



**Isle of Man
Government**
Reillys Ellan Vannin

Isle of Man **Government Accounts 2020-21**



AUDITED ACCOUNTS

For the Year Ended 31 March 2021

LAID BEFORE TYNWALD BY THE TREASURY



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1 Explanatory foreword

1.1 Introduction

The purpose of this foreword is to offer interested parties a comprehensive guide to the most significant matters reported in these Accounts. These accounts are known as the “Dark Blue Book” and the pages which follow are the audited Isle of Man Government accounts for the year ended 31 March 2021.

1.2 Accounting Changes

The Isle of Man Government introduced the Audit Act 2006 and the Accounts and Audit Regulations 2018 for accounting and financial reporting, and requires the Accounts to be prepared in accordance with any Financial Reporting Standards issued or adopted by the UK. Consequently, the Accounts for the year-ended 31st March 2021 have been prepared in accordance with FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland), as applicable to an Isle of Man entity.

The Accounts are prepared in respect of ‘Central Government’ (comprising Departments, Offices and revenue funded Statutory Boards of Isle of Man Government, as in previous years) and also in respect of the Isle of Man Government Group Accounts (comprising Central Government plus the two non-Revenue Funded Statutory Boards and companies owned by Central Government).

1.3 Financial Highlights and Commentary (Section 2)

The financial commentary is intended to provide a quick guide to the Government’s annual transactions and its year end position.

1.4 Statement of Responsibilities (Section 3)

This sets out the respective responsibilities for preparing the Accounts.

1.5 Statement on Internal Control (Section 4)

This is a statement by the Chief Financial Officer describing the Government’s arrangements for ensuring strong governance and internal control, the progress made in addressing issues identified by this process previously and areas where improvements are planned.

1.6 Report of the Independent Auditor (Section 5)

The Independent Auditor reports on whether, in their opinion, the Accounts have been properly prepared in accordance with the Accounts and Audit Regulations 2018 and comply with the requirements of all other enactments applicable to the Accounts.

1.7 Income and Expenditure Account (Sections 6.1- 6.3)

The Income and Expenditure Account shows in summary form all of the Government’s annual income and expenditure, in accordance with United Kingdom Accounting Standards as applicable to an Isle of Man entity, and the consequent surplus or deficit which has arisen during the year. It reports the cost for the year of the major services undertaken by the Government and compares that cost with the finance provided by Treasury income.

The income and expenditure for the year has been presented in accordance with the source of the voted income and the Government Department responsible for the expenditure.

1.8 Statement of Total Movement on the General Revenue Account Balance (Section 6.4)

This shows the surplus or deficit on the Income and Expenditure Account adjusted for the additional amounts which are required by statute and non-statutory proper practices to be charged and credited to the General Revenue Account in determining the movement on the General Revenue Account balance for the year. Examples of such transactions include adjustments in respect of fixed assets and pension, and transfers from the Net General Revenue Account to other external and internal reserve funds which are not included within the Income and Expenditure Account.



1.9 Statement of Comprehensive Income (Section 6.5)

The Statement of Comprehensive Income shows all gains and losses recognised by Government during the year which are not reflected in operating performance within the Income and Expenditure Account, such as revaluation of certain property and infrastructure assets and unrealised gains or losses on investments.

1.10 Balance Sheet (Section 6.6)

This statement is fundamental to understanding Government's year-end financial position as it reflects the balances in the Accounts of the Treasury. It does not generally attempt to place market values on the assets, although the value of Long Term Investments and certain Fixed Assets are revalued from their original cost. The amount of "Total Net Assets" does not reflect any liability associated with the National Insurance Fund Investments (future social security obligations).

1.11 Cash Flow Statement (Section 6.7)

The Cash Flow Statement provides information about the changes in cash and cash equivalents for the reporting period, showing separately changes from operating activities, investing activities and financing activities.

1.12 Statement of Changes in Equity (Section 6.8)

The Statement of Changes in Equity presents the surplus or deficit for the reporting period, other comprehensive income, the effects of changes in accounting policies, corrections of material errors recognised in the period and the other movements in reserves.

1.13 Notes to the Accounts (Section 7)

The Notes to the Accounts record additional information that is either required to explain the summary information provided in the Accounts, or assist in explaining other information contained within the Accounts. The Notes include details of further information, the remuneration statement and any specific required year end information, including:

- Accounting Policies: this statement explains the basis upon which the figures in the Accounts have been prepared. The Accounts can only be properly appreciated if the policies which have been followed in dealing with material items are explained.
- Analysis of Treasury Income: detailed analysis of Customs and Excise, Income Tax, Social Security Income and Other Treasury Income which are included in summary form in the Income and Expenditure Account.
- Investments and Internal Reserves: detailed analysis of Government's Funds including balances brought forward, movements during the year, the balances carried forward and the associated year end market values.
- Employee Pension Liabilities: estimated liabilities in respect of employee pension schemes (as opposed to state benefit pension commitments) together with movements during the year and key assumptions used to prepare the estimates.

1.14 Reconciliation of Expenditure of Departments and Other Bodies (Section 8)

These statements provide a reconciliation of the expenditure of the individual Departments and other bodies which appear in the Income and Expenditure Account. The Central Government General Revenue budget is prepared on a different basis from the requirements of United Kingdom Accounting Standards as applicable to an Isle of Man Entity, which is appropriate and necessary for reporting purposes.

A more detailed analysis of Department expenditure is presented within the Detailed Government Accounts (Tynwald document number GD2021/0060).



1.15 Consolidated Loans Fund (Section 9)

Certain expenditure of a long term nature is funded from the Consolidated Loans Fund, enabling the expenditure to be defrayed against the General Revenue budget over a number of years. These statements provide details of funding made available to Departments during the year, how this funding has been financed and details of advances and repayments made during the year. Aggregate balances for loans made to external bodies are also presented.

1.16 Additional Information

Throughout the document, reference is made to the Detailed Government Accounts, which are unaudited accounts published in July 2021. Known as the 'Light Blue Book', these accounts are published informally as a source of management information, containing a more detailed version of the Government's Accounts, comparing actual income and expenditure to the budgeted figures.

Information from the Detailed Government Accounts is the basis for these Accounts which then have certain adjustments applied to ensure compliance with the current relevant accounting standard (FRS102).

