	8,627
Infrastructure Costs	302	335	335	335	335
Transport Costs	-	-	-	-	-
Supplies & Services	1,823	1,822	1,730	1,730	1,730
Loan Charges	37	56	74	58	59
Other	(1,626)	(1,563)	(1,485)	(1,503)	(1,522)
<b>TOTAL EXPENDITURE</b>	<b>7,731</b>	<b>8,386</b>	<b>8,977</b>	<b>9,088</b>	<b>9,229</b>
<b>NET EXPENDITURE</b>	<b>(1,105)</b>	<b>91</b>	<b>255</b>	<b>246</b>	<b>237</b>

## Appendix 4 – Net Revenue Expenditure By Department, Office or Board



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

TABLE 73 - Statutory Boards and Bodies - Reconciliation from 2018-19

BUDGET MOVEMENT FROM 2018-19 TO 2019-20				
£000	Gross Pay	Gross Non-Pay	Gross Income	Net Budget
<b>2018-19 Budget</b>	<b>7,510</b>	<b>876</b>	<b>(8,295)</b>	<b>91</b>
<u>Growth items</u>				
Commission Payroll Uplift	50	-	-	50
GSC Income & Payroll Uplift	145	-	(149)	(4)
FIU Staffing, Training & Systems Uplift	81	12	-	93
Pay award allowance	117	-	-	117
NI Contracting Out increase & uplift	129	-	-	129
Employer Pension Contributions	64	-	-	64
<u>Other</u>				
FIU Budget Realignment	230	(230)	-	-
Misc amendment	(2)	-	-	(2)
GSC Loan adjustment	-	1	-	1
FSA Loan Adjustment	-	17	-	17
Internal fund decrease	-	(22)	-	(22)
Fee increase	-	-	(278)	(278)
<b>Total Change</b>	<b>814</b>	<b>(222)</b>	<b>(427)</b>	<b>165</b>
<b>2019-20 BUDGET</b>	<b>8,323</b>	<b>654</b>	<b>(8,722)</b>	<b>255</b>

TABLE 74 – Statutory Boards and Bodies - Changes to Fees and Charges 2019-20

FEES & CHARGES - CHANGE FROM 2018-19 TO 2019-20						
£000	Actual 2017-18	Probable 2018-19	Increase 2019-20	Other adjs	Total 2019-20	Increase 2019-20 as a %
<b>SERVICE</b>						
<u>Communications Commission</u>						
Fees and Charges	1,134	789	16	-	805	2%
<u>Financial Supervision Authority</u>						
Regulatory Fees	3,094	3,041	61	-	3,102	2%
Fees, Levies and Charges	98	88	2	-	90	2%
Event Income	29	-	-	-	-	1%
Other	2,905	2,678	-	418	3,096	-
<u>Gambling Supervision Commission</u>						
Licensing and Administration Fees	1,562	1,692	-	(70)	1,622	-
<u>Public Sector Pensions Authority</u>						
Fees and Charges	14	7	-	-	7	2%
<b>TOTAL</b>	<b>8,836</b>	<b>8,295</b>	<b>79</b>	<b>348</b>	<b>8,722</b>	

**Appendix 4 – Net Revenue Expenditure By Department, Office or Board****4.13 – Inter-Departmental Transfers**

To enable greater clarity of Departmental Transfers, detailed below is a table which consolidates all of the transfers along with a description of what they relate to:

**TABLE 75 – Inter-Departmental Transfers**

£000 Description	To/(From)							
	DfE	DESC	DEFA	DHSC	DHA	DOI	TSY	CO
Energy Policy Unit	(39)	-	39	-	-	-	-	-
Government Catering	-	738	-	(738)	-	-	-	-
LEaD Team	-	1,133	-	-	-	-	-	(1,133)
Software Transfer	-	(18)	-	-	-	-	-	18
Safeguarding Contribution	-	(16)	-	-	-	-	-	16
Health & Safety Inspector	-	(26)	-	-	-	-	-	26
RIO Support & Supplies Budget Transfer (net)	-	-	-	48	-	-	-	(48)
Transfer of transport contracts	-	-	-	(243)	-	243	-	-
Transfer of transport contracts	-	-	-	32	(32)	-	-	-
Specialist vehicles to DOI	-	-	-	-	(12)	12	-	-
Safeguarding & Fire Service Software Transfer	-	-	-	-	(18)	-	-	18
Health & Safety Inspector	-	-	-	-	-	(26)	-	26
MONEYVAL Contribution Transfer	-	-	-	-	-	-	(28)	28
	<b>(39)</b>	<b>1,812</b>	<b>39</b>	<b>(901)</b>	<b>(62)</b>	<b>229</b>	<b>(28)</b>	<b>(1,049)</b>



#### **4.14. Statutory Boards (Non-Revenue Funded)**

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

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

Manx Utilities remains focussed on the delivery of its long term financial plan. It has been reducing its operating losses and improving efficiency and is on track to deliver its operating profitability targets. During October 2018 Tynwald agreed to a five year pricing strategy to provide certainty about pricing for customers whilst maintaining agreed financial metrics. This strategy agreed to the rebalancing of water and sewerage charges and inflationary increases to tariffs to better reflect the costs of providing each service and ensures Manx Utilities' long term debt can be repaid.

The key challenges for Manx Utilities include declining energy demand, the adoption and integration of low emission and renewable energy generation, the cost of maintaining key infrastructure assets and managing strategic risks.

As with many utility providers, Manx Utilities has a high fixed-cost base and this means many costs do not rise and fall as demand changes. The majority of costs for water provision and sewage treatment relate to the provision of the infrastructure and are not affected by the volumes supplied or processed. The declining energy volumes also mean a smaller amount of sales needs to cover the fixed costs of generation and distribution. The electricity business is also exposed to significant natural gas price changes and foreign currency exchange volatility. Appropriate strategies are in place to mitigate these risks in the short-term, although medium-term exposures remain.

The budget forecasts that the rebalanced water and sewerage charges and electricity charges increase with inflation. Overall revenue is expected to decrease by 1% across these services due to the phasing in of the pricing strategy and reductions of domestic electricity volumes and electricity export income. An asset management approach is used to determine repair and maintenance programmes and, therefore, costs to ensure best value is achieved from Manx Utilities' significant asset base. In addition, fuel and other operating costs are incurred to provide utility services for customers. Loan charges have reduced though the benefit to customers of the debt reduction agreed by Tynwald in October 2017 is expected to be realised over many years.

Manx Utilities' capital programme comprises a combination of the ongoing regional sewage treatment strategy together with a number of long term infrastructure upgrade and essential replacement schemes. Sites have been secured for possible sewage treatment plants in Laxey and Peel and, subject to appropriate approvals, and Manx Utilities hopes to bring schemes to construct these plants to Tynwald during 2019.



