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ISLE OF MAN BUDGET 2016/17

Building a Sustainable Financial Future

STRICTLY CONFIDENTIAL

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**Isle of Man
Government**

Reilrys Ellan Vannin

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Please note that Figures may be subject to rounding.

1. OVERALL FINANCIAL SUMMARY FOR REVENUE & CAPITAL

1.1. Government Revenue Forecast 2016-17 to 2018-19

In line with the Treasury Act 1985, the Treasury is pleased to present the revenue forecasts for the Isle of Man Government for the financial year 2016-17. The table below also shows the indicative (provisional) budgets for 2017-18 and 2018-19 as set out in the Medium Term Financial Strategy.

GOVERNMENT REVENUE FORECAST 2016-17 TO 2018-19					
Budget	Probable		Budget	Provisional Budgets	
2015-16	2015-16		2016-17	2017-18	2018-19
£,000	£,000		£,000	£,000	£,000
(941,385)	(933,192)	Income	(955,568)	(990,102)	(1,025,503)
939,384	942,792	Expenditure	955,274	974,394	1,001,332
(2,001)	9,600	(Surplus)/Deficit	(294)	(15,708)	(24,171)

Table 1

1.2. Government Capital Forecast 2016-17 to 2018-19

The second table below shows the summary Capital Transactions Account including details of expected receipts and payments for the next financial year, 2016-17. As above, provisional budgets have also been provided for years 2 & 3 in line with the Medium Term Financial Strategy.

GOVERNMENT CAPITAL FORECAST 2016-17 TO 2018-19					
Budget	Probable		Budget	Provisional Budgets	
2015-16	2015-16		2016-17	2017-18	2018-19
£,000	£,000		£,000	£,000	£,000
(50,838)	(52,625)	Receipts	(59,737)	(70,359)	(72,482)
78,029	62,970	Payments	92,590	57,896	67,379
27,191	10,345	(Surplus)/Deficit	32,853	(12,463)	(5,103)
35,379	44,409	CAPITAL ACCOUNT BALANCE B/F	33,952	947	13,256
	(112)	Transfer To Revenue (Project Management)	(152)	(154)	(155)
(27,191)	(10,345)	Surplus/(Deficit) on Capital Acc	(32,853)	12,463	5,103
8,188	33,952	CAPITAL ACCOUNT BALANCE C/F	947	13,256	18,204

Table 2

2. BUDGET REPORT 2016-17

When I presented the budget to Tynwald last year, I set out how we intended to rebalance the revenue budget by 2015-16. As we move into 2016-17, we continue to budget for a modest surplus on our current account. By realigning revenue expenditure to our income, we are able ensure that we can live within our means.

While keeping focused on healthcare, welfare and pensions, we must now begin the challenging but essential task of implementing Stage 2 to remove the unsustainable reliance on our reserves which is currently estimated at around £75 million per annum. This means that we have dealt with £125 million out of the £200 million VAT revenue loss and I must emphasise that an achievement of this magnitude should not be overlooked or undervalued.

Whilst undertaking this first stage of rebalancing, we have been able to maintain public services and protect the Island's economy and have not cut as deeply as our neighbouring jurisdictions.

This new phase of work has been undertaken against the backdrop of the Government's 3 key priorities, namely:

- Grow the economy;
- Protect the vulnerable;
- Balance the Budget;

The subsequent steps will facilitate growing the economy through a competitive and attractive business environment, whilst protecting the vulnerable with a planned review of the Welfare and Benefits system in a more targeted approach.

Economic Growth and Enterprise Development are two of the keys to achieving a balance of receipts and expenditure. Without increases in receipts, further savings will be required.

Tynwald's approval of the policy objectives outlined in the Medium Term Financial Strategy

will introduce the first year of a financial plan to address our underlying structural deficit and reliance on the reserves. Ultimately, this will help ensure that decisions are based on better information.

In order to achieve these aims, I have reviewed how we present our budget (note the Order to be approved remains the same) and my officers have revised this document to aid interpretation and improve transparency. For example, expenditure and income will be in most cases shown gross to demonstrate cashflows and to ensure areas of high volatility or risk are shown in greater detail. This is part of an ongoing programme of work reviewing our financial management.

This is a budget of realism. We have expanded our financial planning period and recognised it is no longer appropriate to cap budgets at the same level they were 5 years ago – inflation must be taken into consideration and we must critically review how those increasing costs can be met. We must be realistic and pragmatic in our approach.

This is particularly important when considering the long term cost of Public Sector Pensions. The reliance on the reserves will need to continue for as long as the Pensions Account remains unbalanced. The report which is currently being developed by the Reform Working Group will inform the decisions which will undoubtedly be required to reverse this trend and lay the foundations of demonstrating how this can be achieved. Again, this will mean that unpopular decisions are likely to have to be made, but we cannot defer this issue any longer.

As many will be aware, the financial pressure on our Health Service is also a substantial risk that we must address and a key foundation will be the provision of an accurate and credible budget. This is particularly important in the context of an ageing population and where healthcare and technology are becoming

2016-17 Budget Headlines

increasingly complex and expensive. We must ensure we deliver a service which meets the needs of our Island but which is bounded by the financial realities of affordability.

The budget for 2016-17 also includes savings proposals of approximately £2 million which will be implemented through specific initiatives by Departments during the next financial year. In addition to this, efficiencies will be driven from better purchasing and investment in technology through the Digital Strategy.

We have delivered more than £17m in savings from our previous efficiency programmes. However, we must continue to review and identify how to move to a smaller, simpler and more efficient public service. This is a constant process and change will have to become the norm for us all. This is a key part of our financial plan.

In my budget last year I said that I would like to increase the personal allowance to at least £14,000 to take a significant number of the lower paid out of the tax net. However with the softening of our income tax receipts this has not been possible, but I have taken a step along that path going as far as our current income permits. On the income side I am becoming increasingly concerned with some tax planning which is currently taking place and I have asked the Assessor of Income Tax to commence a consultation to ensure that each tax payer pays their fair dues. Any changes will become effective from today's date.

Capital investment of approximately £204 million is planned over the next 3 years which includes the completion of the Henry Bloom Noble Primary School, the Acute Adult Psychiatric Unit, the Oncology Suite, the replacement of Castletown Fire Station as well as numerous projects to ensure the life of existing assets is fully maximised. The loan charge rate is set to increase from 1% in 2015-16 to 1.5% in 2016-17 and 2% going forward after this, which will ultimately deliver a self-

sustaining Capital Fund to adequately meet the future needs of a growing population. In addition to this, we will also begin preparing for the new sewerage plant at Peel and the development of a new Secondary School in Castletown – both of which will provide long-term investment into our Island's infrastructure.

As I write this preface, the final negotiations to determine our share of the VAT pool have not been concluded. However, I expect that a settlement will be agreed within the next month and I will brief Tynwald at that time.

I cannot sign-off this report without recognising the amount of work that has been undertaken within all areas of Government to deliver this budget. This year has been no exception and I would like to thank my Council colleagues for their scrutiny, challenge and support in making a number of difficult decisions to reach this point. Within Treasury I have had the support of Mr Anderson MLC and Mr Henderson MLC, who with their extensive knowledge and experience, have provided invaluable advice and support. Mr Henderson MLC plays a key role within Social Security implementing the changes to the benefits system which will ensure that it is sustainable for future generations.

I would also like to take this opportunity to thank Mr Braidwood and Mr Downie as former Treasury members for their valuable contribution to the work of Treasury. To them both I wish a long, happy and healthy retirement.

We must retain focus and build on the progress made during Stage 1 to work towards ensuring that overall public expenditure is sustainable and manageable for the foreseeable future. I commend this budget to Honourable Members.

W.E. Teare ACIB MHK Minister for the Treasury

16th February 2016

3. 2016-17 BUDGET HEADLINES

Overview

- The revenue budget has balanced and a small **surplus is forecast of £0.3m** for the 2016-17 financial year
- We have implemented the **Medium Term Financial Strategy (MTFS)** and will stop drawing on the reserves over the next 6 years
- A surplus is projected after transfer from the reserves for the duration of the MTFS
- A number of internal reserves will close this year with their remaining balances being used to create a number of generic funds available to all Departments

Revenue Income

- Gross income expected to increase by **1.5% to £956m in 2016-17**
- Forecasts for Income Tax revisited on the basis of lower than expected 2015-16 receipts
- 2% inflationary increase on Departmental inward fees and charges
- NI Contributions and employee pension contributions assumed to stay flat compared with the current financial year

The Reserves

- £10m will establish the **Enterprise Development Fund**
- The **Digital Strategy Fund** will enable the delivery of the Digital Strategy and determine savings against revenue budgets
- The **Contingency Fund** will provide for one-off, unforeseen events
- The Restructuring Fund will be rebranded as the **Invest to Save Fund** to provide upfront funding for proposals that generate savings

Taxation Policies

- Personal tax allowance increased by £1,000 to £10,500
- 10% tax rate band for individuals reduced to £8,500
- Tax-free relocation expenses increased by 100% to £20,000
- Trivial commutation lump sum limit for pensions increased to £50,000
- Introduction of Land Development Tax Holiday
- Tax Cap to remain unchanged

Benefits

- Basic state pension to rise by 2.9%
- Income support pensioner premium to increase by £5 per week for single pensioner
- Most other benefits unchanged.

Revenue Expenditure

- Gross expenditure due to increase by **1.7% to £955m in 2016-17**
- **Pay costs expected of £348 million** in 2016-17 increasing by 1% per annum
- Departmental targets adjusted to rebase the 2015/16 employee budget and 1% CoMin pay policy added for each of the 3 years
- Loan charge policy is unaltered – interest to increase to 1.5% in 2016-17 and 2% in 2017-18 onwards

Risks;

- Pension costs increasing significantly – detailed breakdown included to demonstrate vulnerability
- Welfare costs also expected to increase above inflation

Revenue Bids

- Total revenue **bids approved in 2016-17 of £5 million**
- Departmental revenue targets have been uplifted to include successful bids.
- Bids were evaluated and approved where it could be demonstrated that current or future savings would be generated or where reserve expenditure would be moved into revenue.
- Other bids accepted include the DHSC budget restructuring and future funding for the DEC pre-school credits scheme.

Capital Budget

- **Capital expenditure of £93 million** forecast for 2016-17
- Proposed Bond to fund future Capital Programme is being progressed
- Current year delivery rate of 62% is considerably lower than 2014-15 rate of 84% - mainly due to delays on the Promenade Scheme and the Ramsey Transport Interchange
- Work progressing on the development of a Reserve List which will identify projects which can be progressed at short notice.

Savings

- Specific **savings have been identified for 2016-17 of £1.9 million**
- Further **efficiency savings of £4 million** are under development
- Additional savings from the Digital Strategy, terms and conditions for new starters and more effective commercial relationships (procurement) have also been applied to budgets
- £4m achieved in delivered savings to date

The Medium Term Financial Strategy

4. THE MEDIUM TERM FINANCIAL STRATEGY

MEDIUM TERM FINANCIAL STRATEGY 2016-17 TO 2021-22						
	Budget	Provisional Budgets				
	2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	2021-22 £,000
GROSS INCOME						
Treasury Income						
Customs and Excise	336,500	349,934	363,953			
Income and Other Taxes	212,000	220,056	228,418			
Other Treasury Income	11,572	11,602	11,850			
NI Operating Account	240,100	250,500	261,200			
Total Treasury Income	800,172	832,092	865,421			
Other Income						
Department Fees & Charges	120,041	122,212	123,864			
Pension Contributions	35,355	35,798	36,218			
TOTAL INCOME	955,568	990,102	1,025,503	1,053,586	1,085,171	1,117,632
GROSS EXPENDITURE						
Employee Costs	348,465	353,287	358,487			
Pension Costs	79,871	84,970	89,810			
Non-Employee Costs	212,605	207,372	205,184			
Treasury Contingency	5,000	5,000	5,000			
NI Funded Payments	240,728	250,380	260,566			
Revenue Funded Welfare Payments	79,608	81,667	83,730			
Loan Charges	33,513	45,391	46,055			
Unlocked Savings		(4,500)	(4,500)			
Transfer from the PSEPR	(44,516)	(49,173)	(43,000)			
TOTAL EXPENDITURE	955,274	974,394	1,001,332	1,011,835	1,071,966	1,103,126
(SURPLUS)/DEFICIT	(294)	(15,708)	(24,171)	(41,751)	(13,205)	(14,506)

Table 3

In July 2015, Tynwald approved the key policies and objectives of the Medium Term Financial Strategy.

From these objectives a Financial Plan has been developed. The policy objectives underpinning that plan are set out below:

The objectives of the Strategy are:

- Public Finances will be **sustainable** when general revenue expenditure is met from income without the need to draw upon reserves
- The Reserve Fund will be managed to **grow** in real terms, with investment income being retained rather than drawn upon to support revenue expenditure;
- In the medium term, Government should aim to achieve an annual surplus on the general revenue account, which can be used to **replenish** internal or external reserves

Manage over the medium term (6 years)

Grow the Economy

- Increase income through economic growth
- No increase in headline tax rates
- Control increases in on-Island service costs

Smaller Smarter Government

- Take a managed approach, no slash and burn
- No ring-fencing – priority based budgeting
- Control costs
- Target and secure efficiencies through:
 - > Critical review of Government's services and service levels
 - > Driving efficiency in processes and delivery
 - > Excellence in commercial activity

The Medium Term Financial Strategy

A summary of that Financial Plan is shown in the table above. This financial projection meets the objectives of the Financial Management Strategy by ensuring that by 2021-22 general revenue expenditure will be met by general revenue income.

This table shows an estimation of the impact on Government's reserves for each year of the planning period.

RESERVES UTILISATION						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m	£m	£m
Reserve usage (Tables 14-16)	109	100	96	103	68	54
Capital (estimate)	33	15	5	-	-	-
General Revenue surplus	--	(16)	(24)	(42)	(13)	(15)
Investment income (estimate)	(50)	(50)	(50)	(49)	(48)	(48)
	92	49	27	12	44	(9)
Adjustment for inflation	25	25	25	25	25	25
Reliance on reserves	117	74	52	37	69	16

Table 4

The table shows the anticipated reserve usage as shown in section 10.4, with a further estimate for 2021/22 and the budgeted revenue surpluses as shown in the Medium Term Financial Management Strategy in Section 4. A prudent estimation of new expenditure funded from Capital has been also included, we will not know the exact drawdown on the Capital Account as new schemes will be added every year.

To provide an indication of the impact on the reserves in real terms a realistic estimation of growth of £25 million per annum has been made to show what level of increase would be required to maintain the reserves in real terms.

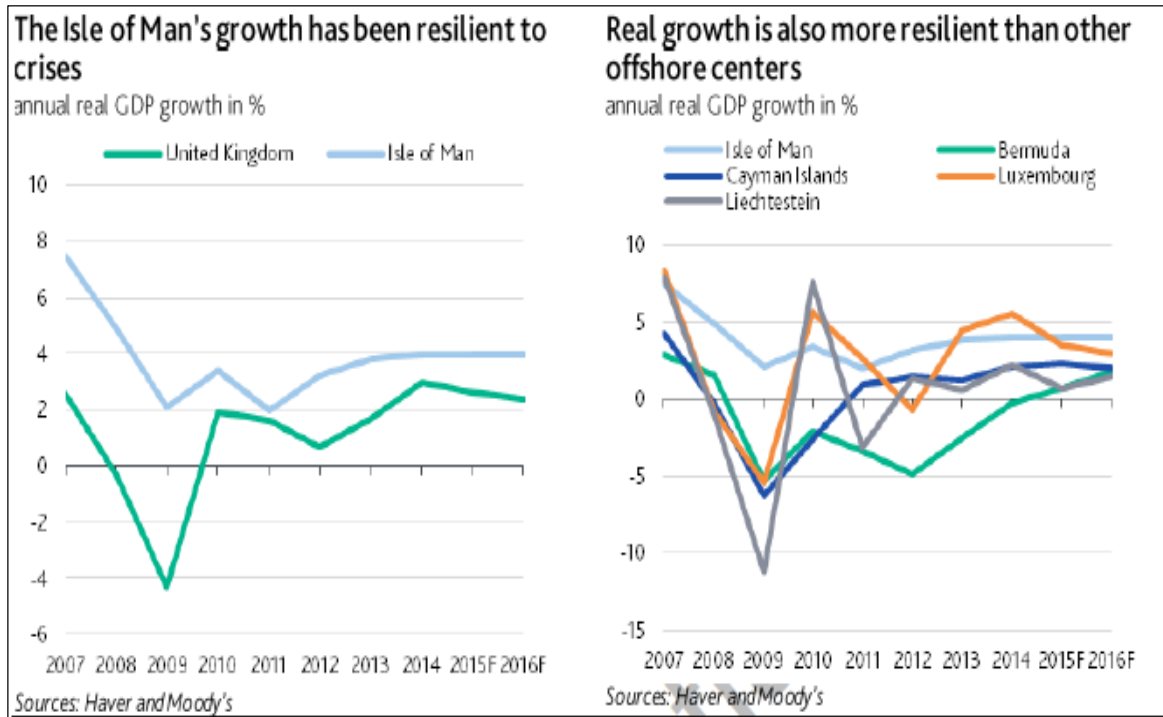
Today's budget is based on that plan and is the first step in our strategy. The strategy relies on increased exchequer income from economic growth and control of expenditure. The strategy is designed to meet our medium term financial objectives whilst avoiding the need for significant short term reductions in expenditure.

Whilst our reserves are under increasing pressure, they are still strong. There is no need for panic, or for kneejerk actions. Our fiscal strength, growing a balanced economy and the actions we have taken to reduce the deficit allow us the time to address the issues strategically. We can build on the work we have already done.

There are essentially three stages to the rebalancing programme.

- Stage 1:** Budgeting for a surplus on the revenue account, which we achieved last year, and will now build on;
- Stage 2:** Setting in place a Medium Term Financial Strategy which will match income with expenditure and reduce our reliance on reserves, whilst protecting the economy and encouraging economic growth. This budget commences the start of that six year strategy; and
- Stage 3:** Addressing key areas of expenditure where we are simply spending too much. The solution in many places is much longer term. This includes balancing the National Insurance Fund, public sector pensions and pressures brought about by an ageing population.

The Medium Term Financial Strategy



The Medium Term Financial Plan is the strategy to set in place the steps required to deliver the next stage and begin the process of addressing the longer term funding pressures.

Performance against the financial plan will be subject to monitoring and progress will be reported as part of the annual budgeting process. The achievement of the plan will require considerable resolve and is subject to a number of risks. Most notably the plan is reliant on an ongoing programme of savings with some significant reductions required in each year covered.

There are a number of assumptions underpinning this plan:

Income

Income budgets are based on increases from taxation at an average of 3% per annum across the planning period.

In considering our options, we cannot ignore the fact that a competitive tax environment is of vital importance to our economy, our economic plans and strategy. In support of this philosophy, in line with our existing tax strategy, the Financial Plan has been developed on the assumption that there will be no

increase in the headline rates of taxation during the planning period.

Any projections that have been made regarding increases in exchequer receipts are largely based on an assumption of increased revenue arising from a growing economy. These assumptions are consistent with the performance of our economy, where we continue to enjoy economic growth. Our economy's resilience can be seen in the graphs above.

Expenditure

The measures we have put in place to control expenditure mean that we are budgeting for an average increase of 1.58% per annum. By growing income above the expected level of inflation and controlling expenditure below inflation, we will be able to generate the surplus we require to meet our medium term funding pressures.

To provide funding for the capital programme loan charges are budgeted to increase to 2%, a level that will sustain the capital programme. Where there is a specific requirement for funding for major infrastructure projects, alternative methods such as the issue of bonds will be considered. In summary the financial

The Medium Term Financial Strategy

plan has sufficient provision for funding of the capital programme given our current projections for requirements.

The delivery of the capital programme is of vital importance to the island's economy. In October 2015, the resources from the Treasury's Capital Projects Unit were transferred to the Department of Infrastructure to allow the creation of a new Capital Projects Delivery function. This function will take the lead for the delivery of all of Government's Capital Projects and improve our delivery through taking a more holistic and consistent approach.

Cost Control

The control of expenditure is dependent on the delivery of the savings programme.

We have set out a realistic plan which acknowledges the increasing pressure on pay and wages, the savings programme will effectively mean pay costs will be contained at or around the 2016-17 level, assuming that savings delivered are split evenly between pay and non-pay.

The budgeted figures for staff costs in the financial projections have increased due to a revision of what is now included. Employer's contribution costs are being allocated directly to the appropriate cost centres rather than being funded centrally and the amount paid by Departments will increase by 1% per annum. This provides a realistic estimation of the true cost of all staff costs for the coming years.

Savings targets are locked into Departmental budgets for 2016-17, where specific programmes have been agreed. Savings are shown against non-pay expenditure however are likely to involve a combination of both.

The savings for 2017-18 onwards are not locked in and the individual Departmental targets do not include the reductions. These are shown instead in the Medium Term Financial Plan above.

Work has commenced on building the programme for savings in the next five years. The decisions required as to where reductions should be made will need to be considered by the succeeding administration. From work undertaken further opportunities for savings of £14m have already been identified in principle for further investigation.

Details of the savings projected and the potential impact of pay costs is shown in the table below:

SAVINGS TARGETS						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m	£m	£m
Specific schemes	(3)	(5)	(5)	(3)	(3)	(3)
Procurement	(1)	(1)	(1)	(1)	(1)	(1)
Digital Strategy		(1)	(1)	(1)	(3)	0

In introducing this programme, it should be made clear that all areas of Government are expected to contribute to reducing costs, no lines of expenditure or services are ring-fenced. The achievement of these savings reductions will require Government to think differently at both political and officer levels. To achieve a smaller and smarter Government and move towards a prioritised budgeting process, we need to work together.

This plan assumes that Government will be smaller and the number of staff employed by the public sector in 2021-22 will be significantly lower than it is now.