The Detailed Government Accounts can be found on the Government website:

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

S De-Yoxall, FCCA

Chief Accountant, Treasury

Date: 1.9.21



2 Financial Highlights and Commentary

2.1 Introduction

This section is intended to provide a quick guide to the Government’s annual transactions and its year end position. The graphs included within the commentary add further information and give a visual impression of the relative sizes of the Income and Expenditure Account components.

The commentary is split between Central Government Accounts (comprising Departments, Boards and Offices funded from the General Revenue Account) and Group Accounts (which also include the two non-revenue funded Statutory Boards and eight companies owned by Central Government).

2.2 Financial Highlights

FINANCIAL HIGHLIGHTS - GROUP					
		2020-21 £000	2019-20 £000	Variance £000	Comments
REVENUE					
Operating Income		1,182,140	1,267,452	(85,312)	Operating Income is lower than prior year largely due to the impact of COVID-19 on taxation revenues from VAT and Income Tax receipts and a best estimate provision against the position on the FERSA.
Operating Expenditure		(1,177,032)	(1,244,459)	67,427	Operational Departmental spending is down by £15.9m, details of which can be found in section 6 of the Detailed Government Accounts. Accounting adjustments have reduced by £51.6m for 2020/21 partly due to COVID-19 accruals being applied directly in the Detailed Government Accounts.
Other Income and Expenditure		135,593	(254,372)	389,965	The increase to Other Income and Expenditure is a result of the unrealised gain on investments of £224m. In 2019/20 there was an unrealised loss on investments of £118m.
Surplus / (Deficit) for the year		140,701	(231,378)	372,079	The surplus in 2020/21 is a result of a combination of improved interest income of £10.2m, a £6m gain on forward contracts and an unrealised gain on investments of £224m. In 2019/20 Interest income was £0.9m, forward contracts showed a loss of £13.4m and there was an unrealised loss on investments of £118m.
CAPITAL					
Income		68,020	65,653	2,367	Capital Income is slightly higher in 2020/21 compared to 2019/20 due to capital receipts amounting to £3.3m. Capital receipts were much lower at £0.5m in 2019/20.
Expenditure		(71,595)	(71,648)	53	Capital expenditure has stayed broadly the same in 2020/21 as 2019/20. The capital budget for 2020/21 was £159m which represents 45% delivery compared to 54% in 2019/20. The delivery of capital projects was impacted by COVID-19 lockdowns during the year.
EXTERNAL RESERVES					
Market Value		1,717,026	1,528,570	188,456	During 2020/21 the market value of investments recovered from the position in 2019/20 which was heavily impacted by the fall in the stock market at the 2019/20 year end. The improved position includes planned drawdowns to internal accounts amounting to £64.6m.
Investment Income		31,813	39,440	(7,627)	



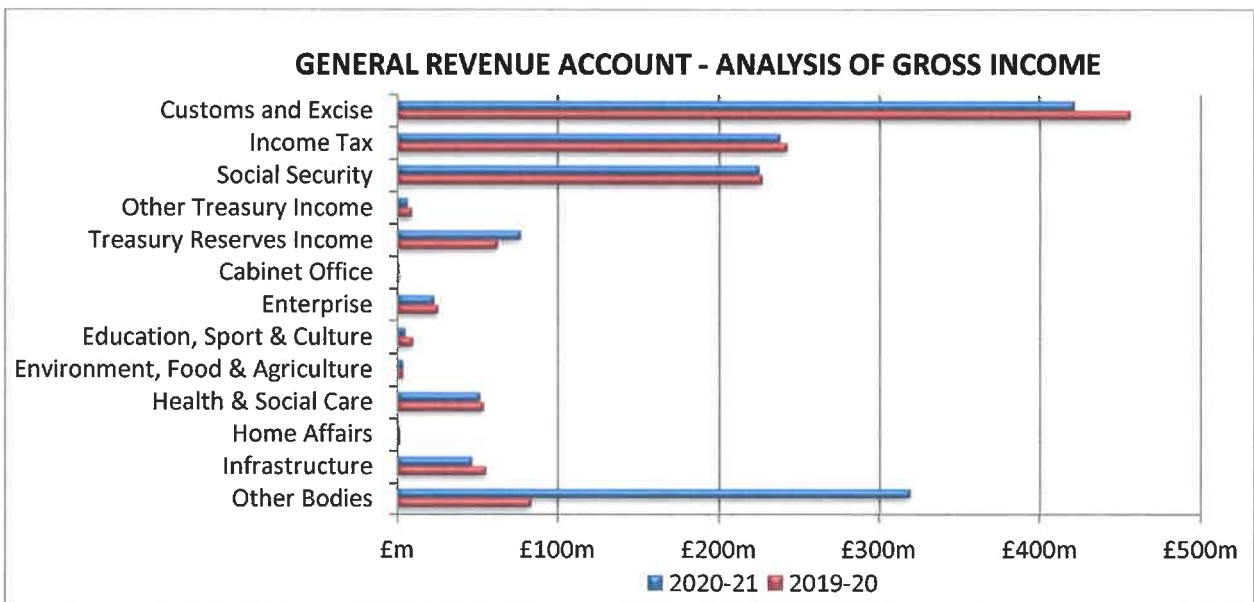
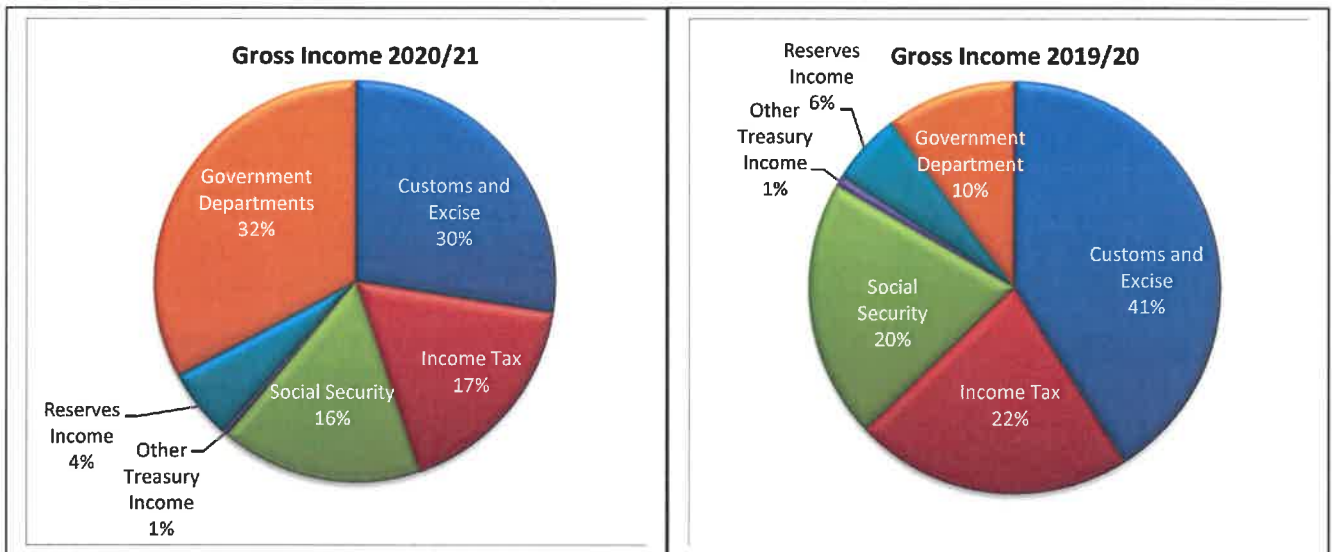
2.3 Central Government