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



TABLE 76 - Manx Utilities Authority - Income &amp; Expenditure by Category

INCOME & EXPENDITURE – BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Operating Income	100,152	101,346	104,032	105,782	107,531
<b>TOTAL INCOME</b>	<b>100,152</b>	<b>101,346</b>	<b>104,032</b>	<b>105,782</b>	<b>107,531</b>
<b>EXPENDITURE</b>					
Employee Costs	18,662	18,556	19,715	20,094	20,472
Infrastructure Costs	9,845	11,798	11,325	12,392	11,841
Transport Costs	1,158	1,233	1,235	1,293	1,352
Supplies & Services	33,403	33,236	35,587	34,611	36,871
Loan Charges	(78,204)	13,668	15,408	15,328	15,248
Other	28,533	21,381	21,234	21,519	21,805
<b>TOTAL EXPENDITURE</b>	<b>13,397</b>	<b>99,873</b>	<b>104,504</b>	<b>105,237</b>	<b>107,589</b>
<b>NET (SURPLUS)/DEFICIT</b>	<b>(86,755)</b>	<b>(1,473)</b>	<b>471</b>	<b>(544)</b>	<b>58</b>





### **Isle of Man Post Office**

The 2017/18 financial year was a challenging one for the Isle of Man Post Office, which saw us report a loss of £1.2m, the first loss in our history as an independent postal administration. Turnover decreased by 6% from £29.2m to £27.4m due to the continued decline in our traditional markets, compounded by the loss of material contracts in our IMS division, which impacted not only on commercial revenues, but also postage revenue associated with these contracts. The loss of commercial revenue is due in part to the contraction of the local finance sector and the trend in key customer work moving to other jurisdictions as part of group strategic decisions made off-island. However, it was not only trading factors that contributed to the reported losses, which were to a large degree due to higher than anticipated pension charges (a charge of £2.7m, up £1m on the prior year), and a downward revaluation of our property assets (a charge of £200k).

The Board recognise that the business is in need of material change, and has initiated a five year strategy to address the challenges of declining traditional markets by seeking to find new markets, capitalise on growth markets, transform the way our business operates, and to identify efficiencies that will allow costs to be reduced whilst continuing to deliver on our statutory obligations conferred by the Post Office Act 1993, including the financial duty to be self-funding. A key enabler to progress our strategy was the public consultation undertaken during 2018, which has given the Board valuable insight into what the public expects from its postal service. Analysis of the results is ongoing, and will be critical in informing our short and medium term strategic decisions.

The necessary change will take time and investment to deliver the anticipated outcomes, and to that end our financial projections forecast further losses for the years ended 2019, 2020 and 2021, with a planned return to profitability in 2022. The key milestones underpinning the planned return to profitability include the following:

- Growth in revenue to counteract the decline in traditional mail volumes and counter transactions. Our revenue forecasts

anticipate continued growth in parcels, and cautiously anticipate growth in IMS and associated Mails from our newly established sales presence in the UK, as well as revenue growth in ancillary logistics sales from local partnerships.

- The public consultation clearly supported the move for letter deliveries from six to five days. It should be noted that priority services and parcels deliveries will be unaffected by this change.
- Enhanced automation of the mail stream, which is expected to reduce time spent processing mail, and facilitate a duty revision which will reduce overheads and more fairly balance workloads.
- The closure of our defined benefit pension scheme to new entrants. The scheme will remain open to existing entrants on the assumption that the additional cost of meeting the increased funding requirement can be shared with members. New staff will be offered a competitive defined contribution pension scheme.

Our ability to deliver on our forecasts, and ultimately the return to profitability, is dependent not only on Tynwald support for changes to legislation and to the public service, but also on cooperation from our dedicated and valued workforce and their representative Unions. Like postal administrations globally, trading conditions are challenging and we must be financially responsible.

At our 2018 year end, cash balances stood at £13.1m. The Board have made representations to Treasury that these reserves ought to be retained by the business to fund the forecast operating losses to 2021, and to make the strategic investment required, both in terms of capital expenditure and exceptional restructuring costs. From these reserves, a levy of £1.5m will be paid to Treasury for the year ended 31 March 2018 and an amount of £0.5m has been agreed in respect of the year ended 31 March 2019. Subsequent to these payments, the Board has requested approval from Treasury that no further levies be paid until Isle of Man Post Office returns to profit.





## Isle of Man Post Office – Financial Summary

TABLE 77 - Isle of Man Post Office - Income &amp; Expenditure by Category

INCOME & EXPENDITURE – BY CATEGORY					
£000	Actual 2017-18	Probable 2018-19	Budget 2019-20	Provisional Budgets	
				2020-21	2021-22
<b>INCOME</b>					
Operating Income	27,412	26,678	27,387	27,689	28,553
Non-Trading Income	21	44	44	48	52
<b>TOTAL INCOME</b>	<b>27,433</b>	<b>26,722</b>	<b>27,431</b>	<b>27,737</b>	<b>28,605</b>
<b>EXPENDITURE</b>					
Employee Costs	13,774	14,557	13,624	12,893	12,736
Infrastructure Costs	1,022	746	774	787	801
Transport Costs	1,339	1,329	1,311	1,343	1,374
Supplies & Services	12,517	12,051	12,686	12,998	13,341
<b>TOTAL EXPENDITURE</b>	<b>28,652</b>	<b>28,683</b>	<b>28,395</b>	<b>28,021</b>	<b>28,252</b>
<b>NET (SURPLUS)/DEFICIT</b>	<b>1,219</b>	<b>1,961</b>	<b>964</b>	<b>284</b>	<b>(353)</b>



## APPENDIX 5 - FULL CAPITAL PROGRAMME INCLUDING 2019-20

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

Table 78

SUMMARISED TOTALS BY DEPARTMENT/BOARD CLF FUNDED (£000)	Probable 2018-19 £000	ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
		2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
CABINET OFFICE	1,920	2,022	250	250	250	250	250
DEPARTMENT OF EDUCATION, SPORTS & CULTURE	7,444	6,667	1,150	1,076	1,300	300	
DEPARTMENT FOR ENTERPRISE		2,250					
DEPARTMENT OF ENVIRONMENT, FOOD & AGRICULTURE	775	1,378	435	450	450	450	
DEPARTMENT OF HOME AFFAIRS	818	1,458	2,630	630	630	630	
DEPARTMENT OF HEALTH AND SOCIAL CARE	5,807	10,772	1,911	1,800	1,800	1,250	1,250
DEPARTMENT OF INFRASTRUCTURE	37,543	74,714	56,837	28,260	21,164	22,251	39,979
SCHEMES FUNDED FROM HOUSING RESERVE (HR)	2,053	1,900	1,900	1,900	1,900	1,900	1,900
MANX MUSEUM & NATIONAL TRUST	435	550	400	320	310	310	680
MANX UTILITIES AUTHORITY	13,557	17,056	1,424	600	1,950	600	6,950
FINANCIAL SUPERVISION COMMISSION	246	304					
GAMBLING SUPERVISION COMMISSION	288	212					
MANX RADIO	150	1,119	150	150	150	150	
TREASURY	5,339	9,309	5,413	5,210	5,210	5,000	5,000
FUTURE SCHEMES			60,619	48,172	45,999	13,060	116,281
<b>CLF TOTAL</b>	<b>76,375</b>	<b>129,711</b>	<b>133,119</b>	<b>88,818</b>	<b>81,113</b>	<b>46,151</b>	<b>172,290</b>

SUMMARISED TOTALS BY DEPARTMENT/BOARD NON-CLF FUNDED (£000)	Probable 2018-19 £000	ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
		2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
MANX UTILITIES AUTHORITY (WATER)	4,830	4,794	7,544	3,921	3,507	5,007	37,570
ISLE OF MAN POST OFFICE	900	1,850	1,100	600	600	650	
LOCAL AUTHORITY HOUSING	11,007	21,448	22,466	19,572	13,959	11,654	35,838
<b>NON-CLF TOTAL</b>	<b>16,737</b>	<b>28,092</b>	<b>31,110</b>	<b>24,093</b>	<b>18,066</b>	<b>17,311</b>	<b>73,408</b>