A considerable amount of work on savings has been undertaken and plans for the achievement of these are in place. There are three strands to the strategy:

- Investing in technology, through the Digital Strategy
- Critically evaluating Government's services and service levels
- Delivering excellence in Government's commercial activity

This approach represents a change in our approach to budgetary rebalancing. Previously

The Medium Term Financial Strategy

we have focussed on the provision of shared services; raising income through a user pays approach and top slicing of costs, including pay. To really deliver a smaller and smarter Government, we need to think differently and focus on the way we deliver services, what services we provide and challenge whether they can be provided more efficiently. Indeed, questioning what are the appropriate services for a population of 85,000.

Embracing new technology is vital to the future delivery of public services. It will allow Government to interact more effectively with the public and automate and streamline our administrative functions. To support this important work, the ICT Fund will be redeveloped into the Digital Strategy Fund and topped up to £5m.

There is a continuing requirement to invest in our services if we are to secure savings. To support innovation for Government services the Restructuring Fund will be renamed the 'Invest to Save Fund' and £5m will be available to support investment where future savings can be secured.

We have improved significantly our procurement procedures and activities since the introduction of Treasury Procurement services. This activity has not only developed the way we procure goods and services but has secured significant savings. The next step is to develop a Commercial Service for Government to generate further efficiencies and reductions.

The MTFS plans for cashable reductions in spending from commercial activity of £1.2 million per annum. To support this initiative all tenders will require a plan to achieve reductions in expenditure. These savings will not only be secured from ensuring competition in our purchasing but by ensuring that all parts of Government critically review service levels when contracting for goods and services. Do we really need gold plated services? This once again demonstrates a plan which focusses on

precision in securing savings where the opportunities arise.

Contingency

This Financial Plan sets out a strategy to achieve our objective of balancing the revenue account in the medium term. However, there are many risks, uncertainties and challenges that we will face in delivering these targets. For example, the significant cost pressures on the Health Service will take some time to resolve and for the new management and operational arrangements to bed in and control this expenditure effectively. We must recognise these pressures and that there will be circumstances where the Treasury will need to provide additional assistance whilst maintaining tight control.

To achieve this, a provision for a £5m contingency has been retained within the Treasury's budget which can be accessed, with the appropriate approvals and safeguards, by the Departments. This account is not intended for pay settlements. Any assistance provided through the fund is intended to be temporary or transient in nature. This revenue account will protect the funds held in the Contingency Fund and provide an additional level of buffering.

Public Sector Pensions

The Financial Plan seeks to address the financial issues that we can manage in the medium term. A key element of this is ensuring that we can continue to fund Public Sector Pensions.

For 2016-17, expenditure is forecast to be £107 million. This is 10% of our total revenue spending. The Financial Plan controls expenditure to allow us to meet the shortfall in pensions funding which is currently met from the Public Sector Employees Pension Reserve, but the reserve is forecast to be depleted in 2021-22. Given the rights of the existing members of the pension scheme, the lead time for any changes made to new entrants and the

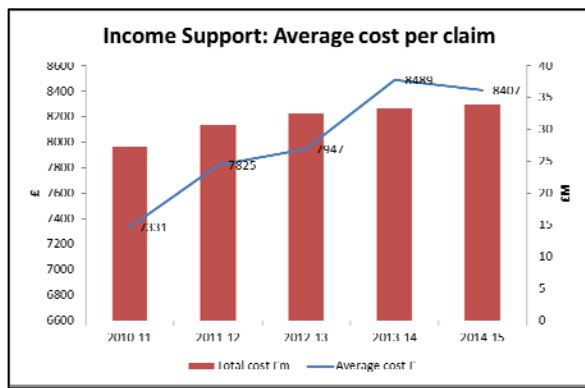
The Medium Term Financial Strategy

scale of the funding deficit, this issue simply cannot be addressed in the medium term.

It cannot be over emphasised how important it is, for Government and its staff, that an affordable solution to the long term funding of public service pensions is achieved. In reaching this arrangement all sides must be realistic and fair. All involved in the process must be responsible in delivering an affordable solution which provides confidence and certainty for all.

Welfare Payments

Treasury has a mandate to review the entire Isle of Man welfare system over the next 3 years, based on the 5 recommendations approved by Tynwald last July.

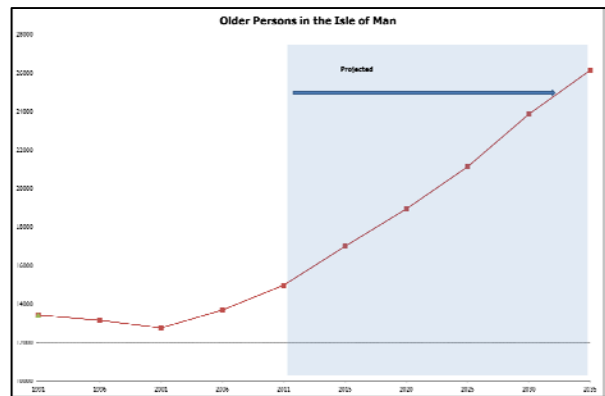


Work in the latter half of 2015 was focussed on managing the divergence of UK and Isle of Man state pension arrangements from April 2016, consequent on the introduction of the UK's new state pension, including necessary changes to the Social Security Reciprocal Agreement with the United Kingdom. Work is now underway to design a new Manx state pension and Treasury intends to report back to Tynwald in July with firm proposals. This is part of an ongoing long term programme of work to ensure that we utilise the National Insurance Fund in a fair, responsible and affordable manner. We need to start this now as Appendix 2 sets our increasing reliance on the NI Fund. As the policies are in development, the changes provided in this financial plan do not take account of any proposed developments but are based on expectations of future expenditure, based on current arrangements.

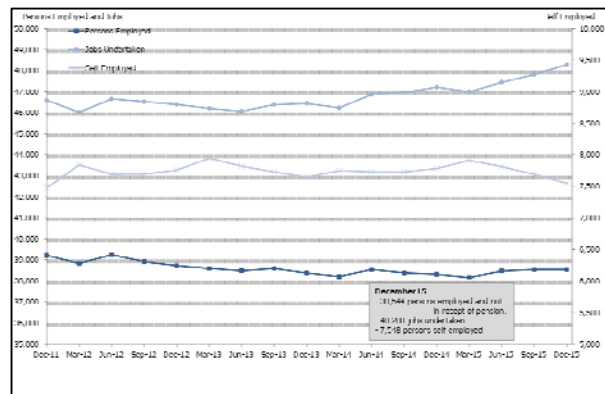
Ageing Population

We need to plan carefully in order to ensure that we have the ability to meet the health and social needs in a fair, appropriate and sustainable way, for the older people in the Isle of Man: ranging from specialised healthcare through to residential, nursing and elderly mentally infirm – 'EMI' – care for people who need it. Providing these services comes with a cost, and I expect that the DHSC will need to come regularly to Tynwald to inform us how such plans are developing.

Older Persons in the Isle of Man - Actual and Projected



Employment and Working Population



Development

The production of this long term plan represents a step change in the way we plan and present the Government's budget and fiscal strategies. There is more work required to be carried out, including improving the sophistication of our modelling. This work is being progressed by the Treasury and will lead to further detail in future presentations of the strategy.

The Medium Term Financial Strategy

Risks

There are always risks in any strategy and the key risks to the achievement of the MTFS are:

- Tax revenues do not grow as quickly as forecast;
- Changes to the delivery of Government services and the associated savings are not achieved;
- Public sector pay and pensions issues do not reach a realistic resolution;
- Departmental costs are not contained within financial targets;
- Additional funding is required for unforeseen requirements that are not offset by savings or service reductions.

Revenue Budget

5. REVENUE BUDGET 2016-17 TO 2018-19

GENERAL REVENUE ACCOUNT SUMMARY					
	Budget	Probable	Budget	Budget	Budget
	2015-16	2015-16	2016-17	2017-18	2018-19
	£,000	£,000	£,000	£,000	£,000
INCOME					
Treasury Income (Appendix 1)					
Customs and Excise	324,800	324,800	336,500	349,934	363,953
Income and Other Taxes	210,800	203,500	212,000	220,056	228,418
Other Treasury Income	11,645	11,645	11,572	11,602	11,850
NI Operating Account	234,221	236,000	240,100	250,500	261,200
Total Treasury Income	781,466	775,945	800,172	832,092	865,421
Other Income					
Departmental Fees & Charges	124,984	122,312	120,041	122,212	123,864
Pension Contributions	34,935	34,935	35,355	35,798	36,218
TOTAL INCOME	941,385	933,192	955,568	990,102	1,025,503
EXPENDITURE					
Employee Costs	307,818	316,528	348,465	353,286	358,487
Pension Costs*	89,693	107,124	79,871	84,970	89,810
Non-Employee Costs	208,505	206,271	212,605	207,372	205,184
Treasury Contingency	8,172	8,172	5,000	5,000	5,000
NI Funded Welfare Payments	238,567	237,567	240,728	250,380	260,566
Revenue Funded Welfare Payments	79,115	77,615	79,608	81,667	83,730
Loan Charges	31,514	31,515	33,513	45,391	46,055
Unlocked Savings				(4,500)	(4,500)
Transfer from the Public Service					
Employees Pension Reserve	(24,000)	(42,000)	(44,516)	(49,173)	(43,000)
TOTAL EXPENDITURE	939,384	942,792	955,274	974,394	1,001,332
(SURPLUS)/DEFICIT	(2,001)	9,600	(294)	(15,708)	(24,171)
Operating Account B/F					
Transfer from General Reserve			33,917	34,211	36,569
Transfers (to)/from Internal Reserves;			20,000		
Contingency Fund			(5,000)		
Digital Strategy Fund			(5,000)		
Enterprise Development Fund			(10,000)	(10,000)	(10,000)
Health Inspection Fund	(2,000)	(2,000)			
Housing Reserve				(3,350)	(3,960)
Surplus/(Deficit) on the General Revenue Account	2,001	(9,600)	294	15,708	24,171
Operating Account C/F	40,362	33,917	34,211	36,569	46,780

Table 6

Please note the change of Accounting Policy in 2016/17 regarding Pension costs which reallocates employer contributions into departmental budgets. This is included within Employee costs.

The Operating Account acts as a buffer to protect the Revenue Reserve Fund from fluctuations on the Revenue Account. In previous years, the Operating Account has needed to retain an operating balance of 5% of net revenue expenditure for the current financial year. As this is no longer reported, it is proposed to change the measurement to 3% of gross revenue expenditure. The level for 2016-17 is 3% meaning the requirement has been satisfied. It is proposed that £20 million is

Revenue Budget

transferred from the General Reserve this year to establish the new funds outlined within Section 10. Any balance required will be funded through reallocation of revenue expenditure and the closure of some existing funds with residual balances.

Given the projected year-end balance on the Operating Account going forward into future years, there may be the opportunity to allocate additional funds into key internal reserves, where this is deemed necessary in order to maintain funding streams for specific priority areas (e.g. the Housing Reserve to cover the cost of loan charges arising from housing schemes). This could either be done at the time of future budget setting rounds, or alternatively at revenue outturn stage.

6. REVENUE – INCOME

<u>Budget Projections</u>	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£,000	£,000	£,000	£,000	£,000	£,000
Customs and Excise	336,500	349,934	363,953			
Income and Other Taxes	212,000	220,056	228,418			
Other Treasury Income	11,572	11,602	11,850			
National Insurance Contributions	240,100	250,500	261,200			
Departmental Fees & Charges	120,041	122,212	123,864			
Pension Contributions	35,355	35,798	36,218			
<u>Updated Income Forecast</u>	955,568	990,102	1,025,503	1,053,586	1,085,171	1,117,632

Table 7

6.1. Overview

The Pink Book has always presented income figures as net, i.e. after gross expenditure has been deducted. This budget presents income projections broken out into each of the relevant revenue streams to improve transparency and promote a greater understanding of areas of high dependence, volatility or risk. Forecasts have also been extended by 3 years, in line with the Medium Term Financial Strategy.

Whilst raising further income through additional taxation receipts may appear to be a simple and logical way of tackling a deficit situation, it is vital that we understand that we operate in a competitive global economy. The maintenance of a competitive tax environment is of vital importance to our economy, our economic plans and strategy. The level of competition we face changes and increases on a daily basis.

Given the level of uncertainty when applying assumptions such as population growth and UK policy changes over such a long period; a detailed breakdown beyond the 3 year period has not been provided. However the overall projected levels are included to provide information on the impact of the implementation of the financial plan by the end of the planning period.

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

6.2. Customs & Excise

Shared Duties

These include VAT, Excise (alcohol, tobacco and hydrocarbon oil - HCO) and Customs (import duty). Of the Excise and Customs duties, all but HCO are shared using arrangements agreed with the UK to calculate the Island's share of the joint revenue pool. HCO is shared on the basis of actual consumption during a year.

VAT is currently shared based on national income measures as a proxy for consumption but this methodology is being renegotiated with the UK at present and may result in a move to actual consumption measured via surveys and indexing between survey years. It is hoped that agreement on the Revenue Sharing Arrangement will be reached by the end of February 2016 – the outcome of this could have a significant impact on projected income and is a risk that will need to be considered and managed carefully.

Non-Shared Duties

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

6.3. Income Tax

This table summarises tax rates and allowances.

INDIVIDUAL TAX	
Lower rate (£10,500-£19,000)	10%
Higher rate (£19,001+)	20%
Personal Allowances;	
Single Person	£10,500
Married Couple/Civil Partnerships	£21,000
Single Parent	£6,400
Blind Person	£2,900
Disabled Person	£2,900
Age Allowance	£1,000
Personal Allowance Credit	
Low Income Threshold	£9,500
Maximum credit Payable	£400
Married Couple/Civil Partners	£800
COMPANY TAX	
Standard Rate	0%
Banking Business Rate	10%
Land and Property on-Island (Incl. Property Dev)	20%
Retail Trade (Small companies limit of £500,000)	10%

Individual Tax

For 2016-17, the lower rate of income tax remains at 10% and the higher rate at 20%. The threshold at which the higher rate of income tax becomes payable is reduced to £8,500 for a single person and £17,000 for a jointly assessed married couple or civil partners. The Personal Allowance will increase to £10,500 for a resident individual or £21,000 for a jointly assessed couple.

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

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

The age allowance for individuals aged 65 or over at the start of 2016-17 remains at £1,000.

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

The Personal Allowance Credit remains at £400 for a qualifying individual and £800 for a qualifying married couple or civil partners. The payment will be made to individuals whose income for the year ended 5 April 2016 is equal to or less than £9,500 and to jointly assessed couples whose income for the same period is equal to or less than £19,000 providing the individuals and couples satisfy the relevant conditions. The rate of income tax on taxable income for non-resident individuals remains at 20%.

The trivial commutation lump sum limit for any pension scheme or arrangement approved by the Assessor is increased to £50,000 and the age at which it can be taken is reduced to 55. The lump sum will be treated as remuneration from an employer and will therefore be subject to income tax at the individual's marginal rate. To reflect the increase in the lump sum limit, the level of fund remnant that can be paid as a lump sum is also increased to £50,000.

The relocation expenses that can be paid by an employer when an employee moves to the Island to take up employment, and which will not be taxed, are increased to £20,000.

Company Tax

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

- Banking business – 10%
- Income from Retail Trade (subject to a small companies limit of £500,000) – 10%

Revenue - Income

- Income from land & property situated in the Isle of Man (development and rental income) – 20%.

A Land Development Tax Holiday will be introduced for qualifying land developments that are carried out in the interests of the economy of the Island. The holiday will provide an exemption from income tax for any relevant income or profits of a company for up to 5 years. Relevant income or profits are the profit made on any new commercial development, or improvement to an existing commercial development, and/or rental income received on a new commercial development, or improvement to an existing commercial development. In both cases, the commercial development will need to provide additional productive employment in the Island.

Deductions granted during 2013-14

During the financial year 2013-14, the latest full year for which figures are available, other deductions that were granted are outlined for information in the table below:

Cost of Income Tax Deductions 2013-14			
Deduction type	No. of claims	Avg relief per claim £	Total tax relief £m
Mortgage interest	12,467	281	3.50
Loan interest	11,871	86	1.02
Charitable deed of covenant	443	135	0.06
Charitable giving	2,202	104	0.23
Private medical insurance	904	177	0.16
Nursing expenses	448	267	0.12

National Insurance Contributions

Net national insurance contributions (NIC) in respect of workers and employers after the allocation of a prescribed percentage to the Health Service; cover the cost of contributory benefits for retirement, bereavement, incapacity, unemployment and maternity. In the Isle of Man, they also cover the cost of the Manx pension supplement, retirement pension premium, paternity allowance, adoption

allowance and the higher rate of Christmas bonus as well as rebates to small employers in relation to statutory redundancy payments to former employees of firms which have become insolvent.

Employed Contributors

The rates of Class 1 NIC in the Isle of Man for 2016-17 will remain at the current rates of 11% for employees and 12.8% for employers, and the employees' additional rate will remain at 1% for earnings over £784.00 per week.

The Lower Earnings Level (LEL) will remain unchanged at £112 per week in line with the level announced in the UK from April 2015.

The thresholds at which both employees and employers start to pay Class 1 NIC will be amalgamated at the level of £118 per week from April 2016. The Upper Earnings Level (UEL) will remain at £784 per week.

For employers who operate a contracted-out salary related pension scheme there is a rebate on both the employees' and employers' NIC paid on earnings below the Upper Accrual Point (currently £770 per week). The rebate is 1.6% for employees and 3.7% for employers.

Self-Employed Contributors

For the 2016-17 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%.

For 2016-17, the rate at which Class 4 NIC becomes payable will remain at £118 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 2016. 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 2016, this level will increase to £6,136 for the year.

Revenue - Income

The table below summarises the contribution rates for 2016-17 for workers and employers;

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

Other Contributors

From April 2016, the voluntary Class 3 NIC rate will remain at £14.10 per week.

National Insurance Holiday Scheme

The Treasury operate a National Insurance Holiday Scheme that is aimed at encouraging employers to take on particular individuals including those who have been assessed as capable for work following a personal capability assessment, and newly released prisoners. These individuals will be qualifying employees for the purposes of the scheme. If an employer engages a qualifying employee they will not be liable to pay employer NIC in respect of that employee up to 5th April 2017 for new applicants.

Manx National Insurance Fund

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

6.4. Departmental Fees & Charges

In line with the presentational changes that have been outlined as part of the Medium Term

Financial Strategy, the gross income generated by Departments will now be shown along with gross expenditure. The detailed breakdown for each area is shown by Department within Appendix 4. Departmental income targets have been uplifted this year to include a 2% increase on revenue from fees and charges payable for Government services.

6.5. Investment Income

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

External investment managers are appointed on a discretionary basis by tender for a 5 year period, the next one commencing on 1st April 2016. From this date there will be 5 managers which will provide diversification of investment management and style.

The performance and delivery requirement of the investment managers is to increase the reserves under management over and above the benchmarks set and within acceptable measurements of risk over a rolling 3 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.

6.6. Cash Management Strategy

Treasury's Investment & Banking Section control and manage Government's cash flow across all Departments to ensure that adequate cash is available at the right time to allow payments to be made as and when required. Over 500,000 payments are made each year.

When there is an excess of cash available, money is invested in interest bearing deposit accounts with a range of locally based banks. Annually, approximately £1.2 billion in cash is deposited providing additional income of over £1 million.

Revenue – Expenditure

7. REVENUE – EXPENDITURE

7.1. Overview

The following table indicates the departmental gross income and expenditure targets for 2016-17 in accordance with Section 3 of the Budget 2016-17 Order Paper. In line with Financial Regulation FD18, a Department or other body may transfer budget between the main heads (i.e. the divisions) within their area as long as the overall budgets outlined below are not exceeded, subject to the approval of the Financial Controller.

<u>Net Revenue Budgets</u>	2015-16	2016-17 Budget		
	Probable	Gross	Gross	Net
	Net Expenditure	Income	Expenditure	Expenditure
	£,000	£,000	£,000	£,000
Economic Development	2,794	27,292	31,300	4,008
Education & Children	90,482	3,851	99,307	95,456
Environment, Food & Agriculture	13,497	3,284	18,096	14,812
Health & Social Care	191,315	52,432	250,817	198,385
Home Affairs	27,734	1,028	32,508	31,480
Infrastructure	45,315	56,194	108,450	52,256
Treasury	(433,741)	800,173	354,284	(445,889)
Cabinet Office	25,157	1,619	32,152	30,533
Executive Government	8,619	1,718	11,830	10,112
Manx Museum & National Trust	3,963	831	5,120	4,289
RTL	86	45	161	116
Statutory Boards	(778)	9,103	8,554	(549)
Legislature	4,156	9	4,706	4,697
Pensions	31,001	35,355	35,355	--
TOTAL	9,600	992,934	992,640	(294)

Table 8

Please note: For 2016-17, £27m budget is transferred from Pensions heading to each entity in order that employer superannuation contributions are accounted for by Departments, Boards and other Offices. This has been removed from the 2015/16 Executive Budget also for the sake of consistency.

Please note that the pension figure is stated after drawdown from the Public Sector Employee Pension Reserve

The gross income and expenditure figures for Treasury do not include the National Insurance Figures gross. The details of this can be seen in Appendix 2 and Appendix 4. These figures do include the payment made to the DHSC for the NHS Contribution of £37.366m which is effectively included twice in line with cashflows.

7.2. 2015-16 Performance

During 2015-16, work has been carried out to gain a greater understanding of in-year income and expenditure forecasts. Management Accounts are produced for all areas of Government, analysed and provided to the Council of Ministers on a monthly basis to ensure they have the most up-to-date and recent information on which to base their decisions.

The forecast of Income Tax receipts indicate they are lower than expected. This due to a combination of a shortfall in Resident Income

Tax income, linked to reducing investment returns, and a shortfall in Company Tax, some of which is due to timing changes.