2.3.3 Income

Compared to the Detailed Government Accounts, income is adjusted to include the income from reserves, and to adjust the income within Tax and Customs on an accruals basis rather than cash basis.

Gross income from all sources at £1,399.1 million (2019/20: £1,235.3 million) was above 2019/20 but below the budgeted figure due to the impact of the COVID-19 pandemic on income tax income and customs and excise income. Reduced income tax and customs and excise income was offset from the inclusion of reserves income amounting to £56.3 million (2019/20 £63.1 million). An unrealised gain on investments of £233.8 million (2019/20 unrealised loss on investments of £123.5 million) has reduced the impact of the lower receipts and is a result of the recovery of the stock market movements resulting from the COVID-19 pandemic in March 2020.

Within operating income the larger movements were in Customs and Excise income (down £34 million on 2019/20), Income Tax income (down £5 million on 2019/20) and Treasury Reserves income has reduced compared to prior year by £6.8m (taking the total to £56.3m in 2020/21).





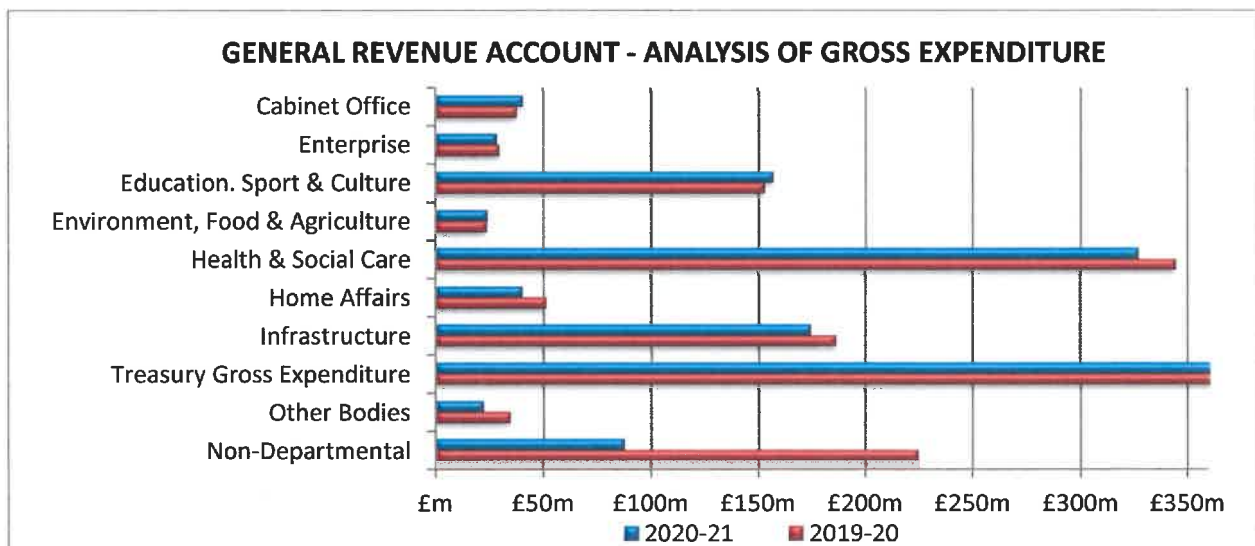
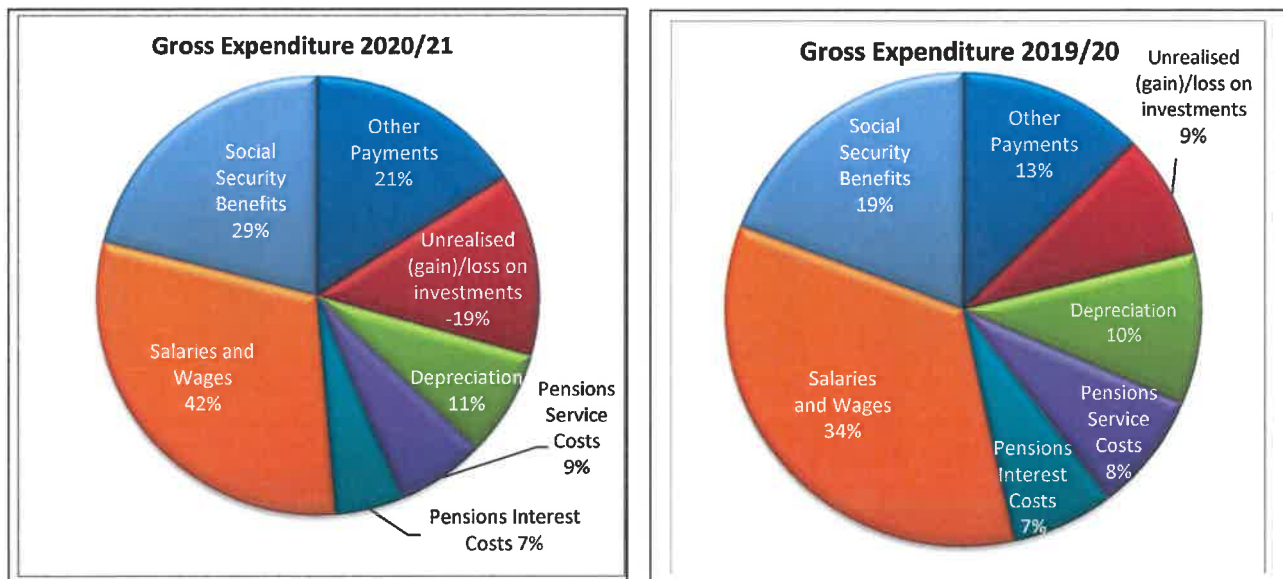
2.3.4 Expenditure