<b>GRAND TOTAL</b>	<b>93,112</b>	<b>157,803</b>	<b>164,229</b>	<b>112,911</b>	<b>99,179</b>	<b>63,462</b>	<b>245,698</b>
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BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
CO	Technology - Land Registry IT System.		1,950	1,670						
CO	Technology - Passports & Immigration System				400					
CO	NUIX Solution				707					
CO	DOI Network Migration				535					
CO	TT Race Timing System				130					
		<b>3,722</b>								
	<b>ONGOING SCHEMES</b>									
CO	MCW - Technology		250	250	250	250	250	250	250	250
<b>CO Total</b>		<b>5,472</b>	<b>2,200</b>	<b>1,920</b>	<b>2,022</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>
	<b>SECONDARY EDUCATION</b>									
DESC	Castle Rushen High School		600	254	2,300					TBC
DESC	QEII Science and Technology		450	50	400					
DESC	St Ninian's Lower School, Bemahague		33,845	210						
	<b>PRIMARY EDUCATION</b>									
DESC	St Mary's Extension Scheme		3,803	2,881	600					
DESC	Henry Bloom Noble Primary School		10,783	528						
	<b>FURTHER EDUCATION</b>									
DESC	UCM - Nunnery Relocation		500					500		
DESC	UCM - Construction Craft & Engineering		4,914	98						
	<b>SPORT AND RECREATION</b>									
DESC	National Sports Centre - Pool Hall		3,105	2,713	750	100				
DESC	Villa - Gaiety - Light and Sound		800		800					
DESC	Southern Swimming Pool									TBC
	<b>WORKS</b>									
DESC	School Security		848	50	250	250	276			
DESC	DDA Works to Department Sites		572	100	967	500	500	500		
DESC	Covered Play and Teaching Areas		260	52	200					



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
DESC	Management of Hazardous Materials		1,103	161						
		<b>66,007</b>								
	<b>ONGOING SCHEMES</b>									
DESC	MCW - National Sports Centre		1,343	249	100	150	150	150	150	
DESC	MCW - Regional Pools		474	98	300	150	150	150	150	
<b>DESC Total</b>		<b>69,274</b>	<b>63,400</b>	<b>7,444</b>	<b>6,667</b>	<b>1,150</b>	<b>1,076</b>	<b>1,300</b>	<b>300</b>	
DfE	TT Grandstand Development				250					TBC
DfE	Fibre Optic Network				2,000					
<b>DfE Total</b>		<b>2,250</b>			<b>2,250</b>					
DEFA	Wildlife Park - Redevelopment		50	3	497					
DEFA	Mill Road Yard Development		2,892	20	87	15				
DEFA	Public Analyst Lab - Equipment Replacement		191	104	66	70				
DEFA	Ballure Slope Periodic Maintenance		100	76	20					
DEFA	Farming Improvement Scheme		1,420	162						
		<b>5,282</b>								
	<b>ONGOING SCHEMES</b>									
DEFA	Essential Building Maintenance		1,850	260	358	250	250	250	250	
DEFA	MCW - National Glens & Footpaths		400	150	350	100	200	200	200	
<b>DEFA Total</b>		<b>9,584</b>	<b>6,903</b>	<b>775</b>	<b>1,378</b>	<b>435</b>	<b>450</b>	<b>450</b>	<b>450</b>	
DHA	Rehabilitation and Resettlement Unit		200	32						
DHA	Malew Fire & Ambulance Station		1,578		70					
DHA	Fire Station - Port Erin		50	31	10					
DHA	New Emergency Services HQ		500		475					
DHA	TETRA		9,532	577	400	2,200	200	200	200	
DHA	Police HQ Redevelopment				50					



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
DHA	Prison Minor Capital Works				210	210	210	210	210	
		<b>16,260</b>								
	<b>ONGOING SCHEMES</b>									
DHA	Equipment Replacement - Fire & Rescue		417	75	140	140	140	140	140	
DHA	Equipment Replacement - Police		562	103	103	80	80	80	80	
<b>DHA Total</b>		<b>18,065</b>	<b>12,839</b>	<b>818</b>	<b>1,458</b>	<b>2,630</b>	<b>630</b>	<b>630</b>	<b>630</b>	
	<b>PRIMARY CARE</b>									
DHSC	GP Surgery Development - Peel		400	140	260					
DHSC	GP Surgery Development - North West									1,000
	<b>SECONDARY CARE</b>									
DHSC	Medical Staff - Residential Accommodation		2,511	347						
	<b>MENTAL HEALTH</b>									
DHSC	Acute Adult Psychiatric In-Patient Facility (Gedden Reesht)		8,874	250	1,741					
DHSC	Redevelopment of Grianagh Court				1,500					
	<b>ADULT SERVICES</b>									
DHSC	Older Persons RRU - Summerhill		514	198	3,500					
DHSC	Older Persons RRU - North		247	100	147					
DHSC	Learning Disabilities - Residential Unit		1,438	50						
DHSC	Day Care Services - Eastcliffe		5,486	2,500	1,080	111				
DHSC	Purchase of Bonwick House		180	80	100					
	<b>CORPORATE SERVICES</b>									
DHSC	Purchase of Salisbury Street Nursing Home		8,100	197						
		<b>33,808</b>								
	<b>ONGOING SCHEMES</b>									
DHSC	MCW - Asset Replacement Scheme		8,907	1,000	1,644	1,000	1,000	1,000	1,000	



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
DHSC	Radiology Equipment Replacement		2,750	795	550	550	550	550		
DHSC	DHSC Strategic Development Fund		500	150	250	250	250	250	250	250
<b>DHSC Total</b>		<b>52,965</b>	<b>39,907</b>	<b>5,807</b>	<b>10,772</b>	<b>1,911</b>	<b>1,800</b>	<b>1,800</b>	<b>1,250</b>	<b>1,250</b>
	<b>FINANCE &amp; GOVERNANCE</b>									
DOI	EFW Control Emissions Monitoring		385	362	23					
DOI	Raggatt Landfill		300	50	220	270				
DOI	Problematic Waste Landfill Facility		100		1,711					
		2,636	785	412	1,954	270				
	<b>PORTS</b>									
DOI	Airport X-Ray Machines Upgrade		3,420	1,180	2,020					
DOI	Airfield Drainage								584	
DOI	Runway Instrument Landing System		1,000	40	1,460					
DOI	Runway Visual Range Measurement		100	100						
DOI	Liverpool Ferry Terminal		11,254	1,500	6,520	20,000	2,000			
DOI	Airport Ground Services Refurbishment		250	100	2,150					
DOI	Douglas Outer Harbour Development		510	100	254					
DOI	Douglas & Peel Cofferdam		351	57						
DOI	Port St Mary Alfred Pier		400	134						
DOI	Non-Tidal Marina Development				250					
DOI	Peel Marina Works				909	7				
DOI	Douglas Harbour Strategy - A Cruise Berth									
DOI	Victoria Pier				494	494				
DOI	Douglas Harbour Strategy - E Pleasure Craft Slip & Holding Area						493			
DOI	Douglas Harbour Strategy - F Pontoon, Breakwater & Revetment									TBC
DOI	Douglas Harbour Strategy - D King Edward VIII Pier Upgrade									TBC