Income from indirect taxation is still subject to change until the sharing agreement with the United Kingdom is finalised. The figures included here are based on a provisional share.

Income receipts for the Gambling Supervision Commission are significantly lower than budget, this is caused by a downturn in the number of applications for new licences as the market matures.

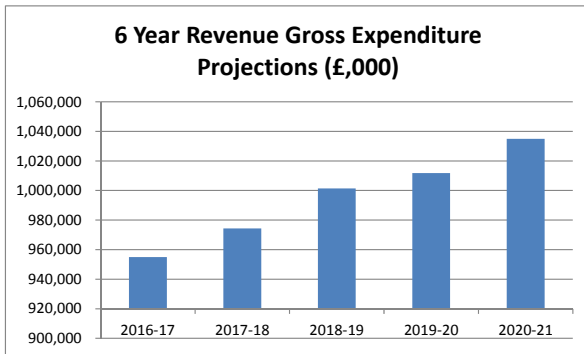
Revenue – Expenditure

Due to a backlog in scheme transfers out, along with the impact of continued restructuring and lump sum payments, projected drawdown from the Public Sector Pensions Reserve in 2015-16 is expected to be in the region of £44 million. This is £16 million more than was anticipated in the 2015-16 estimates and will require a supplementary vote from Tynwald.

The DHSC overspend relates almost entirely to bank and agency staff costs for Nobles Hospital (specifically agency staff necessary to provide vacancy and staff absence/illness cover). The probable position for the Government Revenue account is shown below as extracted from the Government's November Management Accounts.

2015/16 Budget against Probable	Budget 2015-16 £000	InterDept. Transfers £000	Revised Budget £000	Probable 2015-16 £000	Variance 2015-16 £000
Table 9 - As at 30 November 2015					
INCOME					
Customs & Excise	324,800		324,800	324,800	0
Income & Other Taxes	210,800		210,800	203,500	(7,300)
Other Treasury Income	11,645		11,645	11,645	0
Sub-total	547,245	0	547,245	539,945	(7,300)
EXPENDITURE - VOTED SERVICES					
<u>Government Departments</u>					
Economic Development	5,035	(2,213)	2,822	2,794	28
Education & Children	90,518	0	90,518	90,482	36
Environment, Food & Agriculture	13,634	290	13,924	13,497	427
Health & Social Care	181,010	362	181,372	191,315	(9,943)
Home Affairs	27,733	0	27,733	27,734	(1)
Infrastructure	45,939	(652)	45,287	45,315	(28)
Treasury	109,644	2,362	112,006	106,204	5,802
Sub-total	473,513	149	473,662	477,341	(3,679)
<u>Other Bodies</u>					
Cabinet Office	25,261	392	25,653	25,157	496
Executive Government	39,913	(541)	39,372	55,620	(16,248)
Manx Museum & National Trust	3,963	0	3,963	3,963	0
Road Transport Licencing Committee	105	0	105	86	19
Statutory Boards	(1,667)	0	(1,667)	(778)	(889)
Sub-total	67,575	(149)	67,426	84,048	(16,622)
Legislature	4,156	0	4,156	4,156	0
TOTAL VOTED SERVICES	545,244	0	545,244	565,545	(20,299)
Excess of Income over Expenditure/(Deficit)	2,001	0	2,001	(25,600)	(27,601)
Less Excess Drawdown from Public Service Employees Pensions Reserve	0	0	0	16,000	16,000
Deficit after excess Public Service Employees Pension Reserve drawdown	2,001	0	2,001	(9,600)	(11,601)

7.3. 2016-17 Budget



Government’s gross expenditure for 2016-17 is forecast to be £955 million and is analysed by Department at Appendix 4. In overall terms this gives a net expenditure surplus of £0.3 million indicating that no transfer from the General Reserve is required for revenue purposes.

7.4. Public Sector Pensions

The rising cost of Public Sector Pensions is placing a significant amount of pressure on Government’s finances, and this represents the single largest risk to efforts to fully rebalance the budget and reduce reliance upon reserves. Due to a number of factors, in recent years the cost of pensions has increased beyond expectations and the cashflow gap between pension benefits payable and contributions paid into the schemes under current scheme rules has increased.

Government is committed to increasing the level of minimum employer contributions to 15% in April 2016 (initially through a reallocation from centrally held budgets) and phasing up to 20% over the following 5 years. This assumption is included within this budget.

Given current and future projected benefit levels and member contributions, this is still insufficient to avoid a rapid run-down of the Pension Reserve Fund which will mean that an increasing proportion of the cost of paying benefits will need to be met from General Revenue.

The next table shows the drawdown from the Public Service Employees Pensions Reserve is expected to be £45m in 2016-17 and, unless pension scheme changes are implemented, this will increase year on year leading to reserve depletion by 2020-21, and a £63m shortfall by 2021-22, which will require General Revenue funding. However, it is acknowledged that the schemes are maturing with the majority of current members within 15 years of their planned retirement age.

Therefore until this “hump” of retirements has passed and has been replaced by younger members who will have to work longer before retiring, addressing the current cashflow issue is challenging. It is vital that changes to the pension benefits and contributions structure are made to provide an affordable pension scheme for future generations.

The Public Sector Pensions Authority has been directed by Tynwald to come forward, through consultation and negotiation, with proposals to reform public sector pensions. Through the work of the Pensions Committee, it is intended that a new settlement be negotiated that will place public sector pensions on a more affordable basis, giving confidence to taxpayers and pension scheme members alike that the long term sustainability of the schemes can be secured.

The projected position on the Pensions Reserve assumes that there are no changes agreed to public sector pension schemes, other than the introduction of the employer superannuation contribution escalator, which has already been accepted by both sides. The projected drawdown from the Pensions Reserve assumes that the current strategy of drawing down on the reserve will continue until it is fully depleted.

Revenue - Expenditure

Pension Account	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m	£m	£m
Gross Pension Costs	107	115	122	129	136	143
Total Contributions Income	(35)	(36)	(36)	(37)	(37)	(37)
Employer Contributions (payroll)	(27)	(30)	(34)	(37)	(40)	(43)
PSEPR Drawdown	(45)	(49)	(43)	(49)	(9)	--
Shortfall (Revenue Liability)	--	--	9	6	50	63
PSEPR Balance (estimated market value) B/F	180	140	95	55	8	--
Investment Income	5	4	3	2	1	--
Fund Drawdown	(45)	(49)	(43)	(49)	(9)	--
PSEPR Balance (estimated market value) C/F	140	95	55	8	--	--

Table 10

7.5. Social Security Benefits

The total cost of social security pensions and benefits (excluding administration) in 2016/17 is expected to be in the region of £279m. This is the equivalent of 28% of Government's total gross expenditure. £200m or 72% of this expenditure will be funded out of National Insurance contributions, whilst £79m or 28% will come out of general revenue.

An analysis of the anticipated expenditure by benefit category is provided at Appendix 3.

State pensions - basic state pensions will rise by 2.9% from the week commencing 11th April 2016. For those who are entitled to a full basic state pension this will mean an increase of £3.35 a week. There is to be no increase in the rates of additional state pension, the Manx Pension Supplement or the Retirement Pension Premium.

The rates of other benefits and allowances paid out of National Insurance contributions - such as bereavement benefits, incapacity benefit, contribution-based jobseeker's allowance and maternity allowance - are not being increased.

Income Support, income-based Jobseeker's Allowance and Employed Person's Allowance - generally speaking, the prescribed amounts are not being increased, with the following exceptions:

- The income support pensioner premium is to increase by £5 a week for single pensioners and £10 a week for pensioner couples.

This will also allow for the alignment of some transitionally protected premiums with contemporary rates thus simplifying the administration going forward; and

- The maxima allowable for housing costs for families with children are to be increased by 2.6%, equivalent to the uplift in public sector rentals from April 2016.
- Child Benefit - the rates are not being increased and there is to be no change to the current income test.
- Disability Benefits - the rates of Attendance Allowance, Disability Living Allowance, Carer's Allowance, Severe Disablement Allowance and Industrial Injuries Disablement Benefit are not being increased.

7.6. Savings

In addition to the real term reduction in pay costs through the 1% cap, further proposed savings have been included within the revenue targets. As with income targets, achievement of savings initiatives are of paramount importance.

Council of Ministers Savings Projects

Any savings that are expected to occur within 2016-17 have been used to adjust the departmental targets to represent the position that these proposals will need to be implemented over the next 12 months. Acknowledging that those identified for future years are largely conceptual at present, further investigatory work is needed before tangible savings can be identified.

Revenue - Expenditure

Commercial Relationships Savings

An annual saving of £1.2 million has been included within the Treasury budget to represent a target reduction that will be achieved through more effective procurement and commissioning practices undertaken within Departments. Rather than a "budget slice", the negative budget will be transferred from Treasury once the saving has been realised.

The Digital Strategy

It is expected that £5 million in cashable savings will be captured between 2017-18 and 2020-21 through upfront investment from the Digital Strategy Fund. This new fund will be established through a transfer from the closing ICT Fund with the balance made up from the Operating Balance.

REVENUE - EXPENDITURE

7.7. Pay Analysis

	Total Employee Cost Cap							
	Basic Pay	Overtime	National Insurance	Pension	Other	2016-17	2017-18	2018-19
Department	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Economic Development	8,949	92	271	1,290	476	11,078	11,215	11,364
Education & Children	55,867	33	4,562	3,183	5,802	69,447	70,571	71,716
Environment, Food & Agriculture	5,925	80	468	800	325	7,598	7,689	7,790
Health & Social Care	93,031	3,261	11,162	9,264	22,273	138,991	141,049	143,168
Home Affairs	18,908	623	1,678	2,999	1,967	26,175	26,566	26,969
Infrastructure	29,692	3,122	3,207	3,770	2,621	42,412	42,897	43,436
Cabinet Office	12,000	45	976	1,735	1,191	15,947	15,796	16,001
Treasury	11,974	34	523	1,822	238	14,591	14,779	14,980
Executive Government								
Industrial Relations	134		12	18	2	166	168	170
Veterans' Welfare Service	64	2	5	9	8	88	88	89
Information Commissioner	197		19	26	20	262	247	232
General Registry	2,644	10	230	398	140	3,422	3,486	3,532
Attorney General's Chambers	2,970		271	432	22	3,695	3,783	3,871
Statutory Boards								
Communications Commission	270		24	39	5	338	348	358
Financial Services Authority	3,710	1	329	511	257	4,808	5,016	5,077
Gambling Supervision Commission	503	2	52	80	70	707	730	749
Office of Fair Trading	595	1	46	87	14	743	752	762
Public Sector Pensions Authority	788			115	7	910	922	935
Manx Museum & National Trust	2,417	16	182	355	155	3,125	3,163	3,205
Road Transport Licensing Committee	70	7	6	10	32	125	126	127
Legislature	2,269	7	311	444	806	3,837	3,896	3,956
TOTAL	252,977	7,336	24,334	27,387	36,431	348,465	353,287	358,487

Table 11

Note: Legislature employee costs include Members of Tynwald emoluments (2016-17 2.6m).

In 2015, the Personnel Control Mechanism, the system whereby Government entities were required to contain their employee numbers within strict headcount targets, was replaced by a new staffing cost budgetary control mechanism, the Employee Cost Cap. The new control mechanism has replaced the controls based on personnel numbers with controls based on salary budgets and other employee-related costs. These include superannuation, NI and temporary staffing costs, including recruitment agency costs. The new financial control mechanism provides an absolute control limit on staffing expenditure levels.

By removing the restraint of strict personnel numbers, Government entities now have more freedom to better target their resources by employing the right number of staff at the right grade, provided that the limits on employee costs are not exceeded, this being considered a more effective control on staffing expenditure. When setting the cap, departments were instructed to

ensure that a robust viable budget was in place for future years which included the transfer of some costs from non-staffing to the staffing general ledger codes. This has occurred particularly where the budget for agency staff was classified as "non-employee" and accounts for part of the increase in payroll costs between the 2015-16 and 2016-17 budgets.

Approval of the budget proposals will enable the definitive control on staffing expenditure. There is no implication that Government entities may employ as many staff as they wish without constraint. Monitoring of actual employee numbers, as well as this expenditure, will continue. The table above presents the proposed Employee Cost Cap for each entity across Government, split by its constituent elements.

A major contributor to the reduction in public sector spend has been pay restraint however; it is questionable how long this policy can be

REVENUE - EXPENDITURE

considered to be realistic. To that end, the amount contained in the 2015/16 contingency budget for pay rises has been transferred to pay budgets for transparency. An additional 1% is built into pay

budgets from 2016-17. Departments will be expected to manage both additional growth and any future pay awards within this increase.

7.8. Grants Payable

The following grants will be made by Government in 2016-17;

GRANTS PAYABLE 2016/17					
	Treasury Grants	Other Grants	Lottery Duty	2016/17 BUDGET	2015/16 Estimate
	£,000	£,000	£,000	£,000	£,000
MUA – Flood Defence	500	--	--	500	500
MUA – Sewerage Support	1,700	--	--	1,700	2,700
Financial Supervision Authority	2,779	--	--	2,779	2,044
Manx Radio (Subvention)	875	--	--	875	875
Laxey Glen Mills	41	--	--	41	41
International Dev't Committee	--	2,400	--	2,400	2,400
Manx Lottery Trust (Big Lottery)	--	600	150	750	750
Culture Vannin	100	--	343.5	443.5	415
Sports Council (DEC)	--	21	493.5	514.5	483
Arts Council (DEC)	--	109	458	567	517
NEW – The Veterans Grant	--	--	25	25	--
	5,995	3,130	1,470	10,595	10,725

An increase has been applied to the Financial Supervision Authority grant to reallocate pension costs that were paid centrally and also to recharge the cost of ICT development from FSA fees collected through General Revenue. The MUA grant in relation to sewerage has been reduced by £1 million in 2016-17 to reflect the ongoing policy to reduce to nil over the next 2 years.

Lottery Duty has been included within the income forecasts for the next 3 years and is expected to raise £1.47 million over 2016-17. It is yet to be seen how the change in the Lottery's odds will affect ticket purchases and this should be considered as a possible risk to meeting the 2016-17 estimate. Should there be an adverse impact, the Lottery Duty element of the grants payable may need to be reduced accordingly. In terms of allocation, the first £300,000 is allocated to the Manx Lottery Trust and the Sports Council equally.

It is proposed that £25,000 is utilised to fund a new grant aimed at providing adaptations for Manx resident veterans (see below for further details). The remaining balance is divided between the Sports Council, Arts Council and Culture Vannin at 30%/40%/30% respectively.

7.8.1. The Veterans Grant

It is proposed that part of the estimated additional Lottery Duty income anticipated for 2016-17 is earmarked to fund a new grant aimed at providing assistance for Manx resident veterans. Through the Isle of Man Veterans' Welfare Service, these new funds will be made available to support resident elderly and disabled veterans and their dependants by way of financial assistance towards the purchase of mobility equipment and home disability adaptations. This much-needed new funding will help improve the quality of life of resident veterans, their widows and dependants.

Capital Budget 2015-16 to 2020-21

8. CAPITAL BUDGET 2016-17 to 2020-21

Following engagement with the Department of Infrastructure's Project Management Unit, Departments have submitted revised capital estimates for 2015-16 onwards. This may include re-profiling projected expenditure, removing projects, transferring schemes between Departments or submitting any new bids for inclusion. These amendments are reviewed in light of the affordability and deliverability of the overall Capital Programme and have been included where appropriate.

Assuming that loan charges are increased over the next 2 years, the resulting impact on the Capital Account is shown below:

CAPITAL ACCOUNT SUMMARY						
	Probable	Budget	Provisional Budgets			
	2015-16 £,000	2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000
RECEIPTS						
Repayment of Capital	29,580	29,817	37,717	38,748	40,497	36,327
Payment of Interest	5,654	8,853	12,291	12,548	12,911	13,130
Capital Receipts	2,000	2,000	2,000	2,000	2,000	2,000
Interest on Capital Fund	89	68	1	26	36	37
Drawdown from Housing Reserve	3,002	4,099	3,350	3,960		
MUA Repayment	12,300	14,900	15,000	15,200	15,400	15,800
TOTAL INCOME	52,625	59,737	70,359	72,482	70,844	67,294
PAYMENTS						
Departments						
Cabinet Office	100	1,950				
Economic Development	786	920	320	320	320	320
Education & Children	7,548	5,265	784	565	400	400
Environment, Food & Agriculture	1,727	859	500	550	550	550
Health & Social Care	9,828	11,723	1,939	1,505	1,194	1,280
Home Affairs	4,641	2,931	1,454	902	643	689
Infrastructure	17,700	33,771	14,591	15,782	13,466	9,061
Housing Reserve Funded Schemes	3,002	4,099	1,600	1,600	1,600	1,600
Treasury	690	5,580	350			
Other Bodies						
Manx Museum & National Trust	706	528	440	490	400	400
Statutory Boards		700				
Manx Utilities Authority	16,242	24,264	1,450	735	435	435
Total Future Schemes (Appendix 6)			34,468	44,930	50,980	38,510
TOTAL EXPENDITURE	62,970	92,590	57,896	67,379	69,988	53,245
(SURPLUS)/DEFICIT	10,345	32,853	(12,463)	(5,103)	(856)	(14,049)

CAPITAL OPERATING ACCOUNT						
	Probable	Budget	Provisional Budgets			
	2015-16 £,000	2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000
BALANCE BROUGHT FORWARD	44,409	33,952	947	13,256	18,204	18,903
Transfer from the General Reserve						
Project Management Unit	(112)	(152)	(154)	(155)	(157)	(158)
Surplus/(Deficit) on the Capital Acc	(10,345)	(32,853)	12,463	5,103	856	14,049
BALANCE CARRIED FORWARD	33,952	947	13,256	18,204	18,903	32,794

Table 12

Capital Expenditure

9. CAPITAL EXPENDITURE

9.1. Overview

The following table shows the estimated total capital cost for all Capital Projects incurring expenditure during 2016-17 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) have Tynwald approval from previous years; and the values in Column 3 (C3) will be presented to Tynwald at a later date. The full Capital Programme is attached for information at Appendix 6. The right-hand column headed Loan Sanction outlines the additional amount that the Department is requesting authority to spend up to. For example, Department of Education and Children already have an approved loan sanction of £9.2m as at 31 March 2016 and expect to borrow £12.8m over the period 1 April 2015 to 31 March 2017. This requires additional loan sanction of £3.7m. Finally, the last column shows the number of years over which the loan in question will be applied.

	TOTAL EXPENDITURE 2016-17 £,000	Breakdown by Periodic Approval			Loan Sanction	
		Tynwald Approved C1 £,000	To Be Approved C2 £,000	Future Approvals C3 £,000	C4 £,000	C5 Years
CABINET OFFICE						
1 Land Registry IT System	1,950	1,950				20
TOTAL	1,950	1,950			2,050	
ECONOMIC DEVELOPMENT						
1 Development of Industry	600	600				30
2 Minor Capital Works - DED	120		120			20
3 Minor Capital Works - Villa/Gaiety	200		200			30
TOTAL	920	600	320			
EDUCATION & CHILDREN						
1 Classroom Scheme - Ballaquayle	5	5				30
2 Classroom Scheme - Murrays Road	1	1				30
3 Classroom Scheme - Onchan	15	15				30
4 Classroom Scheme - St Mary's	84	84				30
5 Henry Bloom Noble Primary School	2,373	2,373				30
6 Castle Rushen High School Development	50		50			30
7 QEII Kitchen/Dining Scheme	50	50				30
8 IOM College - Nunnery Relocation	500	500				10
9 IOM College - Construction & Engineering	104	104				30
10 Management of Hazardous Materials	161	161				30
11 School Security	22		22			30
12 NSC - Floating Floor Replacement	600		600			30
13 NSC - Flumes Replacement	500		500			30
14 Minor Capital Works - NSC	600	300	300			30
15 Minor Capital Works - Regional Pools	200	100	100			30
TOTAL	5,265	3,693	1,572		3,683	
ENVIRONMENT, FOOD & AGRICULTURE						
1 Mill Road Yard Development Phs 3	47	47				30
2 Analyst Lab - Equipment Replacement	110		110			30
3 Essential Building Maintenance	200		200			20
4 Farming Improvement Scheme	402	202	200			15
5 Minor Capital Works - Wildlife Park	100		100			20
TOTAL	859	249	610		37	