Compared to the Detailed Government Accounts, expenditure within these Accounts is higher due to the inclusion of depreciation charges and actuarial pension costs (as opposed to net pension payments made). Depreciation charges exceed their loan charge equivalents due to the revaluation of significant fixed asset groups above their historical costs.

FRS102 requires that unrealised gains or losses on investments are included within the Income and Expenditure Account. This has had quite a significant impact. In 2020/21 there was an unrealised gain of £233.8 million (reported as income), in 2019/20 there was an unrealised loss of £123.5 million (reported as expenditure).

Gross expenditure was £1,261.8 million (2019/20: £1,456.9 million). Department expenditure now includes a contribution for employee pension costs although that is reported as income within Executive Government and is therefore just a change to internal presentation.

Pension interest costs included were £86 million (2019/20: £100 million; see note 7.24.6) and this reflects the estimated impact of inflation on existing pension liabilities between the annual actuarial valuations of the pension scheme liabilities.



The 'Non-Departmental' costs above include the interest cost on the pensions of £86 million (2019/20 £100 million).

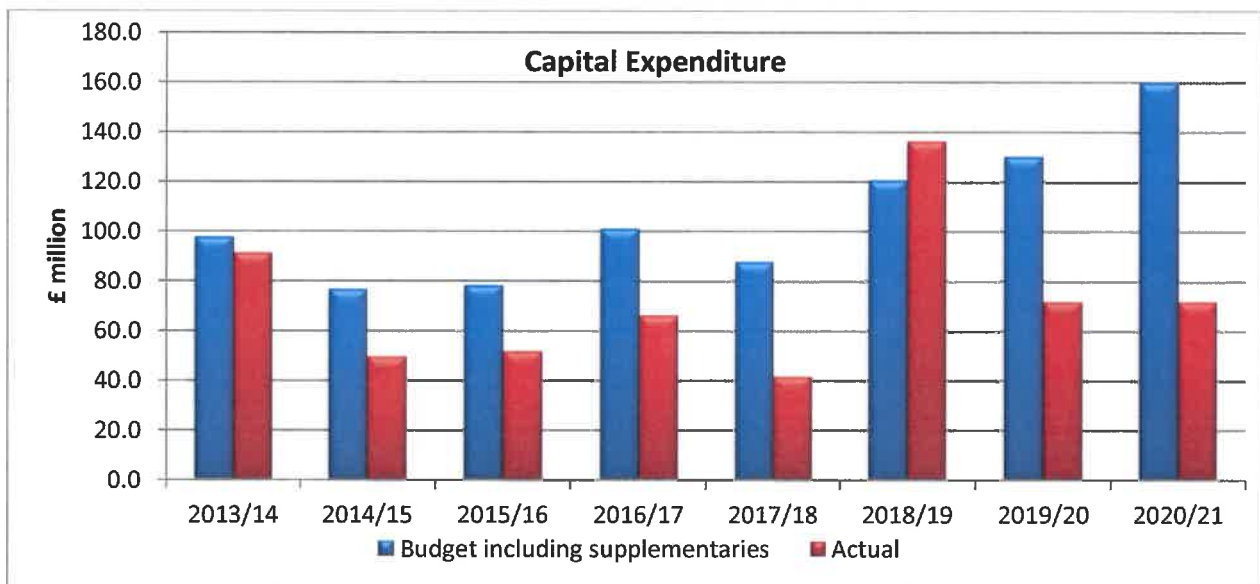


2.3.5 Capital Expenditure

Total capital expenditure for the year was £71.6 million (2019/20: £71.6 million). This compares with the original budget of £159 million (2019/20: £129.7 million).

Supplementary Votes totalling £13.8 million were approved in 2020/21. Of this, the largest approvals included £11.7 million for the Older Persons Residential and Resource Unit East and £1.8 million for the Public Transport Vehicle Replacement Programme.

The use of capital contingency funding was for timing differences where accelerated works were undertaken which will be reduced from budgets in 2021/22. The larger timing differences included works amounting to £0.2 million on the NUIX solution, £0.6 million on Strategic Structural Maintenance, £0.3 million on the Regional Sewer Strategy, £0.2 million on the House Purchase Assistance Scheme, £0.2 million on minor capital works for Public Transport.



	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Budget	78.0	100.8	87.6	120.4	130.0	159.9
Actual	51.6	66.1	41.5	136.1	71.6	71.6
Actual as a % of budget	66%	66%	47%	113%	55%	45%

The balance on the Capital Fund at the end of the year was £845.4 million (2019/20: £829.3 million) and the cash remaining available for capital expenditure was £53.2 million (2019/20: £56.8 million).

Further information on capital and the consolidated loans fund is given in section 9.