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
DOI	Douglas Harbour Strategy - G Tanker/Oil/Cement Berth Upgrade									TBC
DOI	Douglas Harbour Strategy - B Upgrade to Victoria Pier									TBC
DOI	Douglas Harbour Strategy - C Cruise Tender Berth									TBC
		40,742	17,285	3,211	14,057	20,501	2,493		584	
	<b>ESTATES AND PUBLIC HOUSING</b>									
DOI	Vehicle Test Centre Relocation		250	250	1,750					
DOI	DDA - Public Buildings		750	125	112	30				
DOI	House Purchase Assistance Scheme		3,000	1,000	500	500	500	500	500	500
DOI	Ballacubbon Housing Development		180							156
DOI	Jurby Development Initiative				813	141	800			
DOI	Clagh Vane Redevelopment 7/8		8,440	4,169	1,978					
		16,908	12,620	5,544	5,153	671	1,300	500	500	656
	<b>TRANSPORT - BUSES</b>									
DOI	Ramsey-Station		1,050		200	2,492	800			
DOI	Public Transport - Banks Circus Road Renewal		690	562	128					
DOI	Public Transport - Bus Fleet Replacement		13,247	1,571	1,991	1,991	934	934	1,437	4,606
		30,227	14,987	2,133	2,319	4,483	1,734	934	1,437	4,606
	<b>TRANSPORT - HERITAGE RAIL</b>									
DOI	Heritage Rail - Derby Castle Workshop Repairs		510	101						
DOI	Heritage Rail - Horse Tramway Depot		1,500	427						
DOI	Heritage Rail - Nunnery Bridge		800	671						
DOI	Heritage Rail - SMR Track		5,551	864						
DOI	Heritage Rail - Steam Railway Track		2,693	777						
DOI	Heritage Rail - (MER) Track work		4,320	1,753						



## Appendix 5 – Full Capital Programme including 2019-20 Approvals



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
DOI	Heritage Rail - Meary Veg Railway Sheds Relocation to Ronaldsway Depot		120	16						
DOI	Heritage Rail - Douglas Railway Station		1,210	45						
DOI	Heritage Rail Budget				6,082	4,500	4,500	4,500	4,500	
		37,887	16,704	4,654	6,082	4,500	4,500	4,500	4,500	
	<b>HIGHWAYS</b>									
DOI	Douglas Promenade		24,980	3,079	9,036	7,530	1,514			
DOI	Active Travel		590	384	1,631	1,303	489			
DOI	Heritage Trail Improvements		600	140	705					
DOI	Lezayre Road		475	352						
DOI	Peel Harbour Bridge Replacement		395	366	38					
DOI	East Quay Peel		207	64	2,341					
DOI	West Quay Ramsey		90	10	180					
DOI	Pulrose River Bridge		200	83	1,605					
DOI	Ballasalla Relief Road		50	37						
DOI	Regeneration - Douglas (Castle/Duke St)		3,000	1,107	950	920	1,000			
DOI	Climate Change Adaption		4,650	1,036	3,314					
DOI	Glencrutchery Road Reconstruction		250	24	127					TBC
DOI	Residential Road Refurbishment		975	870	529	500	500	500	500	1,500
DOI	Technology - Asset Management System		120	24	47					
DOI	Quarry Plant Replacement		3,859	1,584	1,302					
DOI	Douglas Promenade Walkway				138					
DOI	Refurbishment of Michael Street Peel				49					
DOI	A5 Road Reconstruction				52	934				
		56,613	40,441	9,160	22,044	11,187	3,503	500	500	1,500
	<b>ONGOING SCHEMES</b>									
DOI	Ambulance Fleet Replacement		2,592	369	370	370	370	370	370	1,175
DOI	DHA Vehicle Acquisition		1,033	199	2,252	1,300	1,300	1,300	1,300	1,300
DOI	Plant & Vehicle Replacement		16,410	2,540	4,689	3,200	3,200	3,200	3,200	3,200

## Appendix 5 – Full Capital Programme including 2019-20 Approvals



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
DOI	Site Feasibility Studies		248	10	125	50	50	50	50	50
DOI	Strategic Highway Refurbishment		25,989	1,828	4,690	3,500	3,500	3,500	3,500	17,414
DOI	Strategic Structural Maintenance		6,153	1,128	2,102	1,540	1,540	1,540	1,540	5,928
DOI	MCW - DHSC		4,194	657	1,086	500	500	500	500	500
DOI	MCW - Nobles Hospital (Compliance)		555	123	397					
DOI	MCW - Nobles Hospital (Plant & Machinery)		1,956	876	937	495				
DOI	MCW - Education and Children		22,536	1,889	3,028	2,000	2,000	2,000	2,000	2,000
DOI	MCW - Government Estate		5,616	975	1,514	500	500	500	500	500
DOI	MCW - Public Transport		14,772	1,225	1,160	1,150	1,150	1,150	1,150	1,150
DOI	MCW - DfE		120	115	125	120	120	120	120	
DOI	MCW - Villa/Gaiety.		200	110	290	200	200	200	200	
DOI	MCW - Wildlife Park		175	187	138	100	100	100	100	
DOI	MCW - DHA		200	198	202	200	200	200	200	
		211,362	102,749	12,429	23,105	15,225	14,730	14,730	14,730	33,217
<b>DOI Total</b>		<b>396,375</b>	<b>205,571</b>	<b>37,543</b>	<b>74,714</b>	<b>56,837</b>	<b>28,260</b>	<b>21,164</b>	<b>22,251</b>	<b>39,979</b>
DOI-HR	Crossag		714							
		174								
	<b>ONGOING SCHEMES</b>									
DOI-HR	MCW - Housing Planned Works		23,841	2,053	1,900	1,900	1,900	1,900	1,900	1,900
<b>DOI-HR Total</b>		<b>37,077</b>	<b>24,555</b>	<b>2,053</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>
	<b>ONGOING SCHEMES</b>									
MNH	MCW - MNH		2,116	215	300	190	200	200	200	370
MNH	MCW - Gallery Redisplay		1,334	220	250	210	120	110	110	310
<b>MNH Total</b>		<b>6,068</b>	<b>3,450</b>	<b>435</b>	<b>550</b>	<b>400</b>	<b>320</b>	<b>310</b>	<b>310</b>	<b>680</b>



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
	<b>ELECTRICITY</b>									
MUA	Combined Cycle Gas Turbine		12,286	4,600	1,700					
MUA	Essential upgrades fuel tanks & back-up power supplies		1,478							
MUA	Advanced Metering Conversion				4,214					
MUA	Electricity Network Refurbishment		3,681	1,200	1,200					
		25,602	17,445	5,800	7,114					
	<b>SEWERS</b>									
MUA	Regional Sewerage Strategy 1		39,984	91						
MUA	Regional Sewage Treatment Works for Peel, Laxey and Baldrine		2,950	1,400	3,500					
MUA	Refurbishment of Local Sewage Treatment Works		3,498	2,454	2,735					
MUA	Sewers Network Refurbishment		21,794	850	950					
MUA	Sewer Flood Alleviation		1,999	1,000	850					
		69,408	70,225	5,795	8,035					
	<b>ONGOING SCHEMES</b>									
MUA	MCW - MUA		6,739	1,962	1,907	1,424	600	1,950	600	6,950
<b>MUA Total</b>		<b>113,278</b>	<b>94,409</b>	<b>13,557</b>	<b>17,056</b>	<b>1,424</b>	<b>600</b>	<b>1,950</b>	<b>600</b>	<b>6,950</b>
STAT-FSA	Technology - FSA New System		500	232	268					
STAT-FSA	FSA Infrastructure Costs		50	14	36					
<b>STAT-FSA Total</b>		<b>550</b>	<b>550</b>	<b>246</b>	<b>304</b>					
STAT-GSC	Technology - GSC New System		500	288	212					
<b>STAT-GSC Total</b>		<b>500</b>	<b>500</b>	<b>288</b>	<b>212</b>					