Capital Expenditure

		TOTAL EXPENDITURE 2016-17	Breakdown by Periodic Approval			Loan Sanction	
			Tynwald Approved	To Be Approved	Future Approvals	C4	C5
		C1	C2	C3			
HEALTH AND SOCIAL CARE							
1	Acute Adult Psychiatric In-Patient Facility	4,540	4,540			30	
2	Endoscopy Decontamination Unit	590	590			30	
3	Extension to Neonatal Unit	250	250			30	
4	Extension to Oncology Suite	1,000		1,000		30	
5	GP Surgery Development - Palatine	635		635		30	
6	Radiology Equipment Replacement	550	550			10	
7	Residential Accommodation Medical Staff	1,800		200	1,600	30	
8	Learning Disabilities - Residential Unit	223	223			30	
9	Learning Disabilities - Supported Housing	70	70			30	
10	Older Persons Residential & Resource Unit	300	216	84		30	
11	Learning Disabilities - Radcliffe Villas	500		500		30	
12	Ambulance Fleet Replacement	365		365		10	
13	Asset Replacement Scheme	900	94	806		10	
TOTAL		11,723	6,533	2,590	2,600		
HOME AFFAIRS							
1	Castletown Fire Station Replacement	1,458			1,458	30	
2	Communications Programme	347	347			15	
3	TETRA Replacement Programme	497	497			10	
4	Fire and Rescue Equipment	60		60		10	
5	Minor Capital Works - DHA	100		100		20	
6	Police Equipment Replacement	80		80		10	
7	Vehicle Acquisition	389		389		15	
TOTAL		2,931	844	629	1,458		
INFRASTRUCTURE							
1	Douglas Strategic Harbour Development	368	368			30	
2	Port St Mary Alfred Pier	400		400		30	
3	X-Ray Machines Upgrade	320		320		30	
4	Douglas Railway Station	1,309	9		1,300	30	
5	Noble's Hospital - Asset Replacement	791		791		30	
6	Off-Street Car Parking - The Tongue	112	112			30	
7	Ramsey Transport Interchange	3,392			3,392	30	
8	Site Feasibility Studies	50	50			30	
9	Climate Change Adaption	1,100		1,100		30	
10	Douglas & Peel Cofferdam	106		106		30	
11	Douglas Promenade	250		250		30	
12	Douglas Promenade Further Phases	5,750	1,362		4,388	30	
13	Glencrutchery Road	50		50		30	
14	Management of Small Plant (Set Up)	158		158		30	
15	Quarry Plant Replacement	1,030	20	1,010		30	
16	Ramsey Swing Bridge Refurbishment	172	172			30	
17	Strategic Structural Maintenance	1,540		1,540		30	
18	Town & Village Regeneration	3,000		3,000		30	
19	Ballure Bridge	90	90			30	
20	Manx Electric Railway Trackwork	575		575		30	
21	New Sub-Stations - Ballagorry/Groudle	350		350		30	
22	Nunnery Bridge	50		50		30	
23	Public Transport Vehicle Replacement	585	21	564		30	
24	Snaefell Mountain Railway Track	535	155	380		30	
25	Steam Railway Track	525		525		30	
26	Ballacubbon	35	35			30	
27	DDA - Public Buildings	31	31			30	
28	Government Estate Planned Maintenance	950	450	500		30	
29	Minor Capital Works - DEC	1,977		1,977		20	

Capital Expenditure

	TOTAL EXPENDITURE 2016-17	Breakdown by Periodic Approval			Loan Sanction	
		Tynwald Approved	To Be Approved	Future Approvals	C4	C5
		C1	C2	C3		
30 Minor Capital Works - DHSC	480	16	464		20	
31 Noble's Hospital Maintenance	185		185		30	
32 Plant & Vehicle Replacement Programme	1,799		1,799		10	
33 Strategic Highway Refurbishment	1,600		1,600		30	
34 Vehicle Replacement Programme - DHSC	256		256		15	
35 Minor Capital Works - Public Transport	1,150		1,150		20	
36 House Purchase Assistance Scheme	2,700		2,700		30	
SCHEMES FUNDED FROM HOUSING RESERVE						
37 Ballacubbon Phs 2a	110	110			30	
38 Clagh Vane 6 Redevelopment	39		39		30	
39 Clagh Vane 7 Horseshoe Redevelopment	2,200			2,200	30	
40 Crossag Phs 1	150		150		30	
41 DSC Planned Maintenance	1,600		1,600		30	
TOTAL	37,870	3,001	23,589	11,280	52,611	
TREASURY						
1 Benefits Payments System - Upgrade	330		330		20	
2 Manx Radio Broadcasting House	250	250			30	
3 Capital Projects Risk Contingency	5,000	1,000	4,000		30	
TOTAL	5,580	1,250	4,330		4,754	
STATUTORY BOARDS						
1 FSA - Restructure Costs	200		200		10	
2 GSC - New IT System	500		500		20	
TOTAL	700		700			
MANX MUSEUM & NATIONAL TRUST						
1 Digitisation & Public Electronic Access	18	18			20	
2 Heritage Property Conservation	100		100		30	
3 Minor Capital Works - MNH	150		150		20	
4 Minor Capital Works Gallery Redisplay	260		260		20	
TOTAL	528	18	510		204	
MANX UTILITIES AUTHORITY						
1 All Island Infrastructure 2007-2012	1,600		1,600		50	
2 Sewer Flood Alleviation	500		500		30	
3 IRIS Pumping Stations Refurbishment	250		250		30	
4 IRIS Regional Programme 2008-16	366	366			30	
5 Sewer Network Modelling	125		125		30	
6 Sewerage Treatment Works	1,255		1,255		30	
7 Regional Sewerage Strategy 1	9,470	9,470			30	
8 Regional Sewerage Strategy 2	1,250		1,250		30	
9 Regional Sewerage Strategy 2	300		300		30	
10 Sewerage Treatment Works	370		370		30	
11 Combined Cycle Gas Turbine	4,600	3,400	1,200		30	
12 Fuel tanks & back-up power supplies	333		333		30	
13 Network Refurbishment	2,560		2,560		30	
14 Minor Capital Works - MUA	1,285		1,285		20	
TOTAL	24,264	13,236	11,028		22,379	
CAPITAL TRANSACTIONS ACCOUNT TOTAL	92,590	31,374	45,878	15,338	85,718	

Table 13

Capital Expenditure

9.2. 2015-16 Performance

The loan interest charge was re-introduced in 2015-16 and will continue to be applied at the following rates;

2014-15	2015-16	2016-17	2017-18 >>
0%	1%	1.5%	2%

Ultimately, this will support the replenishment of the Consolidated Loans Fund. The objective of the capital strategy remains to arrive at an achievable, balanced capital programme over the next 5 years.

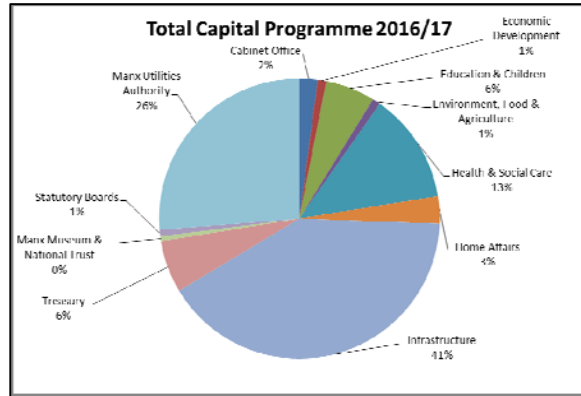
In terms of 2015-16, actual spend (excluding borrowing authorities and land purchases) has been lower than anticipated and is projected to be £62.97 million by the end of the financial year against a forecast of £92.85 million. Utilisation in 2015-16 is projected to be 68% compared to 84% in 2014-15. The programme has now been updated to accommodate this underspend and any other changes to Departmental priorities.

Last year, the budget strategy aimed to ensure that 90% of a smaller, targeted Capital Programme was delivered to maintain a steady and constant level of workflow through to the construction industry. This objective remains and a more pro-active approach has been taken this year to address any slippage or delays, for example, where possible, projects are brought forward in the capital plan.

Such projects include accelerated work on housing maintenance and structural maintenance on highway schemes totalling £2.5 million.

9.3. 2016-17 Expenditure

The majority of the Capital Programme is undertaken by the Department of Infrastructure in line with their responsibility to manage and maintain the bulk of Government's infrastructure and elements of the public sector housing stock.



However investment in Health and Education also forms a major part of the programme, for example completion of the Adult Psychiatric Unit and Henry Bloom Noble School, plans for a new Oncology Suite and a new Nurses Home. We recognise that Castle Rushen High School no longer provides a suitable learning environment and we have allocated funds to start planning for its replacement.

Commencement of major sewerage schemes in Ramsey will substantially complete the Regional Sewerage Strategy previously approved by Tynwald. In this budget, we have also made provision for design work on the replacement sewerage plant for Peel.

Local authority housing schemes include major refurbishment of Willaston Estate and a new Sheltered Housing complex in Peel.

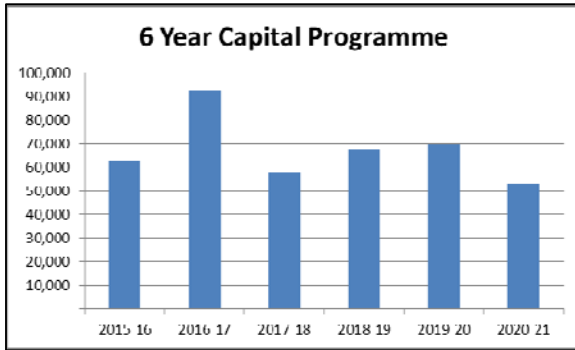
The 2016-17 capital programme includes £3 million for the Town and Village Centre Regeneration scheme. Previously financed through internal reserves, provision is now included for related construction schemes to be financed through the Capital Account. Scope remains for grant assistance applications to be funded from the internal Fund, as previously.

9.4. Three Year Plans

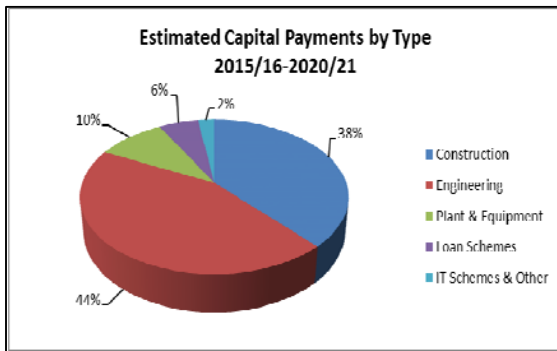
Treasury is currently investigating the possibility of a bond to support the Capital Programme in future years. Although this is still in development at present, it is intended

Capital Expenditure

that any bond would be targeted at particular infrastructure projects.



Work will also progress on the development of a "Reserve List", i.e. a number of projects that can be accelerated at short notice if other planned projects in the current financial year are or become delayed.



Based on the proposed programme, total spending in the 6 year period from 2016-17 to 2020-21 is expected to be £404 million including £155 million in construction schemes and £195 million in engineering schemes. Both the construction and engineering elements of the programme include capital expenditure incurred by the Department of Infrastructure utilising its own workforce and plant resources (e.g. highways, regeneration schemes).

According to the Balance Sheet presented as part of the 2014-15 Government Accounts, the Government portfolio of Fixed Assets is estimated to be worth £1.8 billion.

As a result of the recent storm events in December 2015, it is proposed to increase the Capital Projects and Storm Damage Risk Contingency provision from £1 million to £5 million in 2016-17 for related events.

THE RESERVES

Government's reserves are made up of internal and external funds. Explanatory notes for each of these in turn can be found at Appendix 7. In line with the Medium Term Financial Strategy, this year has seen a focus away from topping up reserves where required to a full review of short, medium and long term commitments within it. This allows a more holistic view of prioritising resources to match identified needs.

9.5. External Reserves

The purpose of each external fund, together with its performance benchmark is enshrined within the investment mandates supplied to the discretionary investment managers and forms part of investment manager contracts. With effect from 1st April 2016, all investment mandates and benchmarks will be on an absolute return basis.

Enterprise Development Fund

New for 2016-17, this Fund is designed to boost the Manx economy through business investment and loan funding. Managed by an external scheme manager, the Fund is intended to promote innovation and entrepreneurialism, increase inward investment to the Island, and to generate job creation opportunities through the establishment of the island as an enterprise development zone.

9.6. Internal Reserves

A review of expenditure funded from the internal reserves has indicated that a high proportion of commitments should sit within revenue budgets. Wherever possible, reserve funding expenditure has been moved into revenue budgets with the intention that the majority of funds will be run down over the next few years until the majority of current reserve expenditure is included within revenue budgets.

The Probable Income and Expenditure for 2015-16 in respect of each of the internal and externally managed funds is presented in the table below.

It would be unwise to remove all internal reserves as funding should be available for suitable initiatives that require pump prime

funding, one-off investment or for unforeseen events. To that end, it is proposed that a number of new funds are established this year alongside the Enterprise Development Fund, as follows:

- a) **Digital Strategy Fund** – To provide resources for the delivery of the Digital Strategy and to capture savings where they are generated
- b) **Invest to Save Fund** – Will replace the Restructuring Fund by providing upfront investment to projects which generate revenue savings
- c) **Contingency Fund** – To address any unexpected events

A number of Funds will be closed and any remaining balances transferred back into the General Reserve for realignment to Government priorities as determined by the Council of Ministers and Tynwald. This includes:

- a) **Insurance Fund** – Ongoing costs transferred into revenue
- b) **Energy Initiatives Capital Fund** – Currently underutilised and double-counts savings targets set with the revenue budget
- c) **ICT Fund** – To be replaced with the Digital Strategy Fund.

Over the next year, the review will extend to the Health Inspection Fund, Marketing Initiatives Fund, Legal Costs Reserve, Medical Indemnity Fund and the Agricultural & Forestry Fund with a view to assessing whether pots of money specific to certain policies are still suitable or whether generic funds are more appropriate.

The Reserves

9.7. Reserves 2015-16 Performance

The projected Probable Income and Expenditure for 2015-16 in respect of each of the internal and externally managed funds is presented in the table below.

	Book Value Balances B/f At 01/04/2015 £,000	Projected Income & Expenditure 2015/16					Book Value Balances C/f At 31/03/16 £,000
		To/from the	Contributions	Realised	Transfer to		
		Operating Account £,000	Seizures & Other £,000	Investment Income £,000	Rev/Capital Accounts £,000	Other Expenses £,000	
Managed External Invested Funds							
NEW Enterprise Development Fund	-						-
Hospital Estate Development Fund	42,428	0	0	712	3,162	50	39,928
Manx Currency Account - Notes	32,839	0	0	556	380	39	32,976
Media Development Fund	33,557	0		110	500	365	32,802
MUA Bond Repayment Fund	0		34,260	300	0	44	34,516
National Insurance Fund	682,030	0	0	14,561	19,900	1,750	674,941
Public Service Employees' Pension	200,147	-42,143		4,555	0	324	162,235
Reserve Fund	295,666	0	0	6,959	6,388	571	295,666
Total - External Funds	1,286,667	-42,143	34,260	27,753	30,330	3,143	1,273,064
Internal Funds							
Agricultural and Forestry Fund	3,916	0	0	15	1,054	0	2,877
NEW Contingency Fund	0						0
NEW Digital Strategy Fund	0						0
Economic Development Fund	9,223	0	0	34	140	0	9,117
Health Inspection Fund	2,107	2,000	0	8	809	0	3,306
Housing Reserve Fund	13,995	0	0	52	7,445	0	6,602
REBRANDED - Invest to Save Fund	4,697		0	18	1,354	0	3,361
Land and Property Acquisition	2,525	0	0	9	0	0	2,534
Legal Costs Reserve	6,618	0	0	20	3,579	0	3,059
Marketing Initiatives Fund	4,321	0	0	16	1,600	0	2,737
Medical Indemnity Fund	5,361	0	0	14	1,065	0	4,310
Seized Assets Fund	3,609	0	147	14	1,326	0	2,444
Town & Village Centre Regeneration	6,720	0	0	25	3,400	0	3,345
T/B CLOSED - Energy Initiatives	2,129	-2,069	0	0	60	0	0
T/B CLOSED - ICT Fund	6,015	-1,960	0	0	4,055	0	0
T/B CLOSED - Insurance Fund	0		0	0	0	0	0
Total - Internal Funds	71,236	-2,029	147	225	25,887	0	43,692
<i>Manx Currency Account - Other</i>	46,845	0	0	410	0	547	46,708
<i>Media Development Fund</i>	539	0	0	2	0	0	541
<i>Public Service Employees' Pension</i>	784	42,143	0	3	42,930	0	-
Sub-total: Internal Funds	48,168	42,143	0	415	42,930	547	47,249
TOTAL	1,406,071	-2,029	34,407	28,393	99,147	3,690	1,364,005

Table 14

The Reserves

9.8. Reserves 2016-17 Income & Expenditure

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

	Book Value Balances B/f At 01/04/2016 £,000	Projected Income & Expenditure 2016/17					Book Value Balances C/f At 31/03/17 £,000
		To/from the Operating Account £,000	Contributions Seizures & Other £,000	Realised Investment Income £,000	Transfer to Rev/Capital Accounts £,000	Other Expenses £,000	
Managed External Invested Funds							
NEW Enterprise Development Fund	0	10,000			10,000		0
Hospital Estate Development Fund	39,928	0	0	650	3,500	46	37,032
Manx Currency Account - Notes	32,976	0	0	550	750	40	32,736
Media Development Fund	32,802	0		110	500	365	32,047
MUA Bond Repayment Fund	34,516		1,500	500	0	44	36,472
National Insurance Fund	674,941	0	0	14,500	20,000	2,500	666,941
Public Service Employees' Pension	162,235	-44,500		3,500		324	120,911
Reserve Fund	295,666	0	0	6,800	26,200	600	275,666
Total - External Funds	1,273,064	-34,500	1,500	26,610	60,950	3,919	1,201,805
Internal Funds							
Agricultural and Forestry Fund	2,877	0	0	14	981	0	1,910
NEW Contingency Fund	0	5,000	0	0	500		4,500
NEW Digital Strategy Fund	0	5,000	0	0	1,000		4,000
Economic Development Fund	9,117	0	0	33	125	0	9,025
Health Inspection Fund	3,306	0	0	8	3,314	0	0
Housing Reserve Fund	6,602	0	0	50	4,099	0	2,553
REBRANDED - Invest to Save Fund	3,361	0	0	17	1,120	0	2,258
Land and Property Acquisition	2,534	0	0	8	0	0	2,542
Legal Costs Reserve	3,059	0	0	19	1,542	0	1,536
Marketing Initiatives Fund	2,737	0	0	15	1,000	0	1,752
Medical Indemnity Fund	4,310	0	0	13	1,000	0	3,323
Seized Assets Fund	2,444	0	147	13	1,326	0	1,278
Town & Village Centre Regeneration	3,345	0	0	23	3,350	0	18
Total - Internal Funds	43,692	10,000	147	213	19,357	0	34,695
<i>Manx Currency Account - Other</i>	<i>46,708</i>	<i>0</i>	<i>0</i>	<i>410</i>	<i>0</i>	<i>547</i>	<i>46,571</i>
<i>Media Development Fund</i>	<i>541</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>543</i>
<i>Public Service Employees' Pension</i>	<i>-</i>	<i>44,500</i>	<i>0</i>	<i>0</i>	<i>44,500</i>	<i>0</i>	<i>-</i>
Sub-total: Internal Funds	47,249	44,500	0	412	44,500	547	47,114
TOTAL	1,364,005	20,000	1,647	27,235	124,807	4,466	1,283,614

Table 15

The Reserves

9.9. Reserves Projected Future Expenditure

The projected future expenditure of each fund for the duration of the Medium Term Financial Strategy is presented in the below table.

PROJECTED FUTURE EXPENDITURE	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<u>Managed External Invested Funds</u>	£,000	£,000	£,000	£,000	£,000	£,000
NEW Enterprise Development Fund		10,000	10,000	10,000	10,000	10,000
Hospital Estate Development Fund	3,212	3,546	3,882	3,836	3,791	3,745
Manx Currency Account - Notes	419	790	790	790	790	790
Media Development Fund	865	865	865	865	865	865
MUA Bond Repayment Fund	44	44	44	44	44	44
National Insurance Fund	21,650	22,500	23,199	28,000	30,000	35,000
Public Service Employees' Pension Reserve Fund	324	324	324	324	324	324
	6,959	26,800				
Total - External Funds	33,473	64,869	39,104	43,859	45,814	50,768
<u>Internal Funds</u>						
Agricultural and Forestry Fund	1,054	981	781			
NEW Contingency Fund		500	500	1,000	1,000	2,000
NEW Digital Strategy Fund		1,000	1,000	1,000	1,000	1,000
Economic Development Fund	140	125	125			
Health Inspection Fund	809	3,314				
Housing Reserve Fund	7,445	4,099	3,350	3,960	4,460	3,600
REBRANDED - Invest to Save Fund	1,354	1,120	1,120	1,120		
Land and Property Acquisition						
Legal Costs Reserve	3,554	1,542	1,542			
Manx Currency Account - Other	547	547	547	547	547	547
Marketing Initiatives Fund	1,600	1,000	900	700	600	
Media Development Fund						
Medical Indemnity Fund	1,065	1,000	1,000	1,000	1,000	1,000
Public Service Employees' Pension	42,930	44,500	48,900	43,000	49,000	9,000
Seized Assets Fund	1,326	1,326	1,277			
Town & Village Centre Regeneration	3,400	3,350	150	150	150	150
T/B CLOSED - Energy Initiatives	60					
T/B CLOSED - ICT Fund	4,055					
T/B CLOSED - Insurance Fund						
Total - Internal Funds	69,339	64,404	61,192	52,477	57,757	17,297
TOTAL DRAWDOWN	102,812	129,273	100,296	96,336	103,571	68,065

Table 16

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.

Budget 2015-16	Projected 2015-16	ANALYSIS OF TREASURY INCOME	Budget 2016-17	Budget 2017-18	Budget 2018-19
£,000	£,000		£,000	£,000	£,000
		CUSTOMS & EXCISE			
		<u>Shared Revenue</u>			
242,000	242,000	Value Added Tax	250,000	260,000	270,400
68,600	68,600	Excise Duty	71,000	73,840	76,794
5,400	5,400	Customs Duty	5,600	5,824	6,057
(1,000)	(1,000)	Cost of Collection Adjustment	(1,100)	(1,144)	(1,190)
		<u>Non-Shared Revenue</u>			
3,600	3,600	Gambling Duty	3,900	4,056	4,218
4,400	4,400	Air Passenger Duty	5,200	5,408	5,624
1,350	1,350	Lottery Duty	1,470	1,500	1,550
450	450	Non-Revenue Receipts	430	450	500
324,800	324,800	TOTAL CUSTOMS & EXCISE	336,500	349,934	363,953
		INCOME TAX			
184,300	180,500	Resident Income Tax	185,200	192,238	199,543
20,000	15,700	Company Tax	17,000	17,646	18,317
6,500	7,300	Non-Resident Tax	9,800	10,172	10,559
220,722	222,501	NI Operating Account	222,295	227,301	227,814
13,499	13,499	NI Drawdown (shown as income)	17,805	23,199	33,385
445,021	439,500	TOTAL INCOME TAX	452,100	470,556	489,619
		OTHER TREASURY INCOME			
927	927	Fines	755	755	755
7,945	7,945	Interest on Investments	8,462	8,702	8,950
773	773	Miscellaneous	855	645	645
2,000	2,000	IOMPO – Revenue Contribution	1,500	1,500	1,500
11,645	11,645	TOTAL OTHER TREASURY INCOME	11,572	11,602	11,850
781,466	775,945	TOTAL	800,172	832,092	865,421

Table 17

The gross income and expenditure figures for Treasury do not include the National Insurance Figures gross. The details of this can be seen in Appendix 2 and Appendix 4.