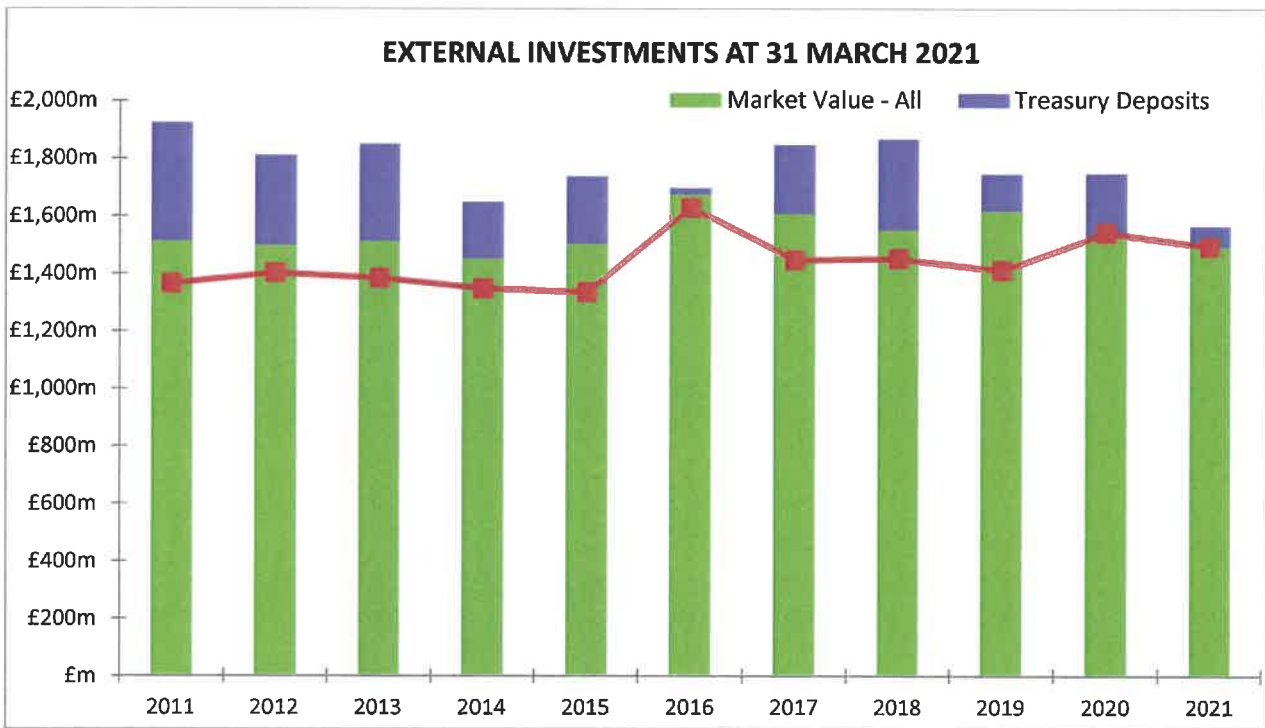


2.3.6 Reserve Funds

Treasury's investment strategies for the larger funds (which are invested by external investment managers) include exposure to equities and, although their market values can and have fluctuated downwards from time to time, the broad and long term trend has been upwards.

In 2020/21 the market value of the investments (net of transfers into and out of the funds) increased by £188.4 million to £1,717.0 million (2019/20: decreased by £88.6 million to £1,528.6 million). See note 7.14.2.

Treasury Deposits decreased by £148.8 million to £71.9 million (2019/20: increased by £90.7 million).



2.3.7 Transfers from Reserve Funds

The surplus for the year excluding reserve fund income was £81 million (2019/20: deficit of £284.8 million).

A transfer of £7 million was made from the Reserve Fund to the General Revenue Account to assist cashflow from the impact of the COVID-19 pandemic (2019/20: nil). During the year there were budgeted transfers totalling £38.7 million to other internal funds (2019/20 £66.75 million).

As a result, the retained balance on the General Revenue Account decreased by £99.1 million to a deficit of £7.1 million (2019/20: increased by £2.1 million to £92.0 million), see page 29.



2.3.8 Other Balances

Fixed Assets (Note 7.10)

The value of tangible fixed assets decreased by £47.4 million to £2,073 million (2019/20: increased by £104.6 million to £2,120.7 million) after depreciation charges of £104.9 million (2019/20: £102.5 million). During the year freehold land and building fixed assets and vehicle, plant and equipment fixed assets with a NBV of £2.8 million were disposed of.

Long Term Debtors (Note 7.16.1)

Long term debtors decreased by £5 million to £522.5 million (2019/20: £527.4 million).

General Revenue Adjustments Account (Note 7.23.2)

The balance on the General Revenue Adjustments Account increased by £0.99 million to £2,368.8 million mainly as a consequence of the movement in fixed assets and in pensions charges (2019/20: decreased by £506.5 million to £1,378.4 million).

Internal Investments (Note 7.23.4)

The value of internal investments decreased by £20.7 million to £78 million (2019/20: increase of £32.3 million to £98.7 million) as a result of £45.7 million of transfers from the General Revenue Account to the reserve funds during the year.

Pension Scheme Liability (Note 7.24.4)

The pension scheme liability in respect of Government pension schemes increased by £1,039 million during the year to £4,789 million (2019/20: decreased by £421 million during the year to £3,750 million), principally due to an actuarial loss of £925 million (2019/20: gain of £566 million).

The actuarial loss is the result of changes in financial assumptions primarily due to the decrease in the real discount rate and the expected increase in future CPI inflation.

COVID-19 Impact Statement (Note 7.34)

On the 11th March 2020, the World Health Organisation declared COVID-19 a pandemic. This continued throughout the 2020-21 financial year and therefore a full impact statement has been included in the notes to these accounts.



2.4 Group Accounts

2.4.1 Contribution from Statutory Boards

The Group Accounts include transactions and balances in respect of the two non-revenue funded Statutory Boards (Manx Utilities Authority [MUA] and Isle of Man Post Office [IOMPO]), and the Government-owned companies (Radio Manx Limited, Laxey Glen Mills Limited, Isle of Man Film Limited, Isle of Man Film (DOI) Limited, Isle of Man Limited, Isle of Man National Transport Limited, Isle of Man Steam Packet Group Limited (previously MIOM) and the Isle of Man Meat Company Ltd).

The combined operational surplus for these bodies was £17.5 million (2019/20: surplus of £33.9 million). The reduced surplus is primarily due to the impact of the COVID-19 pandemic on the Isle of Man Steam Packet Group.