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
MANX RADIO MANX RADIO	MCW - Broadcasting House Maintenance  Broadcasting House Refurbishment		238	150	150  969	150	150	150	150	
<b>MANX RADIO Total</b>		<b>1,919</b>	<b>238</b>	<b>150</b>	<b>1,119</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	
TSY	Technology - Operational Change Programme		3,131	339	4,309	413	210	210		
TSY	<b>ONGOING SCHEMES</b> Capital Projects Contingency Budget			5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>TSY Total</b>		<b>50,442</b>	<b>3,131</b>	<b>5,339</b>	<b>9,309</b>	<b>5,413</b>	<b>5,210</b>	<b>5,210</b>	<b>5,000</b>	<b>5,000</b>
<b>Grand Total</b>		<b>763,819</b>	<b>457,653</b>	<b>76,375</b>	<b>129,711</b>	<b>72,500</b>	<b>40,646</b>	<b>35,114</b>	<b>33,091</b>	<b>56,009</b>

## Appendix 5 – Full Capital Programme including 2019-20 Approvals



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
MUA-WA	Treated Water Transfer Schemes			1,600	2,753	3,253	2,100	2,100	2,100	21,000
MUA-WA	Raw Water Maintenance Schemes			500		2,500			1,500	2,500
		<b>74,678</b>								
	<b>ONGOING SCHEMES</b>									
MUA-WA	Minor Capital Works (non-CLF)			2,730	2,041	1,791	1,821	1,407	1,407	14,070
<b>MUA-WA Total</b>		<b>103,738</b>		<b>4,830</b>	<b>4,794</b>	<b>7,544</b>	<b>3,921</b>	<b>3,507</b>	<b>5,007</b>	<b>37,570</b>

BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
	<b>BRADDAN</b>									
LAH	Snugborough Farm New Housing			682	2,643	944	73			
LAH	Planned Maintenance - Braddan									1,429
	<b>CASTLETOWN</b>									
LAH	Planned Maintenance - Castletown				136	151	38	36		1,733
LAH	School Hill/West Hill Redevelopment			250	500	3,250	3,800	3,913	3,913	3,000
	<b>CASTLETOWN &amp; MALEW EPHC</b>									
LAH	Planned Maintenance - Castletown & Malew EPHC				133	133	125	22		380
	<b>MALEW</b>									
LAH	Planned Maintenance - Malew			38						96



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
	<b>DOUGLAS</b>									
LAH	Planned Maintenance - Douglas			2,200	2,800	2,321	3,900	2,200	235	159
LAH	Willaston External Refurbishment			3,200	3,275	3,275	3,275	3,275	3,275	6,756
LAH	Willaston Sheltered Housing Complex			100	100	2,800	2,800			
LAH	Willaston Garden Boundary Improvement			200	600	800	800	800	800	450
	<b>ONCHAN</b>									
LAH	Planned Maintenance - Onchan			91	350	570	780	395		6,940
	<b>PEEL &amp; WESTERN EPHC</b>									
LAH	Planned Maintenance - Peel & Western EPHC									326
LAH	Planned Maintenance - Peel				250	300	100	150	278	2,622
LAH	Westlands Ph A			90						
LAH	Westlands Ph B			3,200	450	85	15			
LAH	Westlands Ph C & Bungalow Conversion			150	2,500	2,421	85	15		
	<b>PORT ERIN</b>									
LAH	Planned Maintenance - Port Erin				600	441	50			1,025
	<b>PORT ST MARY</b>									
LAH	Planned Maintenance - Port St Mary			146	380					1,294
	<b>RAMSEY</b>									
LAH	Planned Maintenance - Ramsey				876	1,175	1,260			6,186
LAH	Clifton Park/Drive New Units				600	1,050				
LAH	Close Woirrey Demolition					100				
LAH	Close Woirrey Apartments			60	60	300	830			
	<b>RAMSEY &amp; NORTHERN EPHC</b>									
LAH	Planned Maintenance - Ramsey & Northern EPHC					130	25			600
LAH	Mayfield Sheltered Housing			600	3,800	860				
LAH	Cooil ny Marrey Redevelopment						350	2,053	2,053	



BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
LAH	<b>COOIL ROI EPHC</b> Planned Maintenance - Cooil Roi EPHC				77	110	102			159
LAH	<b>MARASHEN CRESCENT EPHC</b> Planned Maintenance - Marashen Crescent EPHC				218	150	64			583
LAH	<b>ADAPTATIONS</b> Planned Maintenance - Adaptations				100	100	100	100	100	100
LAH	<b>LA SCHEMES</b> New Units (To Be Allocated)				1,000	1,000	1,000	1,000	1,000	2,000
LAH Total		<b>170,753</b>		<b>11,007</b>	<b>21,448</b>	<b>22,466</b>	<b>19,572</b>	<b>13,959</b>	<b>11,654</b>	<b>35,838</b>





BY SCHEME					ESTIMATED CAPITAL PAYMENTS AT CONSTANT PRICES (MARCH 2019)					
DEPT	Scheme Name	Total Estimated Cost £000	Amount Approved by Tynwald £000	Probable 2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	FURTHER £000
IOMPO	New Business Development				750					
IOMPO	Refurbishment of POs/New safes				500	500				
IOMPO	Sorting Machine enhancements			200						
		<b>1,950</b>								
	<b>ONGOING SCHEMES</b>									
IOMPO	Other Machinery/Equipment			300	200	200	200	200	250	
IOMPO	Vehicle Replacement Programme			400	400	400	400	400	400	
IOMPO										
Total		<b>7,689</b>		<b>900</b>	<b>1,850</b>	<b>1,100</b>	<b>600</b>	<b>600</b>	<b>650</b>	

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

These are identified as potential schemes for affordable and achievable acceleration should other schemes programmed for 2019-20 become subject to unforeseen slippage or delays.

**Table 79**

Department	'Plan B' Scheme
DESC	QEII Science and Technology
DHSC	Older Persons RRU – Summerhill
DOI	Airfield Drainage
DOI	Climate Change Adaption



## APPENDIX 6 - CAPITAL PROGRAMME FUTURE SCHEMES

**Table 80**

PHASING OF CAPITAL SCHEMES FROM 2019-20					
	2020-21	2021-22	2022-23	2023-24	Further Payments
SCHEME NAME	£000	£000	£000	£000	£000
<b>CABINET OFFICE</b>					
Technology - Passports & Immigration System					
DOI Network Migration					
TT Race Timing System					
<b>ENVIRONMENT, FOOD &amp; AGRICULTURE</b>					
Ballure Slope Periodic Maintenance					
Wildlife Park - Redevelopment					
<b>EDUCATION, SPORT AND CULTURE</b>					
Ballakermeen Special Needs and Science					
QEII Science and Technology					
Ramsey Grammar Arts/Performance					
St Ninian's Key Stage 4					
Scoill Yn Jubilee					
UCM - Higher Education Expansion					
National Sports Centre - Floodlight Stands					
Fire Certification Work to Schools					
Southern Swimming Pool					TBC
Castletown Youth and Community Centre					
Onchan Primary School					
Castle Rushen High School					TBC
Willaston School Extension					
UCM Hub					
<b>ENTERPRISE</b>					
Fibre Optic Network					
TT Grandstand					TBC
Technology - PRO Storage & Companies Registry System					
<b>HOME AFFAIRS</b>					
Fire Station - Ramsey					
Emergency Services Headquarters					
<b>HEALTH AND SOCIAL CARE</b>					
Day Care Services - Eastcliffe					
Older Persons RRU - Summerhill					
Older Persons RRU - North					
GP Surgery Development - Onchan					
<b>INFRASTRUCTURE</b>					
Climate Change Adaption					
New Housing Stock					
East Quay Peel					
Glen Mooar Highway Improvements					
Pulrose River Bridge					
West Quay Ramsey					
Glencrutchery Road Reconstruction					TBC
Airfield Drainage					