Appendix 2 – National Insurance Account

National Insurance Account	Probable	Budget	Provisional Budgets				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m	£m	£m	£m
Income							
NI Contributions	175	180	183	183	191	197	200
Agency Settlement	45	42	44	45	47	47	48
NIF Budgeted Drawdown	16	18	23	33	29	34	37
	236	241	250	261	267	278	285
Expenditure							
NI Funded Welfare Payments	195	199	208	218	223	233	239
Administration Costs	4	4	4	4	4	4	4
NHS Allocation (DHSC)	37	38	38	39	40	41	42
	236	241	250	261	267	278	285
NIF Balance B/F	682	695	707	715	713	710	707
Investment Income	29	30	31	31	31	31	31
NIF Budgeted Drawdown	(16)	(18)	(23)	(33)	(34)	(34)	(37)
NIF Balance C/F	695	707	715	713	710	707	701

Table 18

Appendix 3 – Welfare Benefit Payments & Administration Cost 2016-17

Benefit / Payment	Amount before up-rating¹	% Up-Rating used	Cost of up-rating	Amount with up-rating
National Insurance Benefits				
Retirement Pension ²	135,000,000	2.0%	2,700,000	137,700,000
Age addition	455,000	0.0%	0	455,000
Pension supplement (RP)	36,000,000	0.0%	0	36,000,000
Retirement pension premium	1,650,000	0.0%	0	1,650,000
Old person's pension	142,000	2.9%	4,000	146,000
Nursing Care Contribution Scheme	2,300,000	0.0%	0	2,300,000
Long term Incapacity benefit	8,000,000	0.0%	0	8,000,000
Short term Incapacity benefit	2,800,000	0.0%	0	2,800,000
Incapacity benefit Youth	75,000	0.0%	0	75,000
Pension supplement (Incapacity)	700,000	0.0%	0	700,000
Bereavement allowances	500,000	0.0%	0	500,000
Pension supplement (Bereavement)	80,000	0.0%	0	80,000
Bereavement lump sum payment	150,000	0.0%	0	150,000
Widows Pension	100,000	0.0%	0	100,000
Pension supplement (Widows Pension)	30,000	0.0%	0	30,000
Guardian's allowance	1,000	0.0%	0	1,000
Funeral payments	225,000	0.0%	0	225,000
Maternity allowance	4,100,000	0.0%	0	4,100,000
Adoption allowance	23,000	0.0%	0	23,000
Paternity allowance	100,000	0.0%	0	100,000
Carer's Allowance	2,000,000	0.0%	0	2,000,000
Industrial Disablement Benefit	370,000	0.0%	0	370,000
Contribution based jobseeker's allowance	400,000	0.0%	0	400,000
Redundancy payments/rebates	165,000	0.0%	0	165,000
Insolvency payments	400,000	0.0%	0	400,000
Christmas bonus	950,000	0.0%	0	950,000
Contracted-out rebates	0	0.0%	0	0
N.I. Benefits - Total	196,716,000		2,704,000	199,420,000
General Revenue Benefits				
Disability living allowance	9,750,000	0.0%	0	9,750,000
Attendance allowance	4,000,000	0.0%	0	4,000,000
Severe disablement allowance	600,000	0.0%	0	600,000
Child benefit	11,200,000	0.0%	0	11,200,000
Income Support	35,500,000	0.0%	70,000	35,570,000
Winter Bonus	715,000	0.0%	0	715,000
Exceptional Needs grants	118,000	0.0%	0	118,000
Maternity payments	75,000	0.0%	0	75,000
Employed Person's Allowance	10,000,000	0.0%	0	10,000,000
Income based jobseeker's allowance	5,000,000	0.0%	0	5,000,000
T.V. Licence Refunds Scheme	275,000	0.0%	0	275,000
Administration	2,375,000	0.0%	0	2,375,000
G. R. Benefits - Total	79,608,000		70,000	79,678,000
Grand Total	276,324,000		2,774,000	279,098,000

Notes

1. Based on projected caseloads for 2016-17 & anticipated spend in 2015-16
2. Basic pension increased by 2.9%, Additional Pension not increased.
Average assumed to be 2.0%.

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

Department of Economic Development

Our Vision is to enable the Isle of Man to be the best small International Business Centre in the world.

We will achieve this by promoting the growth and development of a world-class diversified economy offering employment opportunities for all. The document Vision 2020 sets out the vision for the Island's economy. It was developed with the private sector and has been approved by Tynwald.

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

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

- Supporting target sectors where the Island can compete globally
- Attracting more businesses through marketing and financial support, notably the new £50m Enterprise Development Scheme.
- Raising the image and awareness of the Isle of Man through international marketing.
- Providing world-class Ship, Aircraft and Central Registries which aid economic growth and generate income to fund the Department's activities.
- Growing the economically active population by raising skills, supporting the unemployed into work and helping to attract the skilled workers our growing economy needs.

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

E-Business continues to grow rapidly and the Department has plans to support further growth and attract the skilled workers this industry needs.

Tourism has grown over the last 2 years by nearly 20% in terms of visitors, aided by improved marketing by the Department, and plans are in place to build on this success.

Reduced consumer and business demand since the economic downturn in 2008 impacted on domestic sectors, particularly retail and construction. 2015 saw growth returning to the domestic economy and the outlook for 2016 is even better. Government initiatives such as the development of Douglas Quayside and the Regeneration Scheme will give further assistance.

Unemployment has fallen substantially in 2015, particularly for the long-term unemployed and young people, but remains a significant challenge, notably for individuals who previously were in receipt of incapacity benefits but have been re-assessed as capable of work. The Department is working with Treasury to provide additional targeted support to those seeking work to improve their prospects of employment.

The Department's financial performance remains strong as it continues to grow its highly successful international registries which have generated valuable additional income. The Department will use projected income growth to remove the need for the Marketing Initiatives Fund over a period of the next 3 years.

In order to reduce the burden on the taxpayer and improve services, the Department is running procurement exercises to:

- Engage a commercial partner to operate the Villa Marina & Gaiety Theatre complex, and
- Engage a Commercial Promoter to grow the TT and Classic TT events.

Department of Economic Development – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Central Services	595	702	2,365	1,201	1,164
Economic Development Group	2,536	2,702	3,034	95	2,939
Employment & Skills	2,844	2,772	3,579	400	3,179
Ship Registry	(1,282)	(1,150)	2,630	3,077	(447)
Financial Assistance Scheme	3,233	3,500	3,500		3,500
Aircraft Registry	(2,146)	(1,450)	1,985	3,367	(1,382)
Tourism Development	5,860	5,900	7,684	2,440	5,244
Tourism Events	243	343			
Companies Registry	(10,184)	(10,000)	620	10,443	(9,823)
Villa Gaiety	1,291	1,430	4,727	3,367	1,360
General Registry		(1,955)	1,176	2,902	(1,726)
NET EXPENDITURE	2,990	2,794	31,300	27,292	4,008

Table 19

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	2,457	1,794	1,193	1,193	1,193
Third Party Contributions	383	285	521	532	543
Operating Income	23,357	25,064	25,531	26,033	26,545
Other Non-Trading Income	48	51	47	48	49
TOTAL INCOME	26,245	27,194	27,292	27,806	28,330
EXPENDITURE					
Employee Costs	10,357	9,122	11,078	11,215	11,364
Infrastructure Costs	1,071	1,416	1,125	1,125	1,125
Transport Costs	7	16	13	13	13
Supplies & Services	12,290	14,674	12,142	12,142	12,142
Loan Charges	1,217	1,478	1,475	1,556	1,572
Other	4,293	3,282	5,467	5,467	5,467
TOTAL EXPENDITURE	29,235	29,988	31,300	31,518	31,683
NET EXPENDITURE	2,990	2,794	4,008	3,712	3,353

Table 20

Department of Education and Children

Our vision is to ensure a world-class education system for all, providing educational experiences which inspire, engage and enable children to become successful motivated learners, confident individuals, responsible citizens and effective contributors to society. We believe every learner has the potential to achieve and we aspire to provide diversity of opportunity to meet the needs of all learners. We also strive to enhance and enrich the lives of the people of the Isle of Man by improving health, wellbeing, confidence and self-esteem through accessible opportunities for regular, sustainable participation in sport, physical activity and the arts, with a positive impact on the community and economy.

The key objectives of the Department are to ensure high quality education and skills training, supporting personal and economic growth and to support our people to be healthier and live long and productive lives.

We will do this by: improving levels of educational attainment; increasing the proportion of graduates in our economy; increasing vocational training; increasing the proportion of young people (16-19) in learning, training or work when leaving school and by increasing physical activity and participation in the arts.

Against a backdrop of changing budgets, we are focused on our front line services. Pay increases have been funded by savings initiated in the previous and the current year, including restructuring and reductions in support and administrative functions.

We are also expanding the Island's provision of higher and further education. The Baillie Scott Wing at the Isle of Man College of Further and Higher Education provides superb modern training facilities for students in 5 construction crafts. This is phase 2 of a £4.9M investment in the College that saw the former water treatment works in Glencrutchery Road transformed into a state of the art centre for engineering and motor engineering.

There are currently 152 full time students and a further 87 undertaking full time degree studies through the College.



William Kennish – engineering centre

Enabling our young people to study at degree level on the Island has clear economic benefits for both the tax payer and for parents. There are further benefits for the Island through student research activity, contributing to business and Government and providing increased opportunities for graduates to gain employment, thus retaining their skills on island.

Isle of Man Secondary schools are currently in the second year of unprecedented curriculum reform switching the core qualification in use for 14-16 year olds to the International GCSE.

The Department will remain within budget for the financial year 2015-16. The most significant financial challenge the Department faces, is the impact of pay awards. A 1% pay award, across all pay groups results in additional costs of nearly £700,000 per annum. Whilst reductions in support functions have enabled the Department to meet these increased costs in each of the last 2 years, continued pay pressure will impact upon pupil teacher ratios. The centrally funded increase in the pay budget will go some of the way to mitigate this risk.



Henry Bloom Noble Primary School – opening September 2016

Department of Education and Children – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Primary Education	20,787	21,588	22,572	63	22,509
Secondary Education	24,981	25,450	27,237	349	26,888
IOM College	8,831	8,850	11,168	1,561	9,607
Universities etc. Awards	11,480	10,657	10,593	55	10,538
Youth & Community Services	859	888	1,038	61	977
Education Improvement Service	2,265	2,310	2,595	125	2,470
Services for Children	8,631	8,681	9,398		9,398
Central	7,919	8,034	8,977	173	8,804
Sports and Recreation, Facility Support	3,787	3,926	5,707	1,464	4,243
Arts Council	94	98	22		22
NET EXPENDITURE	89,634	90,482	99,307	3,851	95,456

Table 21

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Third Party Contributions	78	33	94	96	97
Operating Income	2,433	1,353	3,245	3,310	3,375
Grant Income	17	48	46	116	185
Other Non-Trading Income	1,491	1,635	466	475	485
TOTAL INCOME	4,019	3,069	3,851	3,997	4,142
EXPENDITURE					
Employee Costs	64,115	67,306	69,447	70,571	71,716
Infrastructure Costs	3,754	3,331	3,917	3,917	3,917
Transport Costs	668	425	587	587	587
Supplies & Services	6,727	3,265	6,000	5,845	5,914
Loan Charges	4,161	5,523	6,124	7,927	7,804
Other	14,228	13,701	13,232	13,232	13,232
TOTAL EXPENDITURE	93,653	93,551	99,307	102,079	103,170
NET EXPENDITURE	89,634	90,482	95,456	98,082	99,028

Table 22

Department of Environment, Food & Agriculture

Our Island, our Environment, our Future.

Our vision is a clean, safe, healthy, attractive and vibrant natural and built environment which will be enjoyed by present and future generations alike. We will protect and enhance our natural and built environment, guided by the core principles of environmental, economic and social sustainability whilst optimising quality of life, international reputation, food security, energy security and outdoor amenity, and enhancing the health and safety of the public and those at work.



Departmental Priorities

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

- Facilitate sustainable Economic Development through enabling appropriate development of the built environment.
- Deliver the Food Matters Strategy.
- Continue to grow the farming sector and achieve better value from the Agricultural Development Scheme
- Develop and initiate a 5 year development plan for fisheries, including a common approach to fisheries management.
- Achieve UNESCO Biosphere Accreditation
- Initiate an Amenity & Landscape strategy.
- Develop adaptation & emission reduction strategies.
- Advise and assist in the development of potential offshore energy production in territorial seas whilst ensuring appropriate protection of the environment.

- Work with DED to develop and implement the Destination Management Plan.
- Improve delivery at the sawmill and wildlife park.
- Implement sheep and goat electronic identification and traceability.

Departmental Challenges

The recent transfer into the Department of Planning and Building Control Services has significantly increased our role in enabling Economic Development, whilst ensuring we provide coherent positions across the wide range of DEFA's teams.

The implementation by the Department of access to information under the Freedom of Information Act will facilitate more transparency. It will also create extra work load the size of which will only become apparent once it is established. The operation of the Meat Plant poses significant challenges and the Department continues to work with management to help overcome them. Achieving the income target of the Sawmill is proving challenging. A marketing based business plan is being prepared to identify additional and growth markets.

The Department is responsible for a sizeable estate and storm damage such as that suffered in the December floods creates significant repair costs. It is important that this is not at the expense of initiatives to improve our amenity provision for visitor, residents and potential inward investors. Increasing fishing pressure risks over-exploitation and there is a need to manage the pressure on the vulnerable stock in a sustainable way. The Department is working with the industry to address the issues in an appropriate way.

Financial Performance

The Department is on track to achieve its savings target and remains within budget for the financial year 2015/16.

Department of Environment, Food and Agriculture - Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Corporate Services	785	891	1,386	179	1,207
Agriculture	7,585	7,277	7,740	266	7,474
Fisheries	575	772	1,042	183	859
Forestry, Amenity and Lands	1,702	1,608	2,724	1,046	1,678
Environment	1,386	1,256	1,644	85	1,559
Government Laboratory	626	710	853	102	751
Wildlife Park	344	348	708	273	435
Veterinary Services	410	453	484	35	449
Planning		182	1,515	1,115	400
NET EXPENDITURE	13,413	13,497	18,096	3,284	14,812

Table 23

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	5	5	3	3	3
Third Party Contributions	5	3	7	7	7
Operating Income	1,873	2,892	3,170	3,225	3,282
Other Non-Trading Income	107	66	104	106	108
TOTAL INCOME	1,990	2,966	3,284	3,341	3,400
EXPENDITURE					
Employee Costs	5,412	6,274	7,598	7,689	7,790
Infrastructure Costs	594	700	668	668	668
Transport Costs	110	42	42	42	42
Supplies & Services	2,096	1,883	2,227	2,227	2,227
Agency & Contracted Services			1	1	1
Loan Charges	367	644	785	879	897
Other	6,824	6,920	6,775	6,775	6,775
TOTAL EXPENDITURE	15,403	16,463	18,096	18,281	18,400
NET EXPENDITURE	13,413	13,497	14,812	14,940	15,000

Table 24

Department of Health & Social Care



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

The five-year strategic goals approved by Tynwald are:

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

The main challenges faced by the Department include:

- Financial sustainability – spending pressures in health and social care services are ever-present, and often come from the challenges listed above. Moving to a sustainable position will in part be addressed by the 5-year strategic goals. Major improvements must be delivered in digital working (such as integrating information systems, telemedicine and telecare), care pathways, business intelligence, quality and performance data

and commissioning of services.

- A changing community - the population of the Isle of Man is growing and its profile is shifting as people live longer, sometimes with more complex health and social care needs.
- Maintaining standards of care - external reviews (e.g. those carried out by the West Midlands Quality Review Service at Noble's Hospital) have led to many recommendations about improving our quality of care, and implementing them will require a wide-ranging and sustained programme of work.
- Recruiting, engaging and retaining staff – there are shortages in many health and social care professions in the British Isles and beyond. Filling vacancies is often difficult, and as many of them are vital front-line roles the department must rely upon more expensive agency staff to maintain services. Maintaining good morale in these circumstances is difficult, and two consequences of this are higher than expected rates of staff absence and staff turnover.

The Department's forecast revenue budget overspend for 2015-16 will come mainly from staff costs at Noble's Hospital: particularly expenditure on agency staff required to cover vacancies and absences through illness.

Capital projects in 2016-17 will include:

- Completion of the breast and endoscopy units;
- Construction of the mental health acute adult in-patient facility;
- Commencement of building staff residential accommodation at the Noble's Hospital site to replace the 'nurses' home' on Westmoreland Road in Douglas; and,
- Construction of additional learning disabilities residential accommodation.

Please note that the increase in the Chief Operating Officer budget is due to the pay and pension policies which are yet to be allocated at divisional level.

Department of Health & Social Care – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Chief Executive's Office	477	538	256		256
Chief Operating Officer	861	1,545	21,348	206	21,142
Finance	4,557	2,601			
Public Health	1,508	1,449	1,625		1,625
Noble's Hospital	88,121	85,629	76,587	2,506	74,081
Ramsey Hospital	3,933	3,661	3,906	10	3,896
Tertiary Referrals	16,015	17,572	17,204		17,204
Mental Health	16,148	17,636	17,619	1	17,618
Community Services	7,936	12,553	13,812	118	13,694
Ambulance Service	3,076	3,214	3,208		3,208
Practitioner Services	35,802	36,467	39,322	1,733	37,589
Prison Health Service	376	384	395		395
Government Catering Services	751	2,343	6,383	4,894	1,489
NI Contributions	(36,398)	(36,453)		37,366	(37,366)
Children & Family Services	15,970	15,267	16,215		16,215
Adult Services Area	24,426	25,949	32,937	5,598	27,339
Core Services Social Care	552	960			
NET EXPENDITURE	184,111	191,315	250,817	52,432	198,385

Table 25

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets 2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	36,514	34,369	37,481	38,416	38,416
Third Party Contributions	349	520	346	353	360
Operating Income	13,582	15,343	14,509	14,789	15,073
Grant Income	17				
Other Non-Trading Income	104	42	96	98	100
TOTAL INCOME	50,566	50,274	52,432	53,656	53,949
Employee Costs	130,385	135,448	138,991	141,049	143,168
Infrastructure Costs	1,298	1,237	1,486	1,486	1,486
Transport Costs	4,498	4,692	4,428	4,428	4,428
Supplies & Services	25,303	23,594	25,970	25,991	26,336
Agency & Contracted Services	70,088	71,325	73,433	73,433	73,433
Loan Charges	5,356	7,165	8,539	9,684	10,019
Other	(2,251)	(1,872)	(2,030)	(2,376)	(2,675)
TOTAL EXPENDITURE	234,677	241,589	250,817	253,695	256,195
NET EXPENDITURE	184,111	191,315	198,385	200,039	202,246

Table 26

Department of Home Affairs

Our vision is a safe and secure society. This will be achieved by all parts of the Department working together, and 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 recognised.

The core priority of the Department is to protect the vulnerable.



This priority is multi-faceted and incorporates;

- Prevention and detection of crime (IOM Constabulary budget £13.4m);
- Rehabilitation of offenders so that they do not offend again;
- Ensuring community safety through fire safety prevention regimes and when required, responding to incidents (Fire and Rescue Service Budget £4.2m); and
- Having an effective Emergency Services communications network (Communications Division Budget £2.1m).

In July 2015, Tynwald agreed the agenda for change for which the Department has a number of agreed priorities to be delivered by September 2016.

- Staff resilience and succession management - the risk of the loss of key individuals or groups of individuals due to retirement or for other reasons has been identified as a major risk across all operational services.

- Modernisation of the Criminal Justice System – the Digital Strategy will be key enabler in making progress in this project.
- Changes to crime patterns – more complex and technological cases (e.g. money laundering, corruption, on-line abuse etc.) require investment in equipment, training and more officer time for each case.
- Current types of crime and sentencing practice – more people serving longer prison sentences including older people.
- Changing demographics - the population is growing and population centres are moving which will inevitably mean a higher demand or a lower level of service. Additionally, there are more ethnic and non-English speaking groups which make response to some incidents more difficult.
- Changing social policy, e.g. housing older people in their homes can create knock-on issues for the Fire and Rescue Service, as those people are typically less mobile and therefore less capable of escaping.

Subject to draw down on internal funds, the Department is on track to remain within budget for 2015-16. The outlook on the 3 year budget will continue to be a challenge to the Department - key financial risks over the next year are funding in relation to any serious incidents that may occur, complex police operations, the cost of Manx prisoners in the UK and pending pay award settlements.

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

Department of Home Affairs – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Chief Executive's Office	1,014	939	4,040	61	3,979
Civil Defence	131	137	140	1	139
Fire & Rescue Service	4,720	4,369	4,318	41	4,277
Prison and Probation	8,200	8,111	7,651	91	7,560
Communications	1,384	1,465	2,594	489	2,105
Constabulary	12,893	12,713	13,765	345	13,420
NET EXPENDITURE	28,342	27,734	32,508	1,028	31,480

Table 27

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Third Party Contributions	125	60	112	114	117
Operating Income	624	739	637	643	650
Other Non-Trading Income	304	199	279	285	290
TOTAL INCOME	1,053	998	1,028	1,042	1,057
EXPENDITURE					
Employee Costs	22,779	22,262	26,175	26,566	26,969
Infrastructure Costs	1,285	1,572	1,101	1,101	1,101
Transport Costs	19	13	15	15	15
Supplies & Services	3,448	2,724	2,907	2,907	2,907
Loan Charges	1,617	2,161	2,310	4,064	4,208
Other	247				
TOTAL EXPENDITURE	29,395	28,732	32,508	34,653	35,200
NET EXPENDITURE	28,342	27,734	31,480	33,611	34,143

Table 28

Department of Infrastructure

The Department is committed to providing the infrastructure that the people of the Isle of Man need to support their social and economic wellbeing. Our key functions are to:

- Operate the ports, highways and public transport services that we need to move goods and people to, from and around our Island easily and quickly;
- Provide affordable housing to those in need;
- Dispose of our Island's waste
- Maintain all of Government's properties and vehicles
- Support local government in delivering local services at a local level.