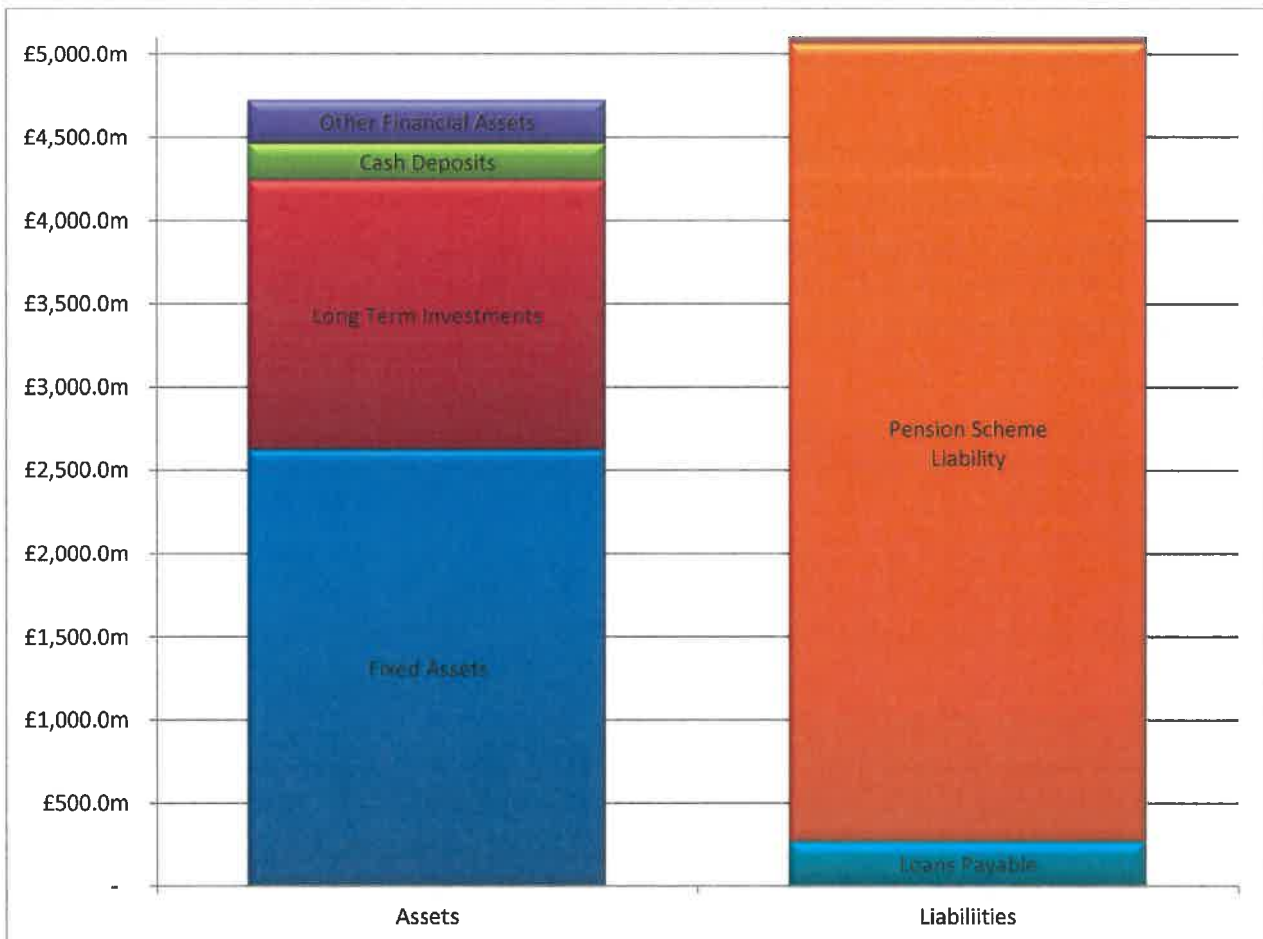
However, the surplus reduces to a net surplus of £11.8 million (2019/20: net deficit of £5.8 million) after taking into account net interest charges of £21.3 million (2019/20: £24.1 million), interest and investment income gains of £10.2 million (2019/20: losses of £3 million) an unrealised gains on forward purchases of £6 million (2019/20: unrealised loss of £13.4 million), an unrealised loss on investments of £1.1 million (2019/20: unrealised gain of £0.7 million).

2.4.2 General Revenue Account

The results of the two non-revenue Statutory Boards and owned companies do not affect the balance on the Government’s General Revenue Account as they are not funded and do not contribute directly to the General Revenue Account (with the exception of the annual dividend to Treasury from the Isle of Man Post Office, which is included with Treasury income). The Isle of Man Post Office will not be providing Treasury with a dividend from 2020/21.

2.4.3 Balance Sheet

The group balance sheet can be summarised as follows:





3 Statement of Responsibilities for the Statement of Accounts

The Treasury's Responsibilities

The Treasury is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. That Officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Treasury and the Chief Financial Officer's Responsibilities

The Treasury and the Chief Financial Officer are responsible for the preparation of the Statement of Accounts.

The Accounts and Audit Regulations 2018 made under the Audit Act 2006 require the Chief Financial Officer to prepare accounts for each financial year in accordance with Financial Reporting Standards issued or adopted from time to time by the Financial Reporting Council in the United Kingdom. The Chief Financial Officer has elected to prepare the financial statements under FRS 102: The Financial Reporting Standard applicable in the UK and Ireland (as applicable to an Isle of Man Entity).

In preparing the Isle of Man Government's accounts, the Treasury and Chief Financial Officer are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the Accounts and Audit Regulations 2018
- assess the Group and Central Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

The Chief Financial Officer is also required to:

- keep proper accounting records which are up to date
- maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- take reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that the Statement of Accounts give a true and fair view of the income and expenditure of Isle of Man Government for the year ended 31 March 2021 and the financial position of Isle of Man Government as at 31 March 2021.

C Randall

Chief Financial Officer. Treasury Department

Date:



4 Statement on Internal Control - Year ended 31 March 2021

4.1 Scope of Responsibility

The Chief Financial Officer is appointed in accordance with the Treasury Act 1985 as the principal financial adviser to the Treasury and acts as the Accountable Officer of the Department. The Chief Financial Officer is responsible for ensuring that Government business is conducted within an adequate system of internal control so as to give a reasonable assurance that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this responsibility, the Chief Financial Officer has received Statements on Internal Control or Assurance Certificates from the Accountable Officers of all parts of Government (being the designated bodies set out in the extract reproduced in the appendix); who have provided assurance that they, and their relevant financial and senior officers, have taken responsibility for having in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal.