## Appendix 6 – Capital Programme Future Schemes



PHASING OF CAPITAL SCHEMES FROM 2019-20					
	2020-21	2021-22	2022-23	2023-24	Further Payments
SCHEME NAME	£000	£000	£000	£000	£000
<b>INFRASTRUCTURE (Continued)</b>					
Ballacubbon Housing Development					
Airport Ground Services Refurbishment					
Douglas Promenade Walkway					
Non-Tidal Marina Development					
Douglas Harbour Strategy - A Cruise Berth Victoria Pier					
Douglas Harbour Strategy - E Pleasure Craft Slip & Holding Area					
Douglas Harbour Strategy - F Pontoon, Breakwater & Revetment					TBC
Douglas Harbour Strategy - D King Edward VIII Pier Upgrade					TBC
Douglas Harbour Strategy - G Tanker/Oil/Cement Berth Upgrade					TBC
Douglas Harbour Strategy - B Upgrade to Victoria Pier					TBC
Douglas Harbour Strategy - C Cruise Tender Berth					TBC
Refurbishment of Michael Street Peel					
<b>MANX UTILITIES</b>					
Combined Cycle Gas Turbine					
Sewer Flood Alleviation					
Sewers Network Refurbishment					
Refurbishment of Local Sewage Treatment Works					
Regional Sewage Treatment Works for Peel, Laxey and Baldrine					
Electricity Network Refurbishment					
Advanced Metering Conversion					
<b>TREASURY</b>					
Technology - Operational Change Programme					
	<b>60,619</b>	<b>48,172</b>	<b>45,999</b>	<b>13,060</b>	<b>116,281</b>



**APPENDIX 7 – EXPLANATION OF COLUMN 2 CAPITAL SCHEMES**

**Table 81 - Column 2 Capital Schemes**

DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
CO	DOI Network Migration	535	Movement of standalone network to the main corporate network.
CO	MCW - Technology	250	<p>A new minor capital works budget created from 2018-19 for technology related schemes of less than £250k. No revenue budget in place. Will allow replacement of small scheme ICT systems across Government.</p> <p>The Minor Capital schemes prioritised by CO for 2018-19 included:</p> <ul style="list-style-type: none"> <li>• Video Conferencing Gateway capability</li> <li>• Body Worn Cameras</li> <li>• CCTV legacy equipment replacement</li> <li>• Bus depot Scancoin</li> <li>• Business Design Suite</li> <li>• Keyll Daree IT refit</li> <li>• Emergency Passport System</li> <li>• MNH ICT storage</li> <li>• Health Single Sign-on</li> </ul>
CO	NUIX Solution	707	A system which digitalises and streamlines a manual investigation process.
CO	Technology - Passports & Immigration System	400	Development of future passport system.
CO	TT Race Timing System	130	Initiation stage for the replacement of the current event management and timing solution which is approaching end of life
DESC	DDA Works to Department Sites	495	Design/construction works to further improve access to sites owned by the DESC in line with the introduction of the Disability Discrimination Act.
DESC	MCW - National Sports Centre	100	Minor capital improvement/maintenance works on the National Sports Centre Site and not included in the pool hall refurbishment scheme.
DESC	MCW - Regional Pools	150	Minor capital improvement/maintenance works to the Island's 3 Public Swimming Pools. This does not include the swimming pool at the NSC.
DESC	National Sports Centre - Pool Hall	504	An amalgamation of the pool floor replacement, replacement flumes (both of which have Tynwald approval), and additional funding for the upgrade to rest of the Pool Hall – all now incorporated into one scheme.
DfE	Fibre Optic Network	2,000	Provisional sum in relation to a C3 scheme yet to Move in Tynwald.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
DfE	TT Grandstand Development	250	Scheme development budget.
DEFA	Essential Building Maintenance	252	Ongoing maintenance of DEFA estate as necessary. This includes a new substation at Peel Food Park (Mill Road Yard) to increase the freezing capacity required by tenants.
DEFA	MCW - National Glens & Footpaths	100	Programme of work in the Island's National Glens to include compliance with DDA legislation, improvements to pathways, play areas and car parks.
DEFA	Mill Road Yard Development	59	Delayed vacant possession of final unit.
DEFA	Public Analyst Lab - Equipment Replacement	66	Planned replacement of Government Laboratory equipment, the use of which includes MUA water sampling.
DEFA	Wildlife Park - Redevelopment	450	Development of a gateway to the Curraghs Wildlife park to include a café to replace the failing existing facility.
DHA	TETRA	27	The supporting capital budget for the ongoing maintenance and support of the TETRA radio system. TETRA is used across Government including all emergency services and is an integral element of any response required to a significant incident. This also includes a sub-project for the replacement of hardware.
DHA	Equipment Replacement - Fire & Rescue	106	Ongoing scheme for the replacement of equipment for the Fire and Rescue Service. This includes a wide variety of items including (but not limited to) kit, helmets, foam, hose etc.
DHA	Equipment Replacement - Police	93	Ongoing scheme for the replacement of equipment for the Police. This includes a wide variety of items including (but not limited to) uniform, body armour, forensic kit, defensive equipment etc.
DHA	Malew Fire & Ambulance Station	70	Carried forward expenditure.
DHA	Prison Minor Capital Works	210	A new scheme for the replacement of life expired and minor capital items at the Isle of Man Prison, Jurby.
DHA	New Emergency Services Headquarters	475	Funding has been requested for the ongoing feasibility costs of developing a proposal for a combined Headquarters for all IOM Government's emergency services. This would be a multi-purpose property for the Police, Fire Service and Ambulance Service with shared functions and facilities.
DHA	Police HQ Redevelopment	50	With continued focus on centralisation rather than remote regional Police Stations more pressure is being put on the Police Headquarters building which is in the region of 40 years old. This is a feasibility study to assess the likely scope and cost of re-furbishing the building to modern and compliant standards. It is likely to be incorporated into the Blue Light HQ project above.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
DHSC	Acute Adult Psychiatric In-Patient Facility (Gedden Reesht)	1,491	Refurbishment of Gedden Reesht and development of facility at Nobles for APAW as a result of changes to anti-ligature legislation.
DHSC	MCW - Asset Replacement Scheme	194	Ongoing scheme for the replacement of smaller items across the Department.
DHSC	Redevelopment of Grianagh Court	1,500	Grianagh Court is released for redevelopment following the completion of the new Mannanan Court and its development will allow the move to larger, up to date and refurbished premises for CAMHS and the older persons mental health services.
DHSC	Older Persons RRU – North (Cummal Moorar)	4	Design fees for a C3 scheme.
DHSC	Older Persons RRU - Summerhill	34	Design fees for a C3 scheme.
DHSC	Purchase of Bonwick House	20	Reconfiguration works - required to make fit for purpose; a purchased residential area house which is close to all amenities, which will enable DHSC to provide residential care for 5 adults with Learning Disabilities).
DOI	Active Travel	1,425	A scheme to enable the delivery of the Active Travel Strategy by promoting walking or cycling as an alternative to motorised travel. Year 2 of a 4 year programme.
DOI	A5 Road Reconstruction	52	Identified last year as having failing foundations and surface with additional safety “pinch points” it is proposed to re-surface the carriageway of this primary route linking the Airport and Douglas.
DOI	Airport Ground Services Refurbishment	2,000	Carry forward of remaining Tynwald approval in relation to pre-contract design fees for a scheme to refurbish the cross runway, taxiway A and stands 7 and 8 at IOM Airport.
DOI	Clagh Vane Redevelopment 7/8	1,978	Construction of 51 new build residential properties to replace sub-standard accommodation.
DOI	Climate Change Adaption	1,550	A 25 year programme of a number of schemes to deliver climate change adaptations across the Island. Each business case is presented and approved by Treasury as it is ready to be delivered.
DOI	DHA Vehicle Acquisition	1,418	Ongoing scheme for the replacement of vehicles on behalf of the Department of Home Affairs (including Fire and Police).
DOI	Douglas Harbour Strategy - A Cruise Berth Victoria Pier	494	Design Fees for a C3 scheme.
DOI	Douglas Promenade Walkway	138	The surface structure is starting to fail and is causing a safety hazard for pedestrians. The surface and finish will be improved.
DOI	East Quay Peel	2,198	Scheme to address structural failure of the highway and enhance the area around the harbour.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
DOI	Glencrutchery Road Reconstruction	38	Carry forward of remaining Tynwald approval in relation to pre-contract design fees for a C3 scheme to address structural failure of the highway.
DOI	Heritage Rail Budget	4,500	New overall annual budget allowance to replace several individual Heritage Rail schemes to renew life-expired sections of rail and structures across all 4 railways – to be managed by DOI. <i>(Note: this scheme also includes some Column 1 approval relating to Carry forward of remaining Tynwald approval in relation to the reconstruction of Strathallan Horse Tram Depot, Derby Castle Workshop Repairs, and Nunnery Bridge.)</i>
DOI	Heritage Trail Improvements	245	Improvements to the Douglas to Peel Heritage Trail that follows the old railway track in line with the Active Travel Strategy.
DOI	Jurby Development Initiative	813	Development to enhance Jurby as a sustainable village, creating new build residential accommodation opportunities and small industrial units to let/build, community facilities and landscaping.
DOI	MCW - DfE	120	A minor capital works budget for properties owned by the Department for Enterprise. DOI maintain and uphold the properties on behalf of the Department under a Service Level Agreement.
DOI	MCW - DHA	200	A minor capital works budget for properties owned by the Department for Home Affairs. DOI maintain and uphold the properties on behalf of the Department under a Service Level Agreement.
DOI	MCW - DHSC	605	This rolling scheme includes expenditure for maintenance and replacement of building and property service related items ranging from £5,000 to £250,000.
DOI	MCW - Education and Children	2,074	This rolling scheme includes expenditure for maintenance and replacement of building and property service related items ranging from £5,000 to £250,000.
DOI	MCW - Government Estate	499	This rolling scheme includes expenditure for maintenance and replacement of building and property service related items ranging from £5,000 to £250,000.
DOI	MCW - Nobles Hospital (Compliance)	1	This rolling scheme ensures the hospital's services comply with relevant standards.
DOI	MCW - Nobles Hospital (Plant & Machinery)	675	This rolling scheme is related to expenditure for replacement of hospital plant and machinery.
DOI	MCW - Public Transport	1,150	This rolling scheme includes expenditure for maintenance and replacement of building, equipment and property service related items for the Transport Services Division
DOI	MCW - Villa/Gaiety	200	Minor capital works transfer from DESC for the upkeep and maintenance of the Villa Marina and Gaiety Theatre complex.





DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
DOI	MCW - Wildlife Park	138	Minor capital works transfer from DEFA for the upkeep and maintenance of the Curragh's Wildlife Park.
DOI	Non-Tidal Marina Development	250	Design fees.
DOI	Peel Harbour Bridge Replacement	15	Replacement of the life expired wooden bridge structure.
DOI	Peel Marina Works	909	Planning and delivery works for a disposal solution for dredged, de-watered material from Peel marina at Cross Vein Mine.
DOI	Plant & Vehicle Replacement	3,027	Ongoing programme for the planned replacement of Government's plant and vehicles.
DOI	Problematic Waste Landfill Facility	1,611	The creation of a new problematic waste facility on DOI owned land at Turkeylands (subject to planning, etc.) will mean that there is still a safe and appropriate site for the disposal of asbestos, bottom ash, etc. after the closure of the Wrights Pit North facility.
DOI	Public Transport - Bus Fleet Replacement	1,991	Ongoing scheme to allow for the strategic replacement of the Bus Vannin fleet to realise maximum asset value.
DOI	Pulrose River Bridge	1,500	Scheme to replace the life expired bridge structure and reduce the risk of the bridge, telecoms and power being lost in flooding conditions.
DOI	Quarry Plant Replacement	1,171	Programme for the replacement of quarry plant and machinery.
DOI	Refurbishment of Michael Street Peel	49	Refurbishment of carriageway and footways in the main shopping street in Peel.
DOI	Runway Instrument Landing System	500	Replacement of Instrument Landing System.
DOI	Residential Road Refurbishment	500	A 10 year scheme starting in 2017-18, to refurbish residential roads. Tackling small-scale neglect should prevent longer term problems for the network but, more importantly, encourage some pride in the roads outside our homes and directly result in a better place to live.
DOI	Site Feasibility Studies	36	To undertake land and property related studies for potential future schemes.
DOI	Strategic Highway Refurbishment	3,604	This year on year scheme includes work on highways resurfacing and reconstruction. The scope of the work ranges in value from £10,000 to £800,000, and includes major maintenance of minor or major roads, up to a complete replacement. From 2018-19 the scheme included £100k p.a. for traffic lights renewal and £500k p.a. for micro asphalt.
DOI	Strategic Structural Maintenance	2,102	This year on year scheme includes for work on both highways and harbours structures. The scope of the work ranges in value from £30,000 to £300,000, and includes major maintenance of a structure, up to complete replacement of a structure.



DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
DOI	Technology - Asset Management System	1	Carry forward of remaining Tynwald approval in relation to improvements to Symology, Highways and Asset Management Expert (AMX) systems.
DOI	Vehicle Test Centre Relocation	1,750	Scheme to provide a facility for the relocation of the existing Centre at Tromode.
DOI	West Quay Ramsey	100	Design feeds for a scheme to address the structural failure of the highway and enhance the area around the quay.
DOI-HR	MCW - Housing Planned Works	1,900	From 2018-19 this scheme has an annual capital budget of £1.9m increased from £1.6m for the past 5 or 6 years. This capital budget has been used to undertake essential works such as re-roofing, kitchen refurbishments, electrical upgrades, central heating, window/door replacements and estate improvements to the Department's public sector housing stock of over 1200 dwellings.
MNH	MCW - MNH	300	A budget to undertake minor planned maintenance or development projects.
MNH	MCW - Gallery Redisplay	250	This programme is underpinned by the MNH Audience Development Plan.
MUA	Combined Cycle Gas Turbine	1,640	Repairs and maintenance activities at Pulrose Power Station, including routine replacement of plant and equipment.
MUA	Advanced Metering Conversion	4,214	Routine replacement of electricity meters to ensure accurate charging, replacement of prepayment metering infrastructure and installation of communications infrastructure to improve customer service.
MUA	Electricity Network Refurbishment	1,200	Refurbishment of the existing electricity network infrastructure, including overhead line and underground cable reinforcement, substation refurbishment and switchgear replacement.
MUA	MCW - MUA	5	Minor Capital works, including small repairs, maintenance schemes and plant replacement (including vehicles).
MUA	Refurbishment of Local Sewage Treatment Works	2,632	Refurbishment of Local Sewage Treatment Works.
MUA	Sewer Flood Alleviation	368	Schemes to reduce sewer flooding arising from surface (rain) water drainage.
MUA	Sewers Network Refurbishment	950	Refurbishment of the existing sewerage infrastructure, including lining of existing sewers and manhole repair and replacement.
TSY	Capital Projects Contingency Budget	5,000	Annual £5m capital contingency account included in the Capital Programme. This is made available for any emergency or urgent Capital works which are not listed as part of the current capital programme.
TSY	Technology - Operational Change Programme	1,550	A programme of work to deliver improvement and efficiencies to the existing framework of multiple Treasury systems. This is the second year of a 10 year programme.