The Department is committed to delivering these functions in the most cost efficient ways possible without compromising on safety or quality.

Our key priorities are to:

- Maintain road routes to a standard suitable for the volumes of traffic using and likely to use those routes in future;
- Provide a comprehensive, value for money public transport network serving the whole Island proportionate to demand;
- In partnership with local authorities ensure the provision of low cost housing to those in need;
- Provide a long term reliable sea ferry service to a port in the north west of England with good onward transport links to the rest of Great Britain;
- Maximise the proportion of the UK and Ireland accessible by air from the Isle of Man to support business and tourism;
- Promote partnership working with and between Local Authorities particularly regarding affordable housing and waste collection.

Departmental revenue and capital budgets are under continued pressure. Although budgets appear to have increased this year, this is as a result of the Department's expanding remit. Funds for asset maintenance in particular are a

key concern. The Department maintains national assets worth billions of pounds; reducing maintenance spend allows short term savings but is unwise in the long term as asset life and reliability suffer. Our focus will need to be on the higher priority items and choices made so that the social and economic factors are recognised. For example, when considering highway maintenance, decisions will be made about standards of maintenance based on the relative impact of routes on our economy and largest population centres.

Climate and weather will continue to generate long and short term challenges. Planning for sea level rises mean that decisions will have to be made regarding which parts of the Island to protect. Short term weather events, such as recent storms, will have an impact on our ability to deliver planned work by diverting key staff to deal with clear up, and planned expenditure to emergency repairs.

Even where funds have been identified, the shortage to trained staff, particularly in craft, engineering and other specialist roles means that there are not always enough qualified staff to plan and supervise our activities. The Department is trying to recruit suitably qualified staff, increasing its training programmes and has established a new project management team but still faces challenges in delivering its capital programme. Major schemes pose significant technical, managerial and planning challenges that risk causing delays or cost increases.

Overall the Department is expecting to achieve its budget target in 2015-16 though only by cutting back significantly on planned expenditure. This is necessary due to shortfalls in planned income in several areas. Income is affected by the wider economy and its impact on Manx people and visitors using our services. Cutting back on planned expenditure means that the Department is less able to maintain our infrastructure and in turn the services it delivers to residents and visitors.

Department of Infrastructure – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Minister & Chief Executive's Office	202	180	212		212
Strategy, Policy & Performance	774	746	873		873
Finance & Governance	(4,159)	(7,266)	17,224	25,207	(7,983)
Ports Division	3,526	4,379	16,175	11,751	4,424
Highway Services Division	13,218	9,546	14,331	1,470	12,861
Planning & Building Control	259				
Estates Shared Services	24,831	26,042	31,650	5,924	25,726
Public Transport	8,418	12,590	19,577	5,848	13,729
Housing Division	275	(902)	8,408	5,994	2,414
NET EXPENDITURE	47,344	45,315	108,450	56,194	52,256

Table 29

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	11,589	13,120	13,682	13,961	14,246
Third Party Contributions	1,709	1,397	2,279	2,325	2,373
Operating Income	43,649	34,698	36,377	36,848	37,328
Other Non-Trading Income	3,882	3,859	3,856	3,933	4,012
TOTAL INCOME	60,829	53,074	56,194	57,067	57,959
Employee Costs	39,062	32,610	42,412	42,897	43,436
Infrastructure Costs	31,039	30,270	32,461	32,461	32,461
Transport Costs	3,679	3,363	4,254	4,254	4,254
Supplies & Services	24,130	15,616	10,949	10,949	10,949
Agency & Contracted Services	392	2,165	3,168	3,168	3,168
Loan Charges	9,704	12,689	12,648	18,961	19,428
Other	167	1,676	2,558	2,558	2,558
TOTAL EXPENDITURE	108,173	98,389	108,450	115,248	116,254
NET EXPENDITURE	47,344	45,315	52,256	58,181	58,295

Table 30

Please Note:

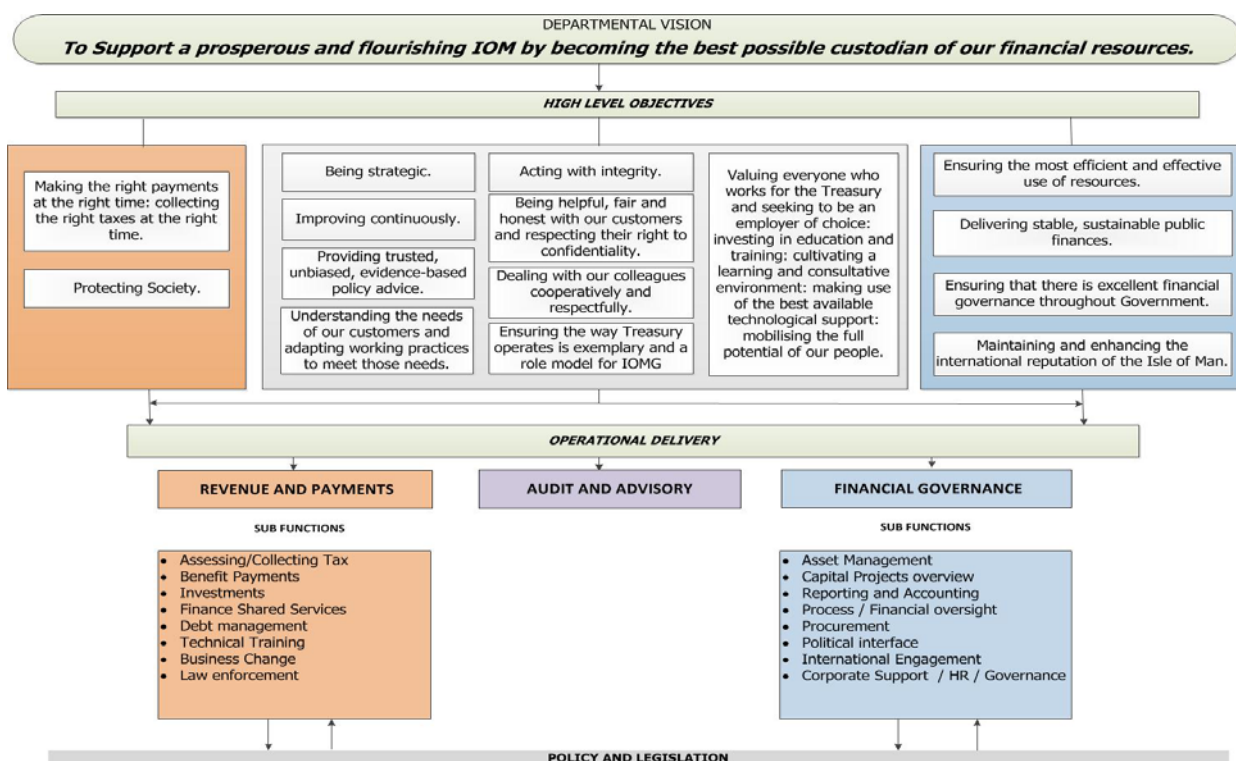
- Until 31st March 2015, the Housing Division was previously included within the Department of Health and Social Care.
- Planning Policy is transferred to the Cabinet Office as of 2016-17. This had been included within the Strategy, Policy and Performance Division.

The Treasury

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

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

We are acutely aware of the need to control Government expenditure and that if we are to



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

- Delivery of savings - A reduction in the Corporate Strategy budget of £500,000 has been included for 2016-17 and we are committed to delivering further reductions and efficiencies
- Income - Enforcement and collection of taxation is a high priority, as always, with renewed efforts to ensure compliance and that taxpayers pay what is due;
- Social Security - An ongoing programme of

work is in place to ensure a fair, equitable and affordable system of Social Security.

- Financial Management - As evidenced by the changes made to the Budget this year, Treasury is committed to improving the quality and transparency of the financial information that is provided. In addition a fundamental review of the Financial Regulations is underway to ensure that the policies and procedures that Government adheres to are aligned with our risk appetite and fit for a modern administration.

The Treasury – Financial summary

GROSS EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
Corporate Strategy Division	4,929	4,314	6,636		6,636
Customs & Excise Division	1,886	1,960	2,279	336,500	(334,221)
Finance Division	3,702	3,400	2,605	11,362	(8,757)
Income Tax Division	4,080	3,932	4,638	212,000	(207,362)
Assurance Advisory Division	534	565	724	90	634
Grants	9,907	6,259	5,995		5,995
Government Contingency		8,163	5,000		5,000
Lottery Duty Distribution	1,480	1,350	1,470		1,470
Social Security Division					
Social Security Administration		2,000	2,077		2,077
Non-Contributory Benefits	77,861	76,951	79,608		79,608
National Insurance Operating Account	197,336	230,839	240,728	240,100	628
Legal Aid		2,471	2,523	120	2,403
TOTAL	301,715	342,204	354,283	800,172	(445,889)

Table 31

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	713,099	763,819	782,205	808,729	831,870
Operating Income	(37)		72	72	72
Other Non-Trading Income	20,500	12,126	17,895	23,291	33,479
TOTAL INCOME	733,562	775,945	800,172	832,092	865,421
EXPENDITURE					
Employee Costs	12,259	17,449	14,591	14,779	14,980
Infrastructure Costs	15	17	6	6	6
Transport Costs	2				
Supplies & Services	2,109	7,635	3,478	2,202	908
Agency & Contracted Services	3,296	405	3,534	3,625	3,719
Loan Charges	350	539	234	676	521
Social Security Clients	274,069	304,649	320,336	331,955	344,296
Other	9,615	11,510	12,104	11,068	10,101
TOTAL EXPENDITURE	301,715	342,204	354,283	364,311	374,531
NET EXPENDITURE	(431,847)	(433,741)	(445,889)	(467,781)	(490,890)

Table 32

Please note the 2016-17 uprating has not been included in these figures given that approval is outstanding at the date of writing.

Cabinet Office

On January 1st 2016, the Cabinet Office became a Government Department to allow for the transfer in of the Planning Policy team from the Department of Infrastructure.

VISION

Working together across the whole of the public service to ensure a sustainable future for our Island.

OUR ROLE

The role of the Cabinet Office is to support and provide professional services and advice to the Chief Minister, the Minister for Policy & Reform, the Chief Secretary and His Excellency the Lieutenant Governor. In particular in relation to managing the domestic and international relationships and responsibilities.

We provide technology, human resources and learning and organisational development services to over 8,000 people in the public service. We also provide timely, reliable and accurate information to support better policy and decision making in Government.

The Cabinet Office leads, drives and supports critical change and reform and is accountable for the implementation of the corporate decisions of the Council of Ministers.

KEY PRIORITIES

- To lead the development and oversight of the national challenges associated with the key priorities of the administration.
- To lead and co-ordinate the National Risk Assessment and MoneyVal inspections for the Isle of Man.
- To introduce Social Legislation such as the Equality Bill, Freedom of Information Act etc.
- To champion and deliver technology led reform through the Digital Strategy which will provide better and cheaper public services.
- To lead on the reform and modernisation

agenda for the public service, including new terms and conditions for new starters and promotions, and ensuring sustainable public service pension schemes.

CHALLENGES

The Cabinet Office is committed to delivering its part of Government's three year savings programme. The General Election in September 2016 will require the Cabinet Office to support the transition to the new administration and to ensure the critical work of Government continues during this time.

FINANCIAL PERFORMANCE

For 2015-16 the Cabinet Office is forecast to underspend against the budget allocated, due to staff vacancies not being filled and the costs of implementing Freedom of Information (FOI) being less than anticipated. The staff vacancies will be filled in 2016-17 in order to meet the challenges faced and the budget for FOI has been reduced for 2016-17.

In 2016-17 the Cabinet Office is required to find further savings of £500,000 in Government Technology Services (GTS) and £100,000 in the Office of Human Resources in addition to the significant savings already delivered. The Cabinet Office is also responsible for delivering further efficiency savings over the next five years from the reform agenda.

Cabinet Office – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Exec Office/Office of Chief Secretary	2,333	1,678	1,087	6	1,081
Government Technology Services	17,023	17,333	19,783	357	19,426
Policy & Reform		339	297		297
Office of Human Resources	4,966	4,384	6,064	7	6,057
Policy & Strategy	440	447	1,118		1,118
Crown & External Relations	957	686	3,035	1,178	1,857
Welcome Centre		290	509	71	438
Planning Policy			259		259
NET EXPENDITURE	25,719	25,157	32,152	1,619	30,533

Table 33

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	4	2			
Third Party Contributions	2,861	303	41	42	42
Operating Income	997	440	1,570	1,602	1,634
Other Non-Trading Income	(76)	430	8	8	8
TOTAL INCOME	3,786	1,175	1,619	1,652	1,684
Employee Costs	12,532	10,884	15,947	15,796	16,001
Infrastructure Costs	173	152	178	178	178
Transport Costs	12	9	16	16	16
Supplies & Services	17,391	15,287	15,912	14,587	14,587
Agency & Contracted Services					
Loan Charges	298		99	107	106
Social Security Clients	(1)				
Other	(900)				
TOTAL EXPENDITURE	29,505	26,332	32,152	30,684	30,888
NET EXPENDITURE	25,719	25,157	30,533	29,032	29,204

Table 34

Please Note

As of 2016-17, Planning Policy is transferred to the Cabinet Office from Department of Infrastructure.

Executive Government

Manx Industrial Relations Service

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

Manx Veterans' Welfare Service

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

Isle of Man Information Commissioner

The Information Commissioner is the independent supervisory body for the Data Protection Act 2002 and the Unsolicited Communications Regulations 2005. As of 1 February 2016, the Commissioner has assumed an adjudication role in respect of the Freedom of Information Act 2015. The Commissioner is also expected to assume responsibilities in respect of the Isle of Man' Government Code of Practice on Access to Government Information.

General Registry

The General Registry supports the Administration of Justice and the Rule of Law in the Isle of Man

Its purpose is to provide an effective Courts and Tribunal Service, which enables the judicial process to uphold the Rule of Law. This is vital to our nation, and we are proud to play our part in supporting that. The main challenges faced include:

- Increasing demands on court and tribunal services which are seeing 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

- External factors impacting on the ability to provide the necessary services
- Systems within the court and tribunal service are in need of replacement/modernisation and progress will need to be made during 2016-17 if there is not to be a detrimental impact on services
- Further phases of organisational change to be progressed

2015-16 has seen some areas of income exceeding budgetary spending targets however; there is a likelihood that where this increase relates to claims being commenced that this may lead to increased expenditure during 2016-17. Expenditure is being kept within the budget where possible although there are indications that proceedings outside of "business as usual" may require drawdowns from the Legal Costs Reserve.

Attorney General's Chambers (AGC's)

The Attorney General's Office aims to be a centre of excellence for legal services provided to Government for the benefit of the Isle of Man community.

The AGC's priorities are to;

- Provide high quality timely legal advice to the whole of Government, litigating and defending against civil litigation as appropriate.
- Provide effective and timely support to the international community to deter criminals and terrorists from using the Isle of Man as a harbour for financial crime, money laundering or terrorist financing activities.
- Ensure that the Isle of Man is a safe place to live by protecting vulnerable children and adults through the statutory functions entrusted to the Attorney General (AG) and by ensuring an effective criminal prosecution service is provided for the community.
- Provide efficient drafting services to Government bodies in line with the Council of Ministers' priorities for Legislative Drafting.

- Fully participate in the Criminal Justice Strategy programme of reforms to reduce offending and improve the efficiency of the Criminal Justice system.
- Upskill our people and provide career development opportunities to support their learning so that they can cover a broader range of subjects and to allow the more complex legal work to be undertaken in-house without recourse to external experts.
- Continuously improve our processes that support external customers and colleagues across Government.

The ability to recruit high quality, enthusiastic and suitably experienced legal officers who are flexible in their specialist topics has become increasingly difficult.

As a result of the National Risk Assessment and the work to support the Moneyval assessment to be undertaken in 2016, the AGC's has identified that it will need to make preparations in readiness for the anticipated increase in identification of financially motivated crime. It is intended to use internal savings to release resources towards the prosecution of any such crimes. It is anticipated that improving intelligence gathering and increased use of international intelligence will most likely identify an increased number of complex cases which will require initial advice to the Constabulary and international stakeholders and may potentially require prosecution at Court.

The AGC's has made significant contribution to the revenue savings of Government by:-

- Ensuring that no external legal advice is commissioned without the express approval of the Acting Attorney General, thereby achieving a reduction in legal expenditure.
- Reducing the office floor space occupied by Chambers by 50% and by committing to moving to less expensive accommodation by 2017.
- Reducing the legal library to the bare minimum required to support the

Government's needs and maximising the use of on-line products

On behalf of the Serious Crime Strategic Board, the AGC's will be providing supervision to the team at the Financial Intelligence Unit to support the transition to an entity with a separate legal personality as required by international standards. The legislation is currently progressing through the Branches of the legislature. The provision of this supervision will allow the Chief Constable and the Collector of Customs and Excise to focus resources on the investigation and other operational requirements of their respective organisations.

Executive Government – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
Industrial Relations	143	157	174		174
Veterans' Welfare Service	76	88	99		99
Information Commissioner	93	153	286	85	201
Administration	312	398	559	85	474
General Registry	2,882	2,662	4,655	1,571	3,084
Attorney General	2,887	3,159	4,216	62	4,154
Administration of Justice	5,769	5,821	8,871	1,633	7,238
Overseas Aid	2,419	2,400	2,400		2,400
NET EXPENDITURE	8,500	8,619	11,830	1,718	10,112

Table 36

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	94	144	85	86	88
Third Party Contributions	282	1,540	61	62	64
Operating Income	5,564		1,568	1,891	1,631
Other Non-Trading Income	(3)		4	4	4
TOTAL INCOME	5,937	1,684	1,718	2,043	1,787
EXPENDITURE					
Employee Costs	7,811	6,427	7,633	7,772	7,894
Infrastructure Costs	127	3	80	80	80
Transport Costs		466			
Supplies & Services	1,503	700	1,520	1,519	1,519
Other	4,996	2,707	2,597	2,597	2,597
TOTAL EXPENDITURE	14,437	10,303	11,830	11,968	12,090
NET EXPENDITURE	8,500	8,619	10,112	9,925	10,303

Table 37

Please Note

Previously accounted for within Executive Government, Public Sector Employee Pensions income and expenditure is now separately analysed within Section 7.

Manx Museum and National Trust



Securing the future of our past.

The mission statement for Manx National Heritage is to: “lead the Island’s community in recognising, understanding, valuing and promoting its cultural heritage and identity to a world-wide audience”. We lead on celebrating and safeguarding the long term prosperity of the heritage, history and culture of the Isle of Man.

Our priorities are to:

- Act as guardian of the Island’s unique heritage and cultural assets
- Strengthen the Manx identity and community by giving opportunities for enjoyment, learning and development
- Contribute to the national economy and infrastructure by making the Isle of Man a better place in which to live, work and visit.
- Research and communicate the significance of Manx heritage and culture
- Manage itself sustainably, effectively, efficiently and accountably

MNH holds a significant legacy of historic buildings and landscapes which it is charged with maintaining in Trust for the community. A major challenge is to prioritise maintenance across the Island so that sites and other assets are properly cared for and remain fit for purpose.

Some 75% of users of MNH are incoming visitors and MNH is a key player in the visitor economy.

A major challenge is to keep investing in the “product” to grow local audience participation and to keep sites open into the shoulder months.

Increasingly users want services online. Traditional services such as the Library and Historic Environment advice need to be remodelled and we continue to increase e-access to the national collections as part of our digital strategy.

MNH has reduced costs by £960,000 in the last 5 years and maintained income in difficult trading conditions. Income targets have been met and trading now contributes over £800,000 to costs. Capital funding has been invested into several areas of operation to ensure visitor figures are retained. This includes the Nautical Museum, Rushen Abbey and the House of Manannan. However, the nature of the operation (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 be outsourced on Island. Further significant efficiencies are unlikely without materially changing our services with knock on effects to the wider visitor economy.

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

Manx Museum & National Trust – Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION MMNT	3,763	3,963	5,120	831	4,289
NET EXPENDITURE	3,763	3,963	5,120	831	4,289

Table 38

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Operating Income	781	741	785	799	814
Other Non-Trading Income	40	74	46	47	47
TOTAL INCOME	821	815	831	846	861
Employee Costs	2,640	2,561	3,125	3,163	3,205
Infrastructure Costs	578	619	548	548	548
Transport Costs	17	7	3	3	3
Supplies & Services	603	677	597	597	597
Loan Charges	746	914	847	1,036	1,009
TOTAL EXPENDITURE	4,584	4,778	5,120	5,347	5,362
NET EXPENDITURE	3,763	3,963	4,289	4,501	4,501

Table 39

Road Transport Licensing Committee

The Road Transport Licensing Committee (RTL) is an independent body of Government with responsibility for regulating the transport of passengers by road. It is the duty of the Committee to administer and enforce the provisions of the Road Transport Act 2001 (“the Act”), to benefit and protect the public through the provision of sufficient, efficient, safe, and quality services of public transport by road.

The Committee consists of 5 members of the public who are appointed by the Council of Ministers subject to the approval of Tynwald for a period of up to 5 years. The RTL office staff

consist of the Secretary to the Committee and an Administrative Officer. They are assisted by a part-time Inspector.