In essence, the Statement on Internal Control can be seen as a means of measuring and evidencing the health of the Government in the context of the above obligations.

4.2 The Risk Management and Control Framework

The Government operates a control environment based upon the Civil Service Regulations, the Financial Regulations, a framework of functions and responsibilities delegated to individual officers within detailed job descriptions, codes of conduct and an internal reporting mechanism within each designated body through the relevant senior management teams to each Accountable Officer.

These foundations set the overall framework for internal control, and the particular responsibilities of the Ministers, Members, Accountable Officers, departmental committees, and officers in respect of the:

- accomplishment of established goals and objectives;
- compliance with policies, plans, procedures, law, and other regulations;
- reliability and integrity of management information;
- economical and efficient use of all resources; and
- safeguarding of all assets.

Individual responsibility and accountability for internal control is vested wholly in each individual Accountable Officer.

Treasury maintains a central accounting system through which all financial transactions undertaken by central Government Departments are made. The Manx Utilities Authority and the Isle of Man Post Office maintain their own accounting systems.

4.3 Review of Effectiveness

The Government's systems of internal control are designed to manage rather than eliminate the risk of failing to achieve objectives: they can only provide *reasonable* and not *absolute* assurance. Accordingly, reasonable assurance is given that, except for the matters listed below, the Government's corporate governance arrangements are adequate and operate effectively.

The review of the effectiveness of the Government's internal controls is informed by the work of the management of designated bodies, the Treasury's Audit Advisory Division, the public auditors and by other external inspection bodies. The established audit committees of the Manx Utilities Authority, Isle of Man Post Office, and Financial Services Authority, further enhance control assurance in those organisations. The Statement on Internal Control or Assurance Certificate produced by each designated body is then used as a basis for this Government-wide Statement on Internal Control.



4 Statement on Internal Control - Year ended 31 March 2021 (continued)

4.4 Management Assurances

To inform my review of effectiveness I have considered the views of Accountable Officers and senior managers across Government, who have completed questionnaires which review internal control, risk management and corporate governance arrangements. In providing their assurances the Accountable Officers and managers have given specific consideration to each of the following operating risks within their areas of responsibility:

- business continuity;
- performance management;
- financial management & compliance;
- procurement;
- information management;
- value for money;
- human resources;
- change management;
- health and safety;
- environment; and
- corporate governance.

An Assurance Certificate or Statement on Internal Control for each designated body has been produced, derived from the self-review questionnaires completed for each of its functional areas, and covering each of the specific operating risks listed above. These returns have not identified any material areas of weakness in the Isle of Man Government system of internal control.

4.5 System of Internal Audit

In accordance with the Audit Act 2006, the Government maintains an internal audit system which operates in accordance with the Government Internal Audit Standards.

I am informed by the Director of Audit Advisory Division that the results of the work undertaken during the 2020-21 assurance programme provide adequate (reasonable) assurance on the overall adequacy and effectiveness of the Government's framework of governance, risk management and control; with the exception of the Department of Health and Social Care Acute Services (due to a limitation of scope) and the other issues highlighted below.

In cases where control weaknesses have been previously identified, follow-up reviews have indicated that reasonable action is being taken by management to strengthen relevant internal controls.

Treasury's Audit Advisory Division also maintain a robust system of review in relation to the reporting of Financial Irregularities within Government and it is noted that there have been instances over the period where concerns have been raised over the appropriate application of Treasury's Financial Regulations, in particular those relating to the procurement of goods and services.

In addition, Audit Advisory provide an independent appeal service in relation to Tenders undertaken by Departments and the Attorney General's Chambers. Audit Advisory have also provided an independent review service in relation to rejected applications to the Salary Support Scheme.

The Division have also been involved in advising in the design and development of the COVID-19 Financial Assistance Schemes and in facilitating the co-ordination of counter-fraud measures.



4 Statement on Internal Control - Year ended 31 March 2021 (continued)

4.6 External Reviews

In addition to the internal review processes described above, the Government is subject to external review and assessment, including external audit. Assurance is taken from these external reviews in respect of our adherence to and compliance with applicable international standards.

Government and its operations and governance are also subject to the parliamentary scrutiny of Tynwald. Accordingly, I have given appropriate consideration to any significant issues arising in Tynwald; and in particular to the work of the Standing Committee of Tynwald on Public Accounts; and the three Policy Review standing committees.

Potentially significant issues arising from recent external reviews which I consider to be relevant to this statement include:

- DESC Management & Governance Arrangements (Independent Review by Beamans Management Consultants)

4.7 Key Improvements Made

There have been several significant improvements made to the management of Government's risks:

- The implementation of a command structure to lead the response to the Covid pandemic
- Establishment of the Financial Advisory Service structure to enable greater resilience across the service.

4.8 Planned Areas for Review

There are several significant risk areas that are currently subject to substantial or ongoing review and these include:

- Independent Review of Capacity and Capability, Department of Infrastructure
- Data Protection and in particular compliance with the General Data Protection Regulation
- Procurement policy
- Covid-19 response measures put in place
- the transformation of Isle of Man Health and Social Services

4.9 COVID-19

COVID-19 has impacted on the whole of Isle of Man Government's operations during the year and Business Continuity arrangements have been tested throughout.

The unprecedented situation caused by Covid-19 has required Government to implement policy responses which have required a balance between the need to implement effective actions and the management of risk, for example the reliance on self-certification for access to some financial support schemes. Whilst I am confident that measures have, and continue to be, put in place and that this balance has been struck this does mean that the level of assurance that can be provided is nevertheless limited in that respect.

Financial assistance schemes have continued throughout the period and the increased use of technologies have assisted in the delivery of public services and the management of risk. In addition a series of audit reviews have been undertaken by the Internal Audit function.



4 Statement on Internal Control - Year ended 31 March 2021 (continued)

4.10 Responsibility for System of Internal Control

The continuous review of the effectiveness of the system of internal control is the responsibility of each Accountable Officer; as informed by the Audit Advisory Division of Treasury, external auditors, third party review and self-assessment. Each Accountable Officer must produce and put into effect plans to address control weaknesses when they arise (including those highlighted above) and must ensure continuous improvement of the systems and procedures in place.

Signed: 
C Randall
Chief Financial Officer, Treasury

Appendix

The Isle of Man Corporate Governance Principles and Code of Conduct apply to all "designated bodies" and "departments of Government" within the meaning of the Treasury Act 1985.