**Appendix 7– Capital Column 2 Schemes**

DEPARTMENT	SCHEME	Tynwald request to Approve Column 2 (C2 value £000)	DESCRIPTION OF COLUMN 2 SCHEME
MR	MCW - Broadcasting House Maintenance	112	Ongoing Minor Capital Works budget for the maintenance of Broadcasting House and any other sites held by Radio Manx Limited.



## **APPENDIX 8 – EXPLANATION OF RESERVES**

### **The External Reserves**

#### **Enterprise Development Scheme**

As part of the 2016 Budget the Enterprise Development Fund was created with an initial £10m, supporting the £50m Enterprise Development Scheme. The scheme has not worked as expected with only £3m invested in the first two years and in September 2018 the Department for Enterprise and the Scheme Managers agreed to part company. The Department has revised the Scheme to open it up to a wider range of applicants, to focus on job creation and to strengthen the requirement for co-investment. Investment decisions will be taken by the Department, Treasury and an external Chair going forward requiring unanimous approval.

The Department will also use the revised Enterprise Development Scheme to invest in Media productions where these create sustainable jobs.

It is difficult to predict what impact these changes will have on overall levels of investment in future years, but the Department and Treasury are both committed to supporting businesses that will create jobs in the local economy through a range of financial support options.

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

The purpose of this Fund is to meet the cost of the loan charges arising from the initial capital expenditure incurred in respect of building Nobles Hospital after 1 April 1996 (the loan charges arising from capital expenditure prior to that date are charged to the budget of the Department of Health and Social Care). The interest earned on this fund is applied directly to the remaining balance of borrowing in relation to the Hospital, reducing the impact on the revenue account. As at 31 March 2018 it was expected that the fund would be exhausted in 2030-31

#### **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**

Tynwald agreed in 2012 that £25m would be placed into this fund and invested into film and other media projects, through Pinewood Film Advisors Ltd. The contract with Pinewood came to an end in October 2017 so the fund now receives receipts from legacy projects. The ongoing use of the fund is subject to review and consideration as the Enterprise Development Scheme will now be used for investment in Media productions where these create sustainable jobs.

#### **MUA Bond Repayment Fund**

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



## **National Insurance (NI) Fund**

The National Insurance Fund is comprised of both the National Insurance Investment Account which is invested by external investment managers on behalf of Treasury and also the National Insurance Operating Account, which represents the operating balance managed by Treasury's Social Security Division. The Operating Account is used to fund NI-funded welfare payments and also makes a significant contribution towards the cost of the Island's Health Service via the NHS Allocation. It is expected that there will be a surplus over the 5 year plan, therefore the fund will increase.

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

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

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

The reserve is made up of an externally invested fund and an internal reserve, which each year receives a drawdown from the invested fund in order to make an annual contribution towards the gross cost of public sector pensions. The Reserve is estimated to become fully depleted by 2021-22, leaving a funding gap shortfall, which will be require to be met from General Revenue, estimated at £45m.

## **Reserve Fund**

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

## **The Internal Reserves**

### **Academic Business Planning Fund**

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

### **Agriculture and Forestry Fund**

This Fund was originally established in 2007 to assist the Department of Environment, Food and Agriculture in providing funding for additional financial support to the agriculture sector, during its period of transition and adjustment following the loss of red meat derogation. The Fund is utilised to support initiatives that are designed to provide sustainable benefits for the sector in the longer term and to provide support for the sector in the event of unexpected circumstances such as the drought in the Summer of 2018. Treasury has agrees to add £1m per annum for 3 years to support the meat plant.



### **BREXIT Fund**

The BREXIT Fund was established as part of the 2017-18 budget, with a balance of £1 million from the Operating Balance with a further £1m transfer in 2018-19. This Fund is available for items of expenditure that help harness the economic opportunities arising from Britain's departure from the EU, as well as for putting measures in place to mitigate against the risks. A further £1m will be added in 2019-20.

### **Contingency Fund**

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

### **Digital Strategy Fund**

Established 1 April 2016 the Digital Strategy Fund arose from a need to ensure that the delivery of the Digital Strategy is fully implemented and that savings arising as required by the Five Year Financial Plan are captured accordingly. The Fund aims to secure a minimum financial saving of £5 million to be achieved within five years ensuring the programme is cost neutral across the period, with ongoing service and savings benefits after the five year period. Savings will be identified, captured and applied to Departmental revenue targets to allow resources to be returned to the General Reserve or realigned to new priorities as defined by the Council of Ministers. Departments are able to retain 25% of the savings arising from successful bids.

### **Economic Development Fund**

The fund was established in 1999 to provide financial assistance to organisations undertaking projects which are deemed to have a positive contribution to the local economy, but are not eligible for support under any other Government scheme.

### **Healthcare Transformation Fund**

This reserve is designed to provide financing for the implementation of healthcare project initiatives that are of a transformational nature, and are necessary for the delivery of the Department of Health and Social Care's medium term strategy. This includes initiatives to realise ongoing revenue savings, or perhaps allow the double-running of services while transformation takes place. It is intended that any surplus National Insurance receipts due for allocation into the NHS are redirected into this Fund to support future projects. Following completion of Sir Johnathon Michael's Healthcare review it is anticipated that this fund will provide support should it be required.

### **Housing Reserve Fund**

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

### **Invest to Save Fund**

This Fund, previously known as the Restructuring Fund, was rebranded and refocused to consider upfront proposals that generate savings. This Fund arises from a need to ensure that funding is provided where it can be demonstrated that upfront investment generates short, medium or long-term revenue savings. Departments are able to retain 50% of the savings arising from successful



bids. The Fund also remains available for the funding of claims that fall under the previous remit for the Restructure Fund, such as staffing restructures and office refurbishments, with no requirement for a savings recoupment back into the Fund.

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

This Reserve was established in 2000 to provide additional funding to meet the cost of acquiring land for land bank and other purposes. The Reserve enables Government to react swiftly when land and buildings required for public services becomes available. Land bank transactions, both planned and unplanned, are made through the Capital Account. The expenditure on unplanned land and building transactions are met by transfers from the Land & Property Acquisition Reserve.

### **Legal Costs Reserve**

The Isle of Man Government has historically been subject to several large and complex legal cases which have placed a strain on the resources of the Departments involved. Given the ad hoc nature of these cases, this reserve provides funding to meet the costs of agreed and exceptional legal cases. The high nature of these costs and the reducing balance of this reserve in recent years make this unsustainable.

### **Marketing Initiatives Fund**

This Fund is designed to provide financial support for marketing initiatives or projects that promote the Island to specific or general markets and encourage access to business development opportunities. The approved initiatives must be able to demonstrate the generation of clear and definable economic benefits to the Island, and must be time-specific. The fund will be utilised by the four executive Agencies within the Department for Enterprise. Treasury will continue to liaise with the Department to assess the ongoing need for the fund.

### **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 transfer of £3m is recommended into the fund in 2019-20 in order to be in position to meet future demands against it.

### **Seized Assets Fund**

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

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

Established in 2008, this reserve provides funding to revitalise the centres of the Isle of Man's towns and villages, through improvements to their retail environments. The reserve has been used to finance both construction schemes and also to provide grant assistance to agencies and bodies outside Government, thereby contributing towards wider economic development. As of 2016-17 funding for new construction projects approved has been through the Capital Programme. As a result in 2019-20 new terms of reference will be drawn up for the scheme.



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## Isle of Man Government Budget

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**Isle of Man  
Government**

*Reillys Ellen Vannin*

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