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

<u>NET EXPENDITURE - BY DIVISION</u>					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION					
RTL	79	86	161	45	116
NET EXPENDITURE	79	86	161	45	116

Table 40

<u>INCOME & EXPENDITURE - BY CATEGORY</u>					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	49	42	45	46	47
Other Non-Trading Income					
TOTAL INCOME	49	42	45	46	47
Employee Costs	100	114	125	126	127
Infrastructure Costs			1	1	1
Supplies & Services	28	14	35	35	35
TOTAL EXPENDITURE	128	128	161	162	163
NET EXPENDITURE	79	86	116	116	116

Table 41

Legislature (Parliament)

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

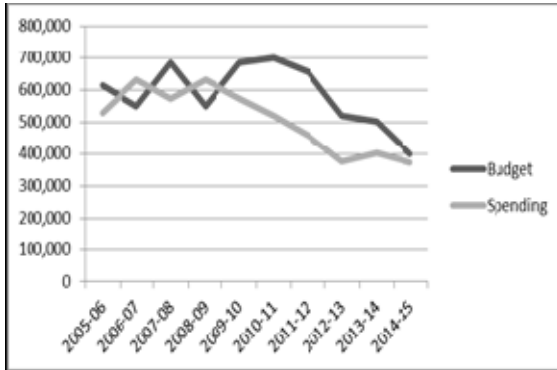
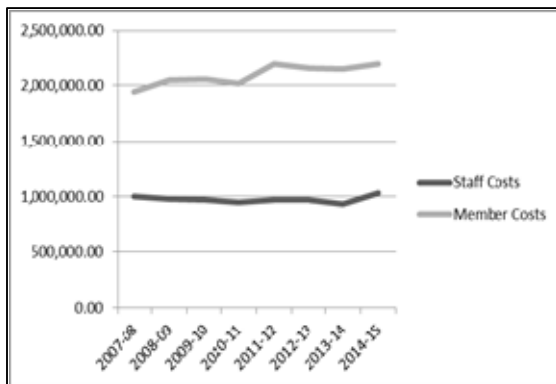


Figure 1- Supplies and Services: Budget v Spending 2005-15

Within Supplies and Services overall spending has decreased from a high of £630,000 in 2008-09 to just over £370,000 in 2014-15, see Figure 1. The total spending is unlikely to drop again significantly now without affecting service provision. The challenge in 2015-16 and beyond will be containing costs as prices continue to rise but this spending is predicted to be within budget for 2015-16. Information regarding Members Emoluments, which have risen in line with annual pay awards, and staff headcount, which has been reduced from 26 FTE in 2007 to the current 24.6, is shown in Figure 2.



Staff costs have therefore remained reasonably constant with an overall rise of only 3% between 2007-08 and 2014-15. Spending for both Members Emoluments and Employee Costs are predicted to be within budget for 2015-16.

Legislature (Parliament) - Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
DIVISION Legislature	4,705	4,156	4,706	9	4,697
NET EXPENDITURE	4,705	4,156	4,706	9	4,697

Table 42

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Third Party Contributions	3				
Operating Income	56	4	9	9	9
Other Non-Trading Income					
TOTAL INCOME	59	4	9	9	9
Employee Costs	3,998	3,331	3,837	3,896	3,956
Supplies & Services	425	426	441	441	441
Loan Charges	342	403	428	450	443
TOTAL EXPENDITURE	4,765	4,160	4,706	4,787	4,840
NET EXPENDITURE	4,706	4,156	4,697	4,778	4,831

Table 43

	2014-15 ACTUAL £,000	2015-16 BUDGET £,000	2016-17 BUDGET £,000
Breakdown of employee costs			
Staff	1,029	1,060	1,228
Members Emoluments	2,189	2,303	2,609
Members Pensions*	781		
TOTAL	3,998	3,363	3,837

Table 44

Please note - Members Pensions are now included within the overall Pension Figures

Statutory Boards (Revenue Funded)

Communications Commission

The Commission will contribute to the Government priorities of protecting consumers and growing the economy by ensuring balanced and proportionate regulation of the communications sectors.

The Commission continues to return a surplus to Government and is essentially self-funding.

It is important to give consumers, companies and investors a modern, flexible and responsive regulatory environment, increasing the Isle of Man's competitive advantage in attracting global businesses and inward investment. A sound regulatory system promotes long term stability which encourages investment and innovation which, in turn, will contribute to achieving the Government's Vision 2020.

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

Financial Services Authority

The Isle of Man Financial Services Authority was established on 1 November 2015 with the merger of the Financial Supervision Commission and Isle of Man Insurance and Pensions Authority.

For 2016-17, the Authority's budget reflects the ongoing need to regulate the Island's finance sector in accordance with international standards and to deal with continuing transition issues. Over the short term, it is anticipated that some additional cost will be incurred in harmonising internal policies and procedures of the two prior regulatory bodies and reviewing practices related

to external stakeholder engagements.

The Authority's regulatory scope increased during 2015 as it assumed new responsibilities for registration and ongoing oversight of Designated Bodies for anti-money laundering purposes. Plans are in place for the Authority to take on additional responsibilities; these include a regulatory regime for Crowdfunding entities along with other new initiatives proposed by the Isle of Man Government. In the longer term it is anticipated that the Authority's ongoing efficiency programme will assist it in managing expenditure whilst also coping with a wider scope and increasing regulatory burden arising from international standards.

Gambling Supervision Commission

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

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

Office of Fair Trading (OFT)

The OFT works to utilise its limited resources effectively to protect the consumers of the Isle of Man.

Our 2016-17 top priority is to update the Island's consumer protection and competition legislation to achieve an effective legal framework to deal with a changing world. At the same time, the OFT recognises the need for regulation and enforcement to avoid unnecessary obstacles to

legitimate businesses which wish to trade fairly.

It remains a challenge to adequately resource levels of service required by our customers. This is particularly apparent in those areas of our work activities which are fixed by statute, or which are entirely demand-led, such as provision of adjudications under our Financial Services Ombudsman Scheme. We hope to meet this challenge through intelligence-led enforcement, increased multi-tasking by staff and increased co-operation with other agencies. Through close scrutiny and review of all expenditure, we hope to achieve an underspend on the 2015-16 budget.

Public Sector Pensions Authority (PSPA)

Our role is to deliver high quality pension and superannuation benefit services, which are customer focused and cost effective for all stakeholders.

The PSPA continues to make preparations for the work associated with further changes to the Public Sector Pension Schemes it manages and administers. The budget was estimated and approved for the actuarial, software and administrative work associated with making the changes in 2015-16 to 2017-18 but due to a delay within the process of negotiation, consultation and approval, a proportion of the PSPA budget is likely to be unspent in 2015-16 and is likely to result in a request to defer by 1 year.

Statutory Boards (Revenue Funded) - Financial Summary

NET EXPENDITURE - BY DIVISION					
	Net Actual 2014-15 £,000	Net Probable 2015-16 £,000	Gross Spend 2016-17 £,000	Gross Income 2016-17 £,000	Net 2016-17 £,000
Communications Commission	(555)	(458)	520	758	(238)
Financial Services Authority	(547)	178	6,221	6,221	
Gambling Supervision Commission	(1,092)	(1,151)	954	2,077	(1,123)
Office of Fair Trading	665	653	859	47	812
Public Sector Pensions Authority					
NET EXPENDITURE	(1,529)	(778)	8,554	9,103	(549)

Table 45

Notes

- 1) FSA deficit (£2,779,000 in 2016-17) is met by Treasury grant
- 2) Gross cost of the Public Sector Pensions Authority of £1,403,090 in 2016-17 is met from a transfer from the Public Service Employees' Pension Reserve

INCOME & EXPENDITURE - BY CATEGORY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Taxation Income	5,622	5,234	5,483	5,438	5,670
Third Party Contributions					
Operating Income	982	933	786	801	817
Grant Income	1,833	2,044	2,779	2,713	2,396
Other Non-Trading Income	11		55	56	56
TOTAL INCOME	8,448	8,211	9,103	9,008	8,939
Employee Costs	6,229	6,741	7,506	7,768	7,881
Infrastructure Costs	294		334	284	285
Transport Costs	4	3	4	4	4
Supplies & Services	1,599	1,951	2,077	1,869	1,747
Agency & Contracted Services					
Loan Charges			24	50	50
Other	(1,207)	(1,262)	(1,391)	(1,403)	(1,416)
TOTAL EXPENDITURE	6,919	7,433	8,554	8,572	8,551
NET EXPENDITURE	(1,529)	(778)	(549)	(436)	(388)

Table 46

Manx Utilities Authority

Manx Utilities is committed to achieving the objectives of the merger of the former Isle of Man Water and Sewerage Authority and Manx Electricity Authority. Its vision is 'better together – one team, delivering life's essential services for our Island'. Manx Utilities is seeking to operate efficiently as one team to deliver statutory services and obligations, and create a financially sustainable merged organisation.

We remain focussed on the delivery of the Long Term Financial Plan, specifically in respect of phasing in appropriate sewerage charges and cost reductions. Manx Utilities' priorities for the financial year 2016-17 also include completion of the merger's integration work-streams. Capital investment delivery is due to include completion of the phase 1 of the Regional Sewerage Treatment Strategy and commencement of phase 2 schemes.

Key challenges facing Manx Utilities include declining energy demand and the cost of maintenance of key infrastructure assets. Declining energy volumes increase pressure for unit prices to rise by more than inflation, due to utility businesses' high fixed costs. Manx Utilities is custodian of significant infrastructure assets

(e.g. transmissions systems, production and treatment plants) which are in continual use supporting essential services for the Isle of Man. The high value of these assets results in significant costs of maintenance, which is necessary to maximise the life of these assets and achieve long-term value.

The budget projects revenue to increase with inflation generally, albeit with sewerage charges having a greater increase as they continue to be phased in to offset reductions in grant funding. Cost increases are restricted below inflation leading to a reduction in the overall deficit. Loan charges increase due to the increase in loan charge interest rate.



MANX UTILITIES AUTHORITY					
	Actual 2014-15 £,000	Probable 2015-16 £,000	Budget 2016-17 £,000	Provisional Budgets	
				2017-18 £,000	2018-19 £,000
INCOME					
Operating Income	99,864	98,350	102,525	103,523	104,544
TOTAL INCOME	99,864	98,350	102,525	103,523	104,544
EXPENDITURE					
Employee Costs	17,577	16,910	15,658	15,971	16,291
Infrastructure Costs	4,097	4,794	4,708	4,802	4,898
Transport Costs		906	1,186	1,210	1,234
Supplies & Services	46,824	47,993	49,702	49,799	49,898
Loan Charges	16,291	10,879	14,039	15,719	15,919
Other	19,729	18,417	13,730	13,939	14,153
TOTAL EXPENDITURE	104,518	99,899	99,023	101,440	102,393
NET EXPENDITURE	4,654	1,549	(3,502)	(2,083)	(2,151)

Table 47

Isle of Man Post

Departmental vision

“We will be trusted, dynamic, progressive and successful.”

Departmental Priorities

Isle of Man Post Office has a rolling Strategic Plan which was recently updated to reflect the new business objectives and revenue targets set until 2018. It defines our vision for the future and goals we must meet in order to achieve this. The key strategies and elements interrelate to create a cohesive and mutually supportive plan for stepped change growth. We believe this strategy will enable us to meet with the challenges ourselves and other postal administrations currently face. It's imperative we regularly review our strategies to ensure they are in line with our business objectives and continue the success of the business well into the future.

Departmental Challenges

It is important there is recognition that the Post Office is operating in a fully commercial environment and that this sets it apart from the rest of the public sector. Isle of Man Post Office needs political support for the step change diversification of business, the implementation of a structure and governance regime and that it is able to renegotiate a dividend payment appropriate to the business's ability to generate profit.

Meanwhile we look forward to the outcome of the independent strategic review regarding our structure and governance and the opportunities these bring in enabling our entire loyal and committed workforce to pull together in the best interests of the Post Office's profitability and sustainability well into the future. The Board recognised a review was essential if we are to achieve our strategic plan.

Financial Performance

The Strategic Plan for 2015-2018 requires change in activities to maintain on-Island services at current levels and prices and provide the agreed return to the Island's economy. The plan focuses on more aggressive diversification and placing niche products into niche markets around the world. Because of the changing social trends of our corporate clients, to achieve this, we need to extend the amount we trade off Island if the strategy is to be successful.

The operating margin fell from 4.5% to 1.5% in 2014-15. This illustrates the vulnerability of the business to changes in its revenue streams. Our main costs lie in the postal and retail delivery networks, designed to support our universal service obligations. These costs are to a large extent fixed and therefore a reduction to the top line revenue which impacts almost directly through to profits. However with the continued delivery of our Strategic Plan we look forward to positive growth in 2015-16. This improvement will be supported as the result of business efficiency initiatives filter through.

We have seen a growth in parcels recently due to consumers opting to purchase online rather than visit their local high street. The decline in what was traditionally our core revenue must be recovered by the introduction of new products and services which reflect the ever-changing demands of consumers combined with a mix of reviewing our current effectiveness and efficiency and investing in the future.

ISLE OF MAN POST					
	Actual	Probable	Budget	Provisional Budgets	
	2014-15	2015-16	2016-17	2017-18	2018-19
	£,000	£,000	£,000	£,000	£,000
INCOME					
Operating Income	26,091	25,895	25,994	26,294	26,640
Non-Trading Income	41	75	140	240	365
TOTAL INCOME	26,132	25,970	26,134	26,534	27,005
EXPENDITURE					
Employee Costs	12,326	12,947	12,927	13,410	13,657
Infrastructure Costs	530	582	587	593	598
Transport Costs	1,136	1,197	1,286	1,360	1,511
Supplies & Services	11,197	10,379	10,464	10,639	10,824
TOTAL EXPENDITURE	25,189	25,105	25,264	26,002	26,590
NET SURPLUS	(943)	(865)	(870)	(532)	(415)

Table 48

Appendix 5 – Full Capital Programme including 2016-17 Approvals

Appendix 5 – Full Capital Programme including 2016-17 Approvals

	Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
			2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
SUMMARY TABLE								
CABINET OFFICE	2,050	100	1,950					
ECONOMIC DEVELOPMENT	2,580	1,433	920	320	320	320	320	120
EDUCATION & CHILDREN	58,022	53,729	5,265	784	565	400	400	7
ENVIRONMENT, FOOD & AGRICULTURE	6,588	6,247	859	500	550	550	550	
HEALTH AND SOCIAL CARE	27,683	20,728	11,723	1,939	1,505	1,194	1,280	6,425
HOME AFFAIRS	18,312	16,106	2,931	1,454	902	643	689	
INFRASTRUCTURE	125,586	122,888	33,771	14,591	15,782	13,466	9,061	112,298
TREASURY	6,127	1,500	5,580	350				
STATUTORY BOARDS			700					
MANX MUSEUM AND NATIONAL TRUST	4,102	3,783	528	440	490	400	400	1,440
SCHEMES FUNDED FROM HOUSING RESERVE	20,021	18,590	4,099	1,600	1,600	1,600	1,600	
MANX UTILITES AUTHORITY	81,678	58,185	24,264	1,450	735	435	435	4,550
FUTURE SCHEMES				34,468	44,930	50,980	38,510	150,923
TOTAL CAPITAL PROGRAMME FUNDED FROM CLF	352,749	303,289	92,590	57,896	67,379	69,988	53,245	275,763
CABINET OFFICE								
Land Registry New IT System	2,050	2,050	1,950					
TOTAL	2,050	2,050	1,950					
ECONOMIC DEVELOPMENT								
Development of Industry	1,253	1,800	653	600				
Minor Capital Works - DED	Ongoing	480	480	120	120	120	120	120
Minor Capital Works - Villa/Gaiety	Ongoing	300	300	200	200	200	200	
TOTAL		2,580	1,433	920	320	320	320	120
EDUCATION & CHILDREN								
PRIMARY EDUCATION								
Classroom Scheme - Andreas	35	35			35			
Classroom Scheme - Ballaquayle	138	138	3	5	130			

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Classroom Scheme - Murrays Road	15	15	13	1					
Classroom Scheme - Onchan	74	74		15	59				
Classroom Scheme - St Mary's	172	172	67	84	22				
Henry Bloom Noble Primary School	10,467	10,467	8,044	2,373	50				
Victoria Road School Extension Construction	2,979	2,979	2,979						
SECONDARY EDUCATION									
Ballakermeen Dining Extension	3,235	3,235	3,235						
Castle Rushen High School Redevelopment	50			50					
QEII Kitchen/Dining Extension	835	835	785	50					
St Ninian's Lower School, Bemahague	30,717	30,717	30,717						
FURTHER EDUCATION									
IOM College - Nunnery Relocation	500	500		500					
IOM College - Precision Engineering Equipment	622	622	622						
IOM College - Construction & Engineering	4,884	4,884	4,780	104					
IOM College - Special Unit	1,928	1,923	1,928						
SPORTS AND RECREATION									
NSC - Floating Floor Replacement	600			600					
NSC - Flumes Replacement	500			500					
WORKS									
Covered Play and Teaching Areas Phs 3	253	253			253				
Covered Play and Teaching Areas Phs 4	7	7							7
Disability Access Works to Department Sites	5		5						
School Security	22			22					
Management of Hazardous Materials	238	294	77	161					
ONGOING SCHEMES									
Minor Capital Works - NSC	Ongoing	700	400	600	300	300	300	300	
Minor Capital Works - Regional Pools	Ongoing	175	75	200	100	100	100	100	
TOTAL		58,020	53,730	5,265	784	565	400	400	7
ENVIRONMENT, FOOD & AGRICULTURE									
Grant for Meat Plant	1,600	1,600	1,600						
Public Analyst Lab - Equipment Replacement	110			110					
Mill Road Yard Development Phs 2	1,596	1,613	1,596						

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Mill Road Yard Development Phs 3	980	1,055	933	47					
ONGOING SCHEMES									
Essential Building Maintenance	Ongoing	1,100	1,100	200	200	250	250	250	
Farming Improvement Scheme	Ongoing	1,020	818	402	200	200	200	200	
Minor Capital Works - Wildlife Park	Ongoing	200	200	100	100	100	100	100	
TOTAL		6,588	6,247	859	500	550	550	550	
HEALTH AND SOCIAL CARE									
HEALTH SERVICES DIVISION									
Acute Adult Psychiatric In-Patient Facility	7,573	7,573	2,354	4,540	679				
Endoscopy Decontamination Unit	1,900	1,900	1,310	590					
Expansion of Ophthalmic Suite	250	250	250						
Extension to Neonatal Unit	4,123	4,090	3,873	250					
Extension to Oncology Suite	1,200	200	200	1,000					
GP Surgery Development Scheme - Palatine	635			635					
Combined Heat and Power Plant Nobles	250	250				250			
Radiology Equipment Replacement Scheme	2,200	2,200	1,650	550					
Residential Accommodation Medical Staff	1,800			1,800					
SOCIAL CARE DIVISION									
Accommodation for Day Care Services Eastcliffe	55	110	55						
Demolition of Glenside	200	200	200						
Learning Disabilities Additional Residential Unit	1,500	1,438	1,215	223					
Learning Disabilities Supported Housing	70	70		70					
Older Persons Residential & Resource Unit East	374	290	74	300					
Reconfiguration of Learning Disabilities (Radcliffe Villas)	690	40	190	500					
IT SCHEMES									
Nobles Hospital IT System	3,200	3,200	3,200						
ONGOING SCHEMES									
Ambulance Fleet Replacement	Ongoing	1,215	1,510	365	360	355	194	280	1,425
Asset Replacement Scheme	Ongoing	4,158	4,064	900	900	900	1,000	1,000	5,000
TOTAL		27,684	20,728	11,723	1,939	1,505	1,194	1,280	6,425

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
HOME AFFAIRS									
Castletown Fire Station Replacement	1,608	50	150	1,458					
Communications Development Programme	4,240	4,240	3,416	347	477				
Live Fire Training	607	607	607						
Police HQ Custody Block	3,011	2,945	3,011						
Port Erin Fire Station Replacement	4	50	4						
Rehabilitation and Resettlement Unit	200	200	200						
TETRA Replacement Programme - Revised	4,345	4,930	3,848	497					
ONGOING SCHEMES									
Fire and Rescue Equipment	Ongoing	162	249	60	47	28	36	72	
Minor Capital Works - DHA	Ongoing	2,155	2,155	100	200	200	200	200	
Police Equipment Replacement Programme	Ongoing	320	321	80	80	80	80	80	
Vehicle Acquisition	Ongoing	2,652	2,144	389	650	594	327	337	
TOTAL		18,311	16,105	2,931	1,454	902	643	689	
INFRASTRUCTURE									
PORTS									
Douglas Strategic Harbour Development	410	410	42	368					
Port St Mary Alfred Pier	400			400					
X-Ray Machines Upgrade	320			320					
Runway Project	43,760	43,992	43,760						
ESTATES SHARED SERVICES									
Asset Management System	120	120	120						
Douglas Railway Station Structural Works/Canopy	1,400	100	91	1,309					
Off-Street Car Parking - The Tongue	739	750	626	112					
Noble's Hospital - Asset Replacement	791			791					
Ramsey Transport Interchange	4,485	1,050	1,093	3,392					
Site Feasibility Studies	329	152	62	50	23	94	50	50	
Town & Village Regeneration	3,000			3,000					
HIGHWAY SERVICES									
Ballasalla Relief Road	15	50	15						

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Climate Change Adaption	1,350	250	250	1,100					
Douglas & Peel Cofferdam	351	245	245	106					
Douglas Promenade	2,791	2,638	2,541	250					
Douglas Promenade Further Phases	5,750	1,362		5,750					
Glencrutchery Road	100	50	50	50					
Government Vehicle and Plant Maintenance Depot	104	610	104						
King Edward Linkspan - Mid Life Renovation	455	455	455						
Management of Small Plant Set Up	158			158					
Peel Road	5,018	5,224	5,018						
Ramsey Swing Bridge Refurbishment	1,400	1,400	1,228	172					
FINANCE & GOVERNANCE									
Hazardous Waste Transfer and Treatment Facility	480	480	480						
Southern Civic Amenity Site	200	200	12			188			
PUBLIC TRANSPORT DIVISION									
Ballure Bridge	1,435	1,425	1,335	90					
Bus/Rail Ticketing System	400	400	400						
Manx Electric Railway Track work	4,672	1,200	1,217	575	875	605	700	700	
New Sub-Stations - Ballagorry/Groudle	350			350					
Nunnery Bridge	50			50					
Public Transport Vehicle Replacement Programme	9,776	7,341	7,320	585	50	100	1,700	21	
Snaefell Mountain Railway Track Phs 3	1,175	745	640	535					
Steam Railway Track	1,050	50	525	525					
HOUSING DIVISION									
Ballacubbon Phs 2	70	70		35	35				
Park Road Site	298	400	298						
ONGOING SCHEMES									
ESTATES SHARED SERVICES									
Disability Discrimination Act - Public Buildings	Ongoing	750	719	31					
Government Estate Planned Maintenance	Ongoing	3,000	2,550	950	500	500	500	500	7,000
Minor Capital Works EDUCATION AND CHILDREN	Ongoing	13,098	13,223	1,977	2,000	2,000	2,000	2,000	28,000

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Minor Capital Works HEALTH	Ongoing	1,465	1,449	280	280	280	276	300	4,900
Minor Capital Works SOCIAL CARE	Ongoing	1,135	1,305	200	200	200	380	200	2,800
Noble's Hospital Maintenance	Ongoing			185	185	185	185	100	
HIGHWAY SERVICES									
Highway Strategic Maintenance Footway Reconstruction	Ongoing	1,000	1,000						
Highway Strategic Reconstruction Unclassified Roads	Ongoing	1,000	1,500						
Plant & Vehicle Replacement Programme	Ongoing	5,720	6,469	1,799	2,029	2,590	41		28,688
Quarry Plant Replacement	Ongoing	775	755	1,030	875	1,200			
Strategic Structural Maintenance	Ongoing	800	804	1,540	1,540	1,540	1,540	1,540	10,460
Strategic Highway Refurbishment Programme	Ongoing	12,077	11,752	1,600	1,600	2,400	2,900		26,250
Vehicle Replacement Programme DHSC	Ongoing	654	724	256	249	250	44		
Vehicle Replacement Programme HEALTH	Ongoing	444	213						
PUBLIC TRANSPORT DIVISION									
Minor Capital Works - Public Transport	Ongoing	9,997	9,997	1,150	1,150	1,150	1,150	1,150	1,700
HOUSING DIVISION									
House Purchase Assistance Scheme	Ongoing	2,500	2,500	2,700	3,000	2,500	2,000	2,500	2,500
	SUBTOTAL	125,584	122,887	33,771	14,591	15,782	13,466	9,061	112,298
HOUSING RESERVE FUNDED									
Ballacubbon Phs 2a	110	110		110					
Clagh Vane 6 Redevelopment	1,280	1,241	1,241	39					
Clagh Vane 7 Horseshoe Redevelopment	2,380	200	180	2,200					
Crossag Phs 1	550	300	400	150					
DSC Planned Maintenance	24,769	18,170	16,769	1,600	1,600	1,600	1,600	1,600	
	SUBTOTAL	29,089	20,021	18,590	4,099	1,600	1,600	1,600	
	TOTAL	350,956	145,607	141,477	37,880	16,191	17,382	15,066	112,298
TREASURY									
Benefits Payments System - Platform Upgrade	330			330					
Manx Radio Broadcasting House Maintenance	2,100	5,127	1,500	250	350				

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Capital Projects Risk Contingency		5,000	1,000						
TOTAL		7,430	6,127	1,500	5,580	350			
MANX MUSEUM & NATIONAL TRUST									
Digitisation & Public Electronic Access		450	450	432	18				
ONGOING SCHEMES									
Heritage Property Conservation	Ongoing	1,110	1,060	100	100	100	100	100	540
Minor Capital Works - MNH	Ongoing	1,587	1,547	150	80	100	100	100	500
Minor Capital Works Gallery Redisplay	Ongoing	955	744	260	260	290	200	200	400
TOTAL		4,102	3,783	528	440	490	400	400	1,440
STATUTORY BOARDS - CLF FUNDED									
Financial Services Authority - Restructure Costs		200			200				
Gambling Supervision Commission New IT System		500			500				
TOTAL		700			700				
MANX UTILITIES AUTHORITY									
DRAINAGE SCHEMES									
All Island Infrastructure 2007-2012		14,322	12,789	12,722	1,600				
Sewer Flood Alleviation Douglas, Onchan & Andreas		1,376	1,100	876	500				
SEWERAGE SCHEMES									
IRIS Pumping Stations Refurbishment		1,212	864	962	250				
IRIS Regional Programme 2008-16		5,084	4,943	4,577	366				
Regional Sewerage Strategy 1		31,305	39,984	20,520	9,470	1,015	300		
Sewer Network Modelling		175		50	125				
Sewerage Treatment Works		1,255			1,255				
Regional Sewerage Strategy 2 (Peel/Central Valley)		1,300		50	1,250				
Regional Sewerage Strategy 2		700		400	300				
Sewerage Treatment Works Refurbishment		370			370				
Repay Local Authority Drainage Loans		1,905	4,400	1,705					200
ELECTRICITY SCHEMES									
Combined Cycle Gas Turbine		7,800	6,600	3,200	4,600				

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Essential upgrades fuel tanks & back-up power supplies	1,478	1,145	1,145	333					
Gas Spur	9,853	9,853	9,853						
Generation									
Network Refurbishment	4,360		1,800	2,560					
ONGOING SCHEMES									
Minor Capital Works - MUA	Ongoing		325	1,285	435	435	435	435	4,350
TOTAL		81,678	58,185	24,264	1,450	735	435	435	4,550
STATUTORY BOARDS - NON-CLF FUNDED									
MANX UTILITIES AUTHORITY (WATER SCHEMES)									
Treated Water Transfer Schemes	67,740		31,140	2,650	2,550	3,450	2,850	2,100	23,000
Information Systems/Telemetry	1,462		1,312	150					
Treatment Works & Plant & Vehicles	3,492		836	306	1,278	6	6	6	1,054
TOTAL	72,694		33,288	3,106	3,828	3,456	2,856	2,106	24,054
ISLE OF MAN POST OFFICE									
New Business Development	7,000			2,000	3,000	2,000			
Regent Street Conversion Refurbishment	1,430		30	1,400					
Counters Network Development	246		196	25	25				
Vehicle Replacement Programme (Ongoing)	1,532		272	252	252	252	252	252	
Other Machinery/Equipment (Ongoing)	1,374		374	200	200	200	200	200	
TOTAL	11,582		872	3,877	3,477	2,452	452	452	
LOCAL AUTHORITIES' HOUSING PROGRAMME									
BRADDAN									
Planned Maintenance Programme	3,469		469			1,000	2,000		
TOTAL	3,469		469			1,000	2,000		
CASTLETOWN									
School Hill/West Hill Redevelopment	16,000		40	500	1,800	3,500	4,000	4,000	2,160
Planned Maintenance Programme	700					100	100	100	400
TOTAL	16,700		40	500	1,800	3,600	4,100	4,100	2,560
DOUGLAS									

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
Planned Maintenance Programme	23,702		11,003	4,249	3,700		250	1,500	3,000
Upper Pulrose Development - Phs 9	5,946		5,946						
Upper Pulrose Development - Phs 10	5,586		5,586						
Willaston External Refurbishment	30,000		900	3,200	3,200	3,200	3,200	3,200	13,100
Willaston Sheltered Housing Complex	5,700			100	200			3,000	2,400
TOTAL	70,934		23,435	7,549	7,100	3,200	3,450	7,700	18,500
ONCHAN									
Planned Maintenance Programme	5,901		1,933	573	800	750	725	250	870
TOTAL	5,901		1,933	573	800	750	725	250	870
PEEL									
Planned Maintenance Programme	7,596		5,443	153	300	700	600	200	200
Slieau Whallian View EPH	3,337		500	2,837					
TOTAL	10,933		5,943	2,990	300	700	600	200	200
PORT ERIN									
Planned Maintenance Programme	2,030			230	200	500	500	400	200
Ballakilly EP Housing Development	2,650		2,600	50					
TOTAL	4,680		2,600	280	200	500	500	400	200
PORT ST MARY									
Planned Maintenance Programme	510		225		285				
TOTAL	510		225		285				
RAMSEY									
Bus Station Apartments	90		90						
Close Woirrey Apartments	1,400		125	25	300	850	50	50	
Mayfield Demolition	89		89						
Planned Maintenance Programme	3,848		998		250	400	700	700	800
North Shore Road Housing	895		895						
TOTAL	6,322		2,197	25	550	1,250	750	750	800
CASTLETOWN & MALEW EPHC									
Planned Maintenance Programme	100				100				
TOTAL	100				100				
COOIL ROI EPHC									
Planned Maintenance Programme	65		65						
TOTAL	65		65						

Appendix 5 – Full Capital Programme including 2016-17 Approvals

		Amount Approved By Tynwald £,000	Probable to 31/03/2016 £,000	ESTIMATED CAPITAL PAYMENTS (CONSTANT PRICES)					
				2016-17 £,000	2017-18 £,000	2018-19 £,000	2019-20 £,000	2020-21 £,000	Further £,000
MARASHEN CRESCENT EPHC									
Planned Maintenance Programme		540	480	60					
	TOTAL	540	480	60					
ONCHAN EPH									
Planned Maintenance Programme		219	69		150				
	TOTAL	219	69		150				
PEEL & WESTERN EPHC									
Westlands Phs A		7,343	2,400	3,893	900	100	50		
Westlands Phs B		4,848	230	75	1,700	2,700	100	43	
Westlands Phs C		3,710	90	30	50	50	2,800	690	
	TOTAL	15,901	2,720	3,998	2,650	2,850	2,950	733	
RAMSEY & NORTHERN EPHC									
Mayfield Sheltered Housing		5,400	220	3,050	2,000	70	50	10	
Planned Maintenance Programme		3,840	330	30	500	2,200	700	80	
	TOTAL	9,240	550	3,080	2,500	2,270	750	90	
ADAPTATIONS									
Planned Maintenance Programme		600			100	100	100	100	200
	TOTAL	600			100	100	100	100	200
LA SCHEMES									
New Units (To Be Allocated)	TOTAL	10,000			1,500	2,000	2,500	2,500	1,500
	LA HOUSING TOTAL	156,115	40,727	19,055	18,035	18,220	18,425	16,823	24,830

Table 49

Appendix 6 – Capital Programme New Schemes

PHASING OF CAPITAL SCHEMES FROM 2017-18					
	2017-18	2018-19	2019-20	2020-21	Further Payments
	£,000	£,000	£,000	£,000	£,000
ECONOMIC DEVELOPMENT					
TT Scoreboard			X		
Villa Marina Sound System		X			
EDUCATION & CHILDREN					
Classroom Scheme - Andreas					X
Classroom Scheme - Ballaquayle			X	X	
Classroom Scheme - Ballaugh					X
Classroom Scheme - Murrays Road		X	X	X	
Classroom Scheme - Onchan	X		X		
Classroom Scheme - St Mary's	X	X			
Classroom Scheme - Willaston			X	X	
Henry Bloom Noble Primary School	X				
Kewaique School Extension					X
Onchan School			X	X	X
Castle Rushen High School Redevelopment	X	X	X		X
QEII Learning Resource Centre		X	X		X
IOM College - Aerospace Facility					X
IOM College - HE Expansion		X	X	X	
Covered Play and Teaching Areas					X
Disability Access Works to Department Sites	X	X		X	X
Fire Certification Work to Schools					X
School Security	X	X			
NSC River Defences					X
Replacement NSC Floodlight Stands				X	
Replacement NSC Synthetic Pitch		X	X		
ENVIRONMENT, FOOD & AGRICULTURE					
Ballure Slope Periodic Maintenance		X			
Mill Road Yard Development Vacant Units			X		X
National Glens Refurbishment Scheme					X
Public Analyst Lab - Equipment Replacement	X	X	X	X	
HEALTH AND SOCIAL CARE					
Acute Adult Psychiatric In-Patient Facility	X				
Departmental Headquarters					X
Extension to Oncology Suite	X	X			
GP Surgeries					X
New Ambulance Station Douglas		X			
New Combined Heat and Power Plant Nobles			X		
Radiology Equipment Replacement Scheme	X				
Residential Accommodation Medical Staff Phs 5	X	X			
Accommodation for Day Care Services Eastcliffe	X	X	X		
Development of Extra Care Facility					X
Family Assessment Unit		X			
Integrated Acute Care Facility		X	X	X	
Learning Disabilities Supported Housing	X	X	X		
Older Persons Residential & Resource Unit East	X	X	X	X	
Older Persons Residential & Resource Unit North		X			
Reconfiguration of Learning Disabilities (Radcliffe Villas)	X				

PHASING OF CAPITAL SCHEMES FROM 2017-18					
	2017-18	2018-19	2019-20	2020-21	Further Payments
	£,000	£,000	£,000	£,000	£,000
HOME AFFAIRS					
Communications Development Programme	X	X	X	X	X
Douglas Fire Station Refurbishment				X	X
Replace Ramsey Fire Station				X	X
INFRASTRUCTURE					
Airport Rehabilitation			X		
Douglas Outer Harbour Development		X		X	
Port St Mary Marina Development				X	X
Replacement ILS		X			
X-Ray Machines Upgrade	X				
Noble's Hospital - Asset Replacement	X	X	X	X	
Ramsey Transport Interchange	X				
Climate Change Adaption	X	X	X	X	X
Douglas Promenade Further Phases	X	X	X		
Glencrutchery Road	X				X
Hazardous Landfill Replacement	X				
Southern Civic Amenity Site			X		
Douglas Station Railway Track		X	X	X	
MER S&C Renewals		X	X		
Nunnery Bridge			X		
Snaefell Mountain Railway Track Phs 3	X	X	X		
Steam Railway Track	X	X	X	X	
Ballacubbon Phs 2b			X	X	
New Housing Stock					X
Park Road Site	X	X	X		X
SCHEMES FUNDED FROM HOUSING RESERVE					
Clagh Vane 7 Horseshoe Redevelopment	X	X	X		
Crossag Phs 1	X				
Crossag Phs 2			X	X	X
Crossag Phs 3			X	X	X
TREASURY					
C&E New VAT Accounting System	X				
MANX MUSEUM & NATIONAL TRUST					
Collection Store	X				
MANX UTILITIES AUTHORITY					
All Island Infrastructure 2007-2012	X				
Sewer Flood Alleviation Douglas, Onchan & Andreas	X	X	X	X	X
IRIS Pumping Stations Refurbishment	X	X	X	X	X
IRIS Regional Programme 2008-16					X
Sewer Network Modelling	X				
Sewerage Treatment Works	X	X	X		
Regional Sewerage Strategy 2	X	X	X	X	X
Sewer Maintenance		X	X		
Sewer Maintenance & Flooding Schemes				X	X
Sewerage Treatment Works Refurbishment	X	X	X	X	X
Combined Cycle Gas Turbine			X	X	X
Essential upgrades fuel tanks & back-up power supplies	X	X	X	X	X
Network Refurbishment	X	X	X	X	X
SMART Metering Conversion			X	X	X
TOTAL	34,468	44,930	50,980	38,510	150,923

Table 50

Appendix 7 – Explanation of Reserves

External Reserves

Enterprise Development Fund

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

Hospital Estates Development Fund

The purpose of this Fund is to meet the cost of loan charges arising from capital expenditure in respect of the New Hospital after 1 April 1996 (the loan charges arising from capital expenditure prior to that date are charged to the Votes of the Department of Health and Social Security).

Manx Currency Account

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

Media Development Fund

Together with Isle of Man Film Limited (an incorporated Manx company), the Media Development Fund supports the development of the media and film industry by providing funds to invest in large budget film productions and local media infrastructure. This is intended to create additional local employment opportunities and enable a greater proportion of film and media related activities to be undertaken on the Isle of Man. The current contract for the management of the Fund expires during 2017, and a decision has not yet to be made on the future of the Fund beyond that date. The forward projection of drawdown figures from this reserve are for illustrative purposes only.

Public Service Employees' Pension Reserve

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

- Transfer values payable for outgoing employees;
- Lump sums payable to retiring employees;
- Ongoing costs of pension administration and the implementation of the Government Unified Scheme; and
- The emerging pensions liability

Income into the reserve is derived from transfer values in respect of incoming employees. The reserve is made up of an externally invested fund and an internal reserve, which each year receives a drawdown from the invested fund in order to make an annual contribution towards the gross cost of public sector pensions. The reserve is estimated to become fully depleted by 2020-21, leaving a funding gap shortfall, which will be required from General Revenue. Reform of public sector pensions is therefore required in order to ensure that the impact on the taxpayer is at an affordable and sustainable level.

MUA Bond Repayment Fund

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

National Insurance Fund

The National Insurance Fund comprises both the National Insurance Investment Account which is invested by external investment managers on behalf of Treasury and also the National Insurance Operating Account, which represents the operating balance which is included within Treasury's Social Security Division. The Operating Account is used to fund NI-funded welfare payments and a proportion of the monies in the Account are allocated to the Island's Health Service. Since April 2012, an amount has been drawn from the Investment Account to cover the shortfall between National Insurance contributions income and benefit expenditure.

Reserve Fund

The Reserve Fund represents the externally invested central reserve of the Isle of Man Government, designed to provide long term stability and protection to Government's finances. The objective of the Medium Term Financial Strategy 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

Internal Reserves

Agriculture and Forestry Fund

This Fund was originally established in 2007 to assist the Department of Environment, Food and Agriculture in providing funding for additional financial support to the agriculture sector, during its period of transition and adjustment following the loss of red meat derogation. The Fund is utilised to support initiatives that are designed to provide sustainable benefits for the sector in the longer term. More recently the Fund has been changed to include funding to assist the Department with its tree felling programme to combat tree disease within the forestry estate. Unless additional funds become available, it is likely that this Fund will become depleted by and be closed in 2017-18.

Contingency Fund

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

Digital Strategy Fund

The Fund replaces the ICT Fund, which will be closed as of 1st April 2016. The Fund arises from a need to ensure that the delivery of the Digital Strategy is fully implemented and savings arising are captured accordingly. The Digital Strategy Fund aims to secure a minimum financial saving of £5m to be achieved within 5 years ensuring the programme is cost neutral across the period, with ongoing service and savings benefits after the 5 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.

Economic Development Fund

Originally established in 1999, the purpose of the Fund is to provide financial assistance to organisations undertaking projects which are deemed to have a positive contribution to the local economy yet are not eligible under any other Government scheme. Treasury will be coming forward to Tynwald with a scheme to enable money from this Fund to be used for community projects.

Government Energy Initiatives Capital Fund

This fund will be closed at the end of 2015-16. Any future bids for funding of schemes which designed to reduce the use of fossil fuels and resulting carbon emissions will need to be made either as bids to the capital programme, or from the proposed new Invest to Save Fund.

Health Inspection Fund

The Health Inspection Fund was established in 2014 in order to provide finance for the controlled implementation of project initiatives at Noble's Hospital, designed to address service shortfalls or underperformance, which were identified as a result of external reviews undertaken. Applications for funding from this source must demonstrate how the mitigating measures are aimed at generating efficiencies or savings for the Hospital's operations. The Fund is transitional by nature and is scheduled to close at the end of the 2016-17 financial year.

Housing Reserve Fund

Established in 2002, the Housing Reserve Fund is designed to provide finance for housing related projects, in particular Government's capital housing programme. Amounts from this fund are transferred into the Capital Fund to meet the cost of any housing projects that are approved by Tynwald. The Fund is also used to finance Government's First Time Buyers House Purchase Assistance Scheme, with repayments used to supplement the Fund. At the end of 2014-15, the Department of Health and Social Care transferred £2.5 million into the Fund in order to supplement the local authority housing deficiency revenue budget (now transferred to the Department of Infrastructure) during 2015-16 and beyond.

Insurance Fund

This Fund will be closed at the end of 2015-16, with the ongoing cost of insurance charged instead to the General Revenue Account.

Invest to Save Fund

This Fund, previously known as the Restructuring Fund, as of 1st April 2016 is being rebranded as a new fund to consider up front proposals that generate savings. This new 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.

Land & Property Acquisition Reserve

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

Legal Costs Reserve

The Isle of Man Government has been subject to several large and complex legal cases which have placed a strain on the resources provided for prosecutions by the Attorney General's Chambers. Given the ad hoc nature of these cases, this reserve, which was established in 2005, provides funding to meet the costs of agreed and exceptional legal cases. The high nature of these costs and the reducing balance of this reserve in recent years make this unsustainable. As part of the Medium Term Financial Strategy, a number of costs which are incurred each year and have historically been funded from this reserve, will as of 2016-17 instead be accounted for within the General Revenue Account through the Attorney General Chamber's budget within Executive Government.

Marketing Initiatives Fund

Originally set up in 2005, this Fund is designed to provide financial support for marketing initiatives or projects that promote the Island to various markets and encourage access to business development opportunities. The approved initiatives must be able to demonstrate the generation of clear and definable economic benefits to the Island, and must be time-specific.

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 DHSC staff working in the Island's hospitals.

Seized Assets Fund

This reserve was originally established in 1994, though its remit was extended in 2012. The purpose of this Fund has been to enable the proceeds of drug seizures and other crimes to be applied to counter criminal activities as well as promotion and implementation of community safety initiatives including grant assistance, at Treasury's discretion, to counter the undesirable effects of drugs and alcohol.

Town & Village Centre Regeneration Fund

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