The following were "designated bodies" for the purpose of the 2020-21 SIC:

all departments (Cabinet Office; Department of Education, Sport and Culture; Department for Enterprise; Department of Environment, Food and Agriculture; Department of Home Affairs; Department of Health and Social Care; Department of Infrastructure; and Treasury; that is the bodies established by the Government Departments Act 1987); Note that whilst Treasury is a Department and considered within the scope of the SIC, it is not a designated body within the meaning of the Treasury Act 1985.

all Statutory Boards (the Communications and Utilities Regulatory Authority; Financial Services Authority; Isle of Man Gambling Supervision Commission; Isle of Man Office of Fair Trading; Public Sector Pensions Authority; Isle of Man Post Office; and the Manx Utilities Authority, that is the bodies to whom the Statutory Boards Act 1987 applies);

any other body or authority (other than a local government body) constituted by any enactment for any purposes involving the expenditure of public moneys or the receipt of public moneys for the purposes of that body or authority or for the public revenue. For example Manx National Heritage or the Financial Intelligence Unit; and

any other body designated as such for the purposes of the Treasury Act 1985 by order of the Council of Ministers.

For the purposes of this document, the term "department of Government" includes the: Attorney General's Chambers, General Registry, Isle of Man Information Commissioner, Industrial Relations Service, Road Traffic Licensing Committee and Veterans' Welfare Service.



5 Report of the Independent Auditor to the Treasury Department of the Isle of Man Government for the year ended 31 March 2021

Opinion

Our opinion on the financial statements in unmodified.

We have audited the Accounts of the Isle of Man Government for the year ended 31 March 2021 which comprise the Income and Expenditure Account (Group and Central Government), the Statement of Total Movement on the General Revenue Account Balance (Group and Central Government), the Statement of Comprehensive Income (Group and Central Government), the Balance Sheet (Group and Central Government), the Cash Flow Statement (Group and Central Government), the Statement of Changes in Equity (Group and Central Government) and the notes to the financial statements, including a summary of significant accounting policies. Central Government Accounts comprise Departments, Offices and revenue-funded Statutory Boards of the Isle of Man Government. Group Accounts comprise Central Government plus the two non-revenue funded Statutory Boards and companies owned by the Isle of Man Government.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- give a true and fair view of the state of the Group and Central Government's affairs as at 31 March 2021 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with applicable law including the requirements of the Accounts and Audit Regulations 2018 made under the Audit Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Central Government in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group and Central Government's future operational arrangements.

Covid-19 is amongst the most significant economic events currently faced by the Isle of Man which has had a significant impact on the results of the Group and Central Government in the year to 31 March 2021. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group and Central Government's future operational arrangements. However, no audit should be expected to



predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Conclusions relating to going concern

In auditing the accounts, we have concluded that the Treasury Department and Chief Financial Officer's use of the going concern basis of accounting in the preparation of the accounts is appropriate.

In our evaluation of the Treasury Department and Chief Financial Officer's conclusions that the Group and Central Government's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Group and Central Government's operating activities, including effects arising from macro-economic uncertainties such as Covid-19. We analysed how those risks might affect the Group and Central Government's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

Our responsibilities and the responsibilities of the Treasury and Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict with certainty all future events or conditions and as any subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report cannot be viewed as a guarantee that the Group and Central Government will continue as a going concern.

Matters on which we are required to report by exception

In accordance with section 6(2) of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where in relation to the accounts we:

- are not satisfied as to any of the matters specified in section 4(1) of the Audit Act 2006; or
- consider that any matter specified in section 4(2) of the Audit Act 2006 is contrary to law; or
- consider that the relevant body has failed in any respect mentioned in section 4(3) of the Audit Act 2006

With regard to section 4(3) of the Audit Act 2006, recommendations in respect of internal controls matters identified during the course of our audit are reported to the Group and Central Government in a separate controls report.

Except as noted above, we have nothing to report in respect of the matters we are required to report by exception.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of Group and Central Government's business and is risk-based. Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group and Central Government's system of internal control, and assessing the risk of material misstatement at the Group and Central Government level.

Our audit work covered the whole of the Group. The audit work at the subsidiary entities were executed at levels of materiality applicable to each individual entity which were lower than group materiality. Full scope audits were performed on all material subsidiary entities.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had



the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Accounts as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of revalued property</p> <p>As detailed in Note 7.10 the Group holds Freehold Land & Buildings with a total net book value of £1,115M at 31 March 2021.</p> <p>The determination of the fair value of the Freehold Land and Buildings is considered to be a significant judgement as detailed in Note 7.2 and we therefore consider this to be a significant audit risk and key audit matter.</p> <p>The Group engages an internal valuer to conduct the valuation on a 3-5-year cycle. The valuer, although an employee of the Isle of Man Government, is independent of the Accounts preparation process. Where there is market for property types, fair value has been determined by comparable transaction date and utilising the income method of valuation. Due to the nature of the some of the assets held by the Group valuations are carried out on a Value -In-Use or Depreciated Replacement Cost basis where applicable. The valuations require the valuer to make significant professional judgements in relation to the individual properties and are carried out in line with the 'Red Book' issued by the Royal Institution of Chartered Surveyors (RICS) in the United Kingdom. A 'Manx Factor' is then added to account for additional costs in relation to shipping building materials to the Isle of Man.</p> <p>Any unreasonable judgements made could result in a material misstatement of both the Group and Central Government's Income and Expenditure Account and Balance Sheet.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> - Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work - Considered the competence, expertise and objectivity of management experts used - Discussed with valuer the basis on which the valuation is carried out and challenged the key assumptions used - Reviewed the information used by the valuer to ensure it is robust and consistent with our understanding and that the information provided agrees to underlying records - Agreed the revaluations made during the year to the Central Government's fixed asset register - Evaluated the assumptions used by management for those assets not revalued during the year and how management has satisfied themselves that the value of these assets is not materially different to current value.
<p>Key observations</p>	
<p>As a result of our work, we concluded that the valuation of Freehold Land and Buildings is appropriate.</p>	
<p>Valuation of the Defined Benefit Pension Scheme Liability</p>	



As detailed in Note 7.24 the Group has several defined benefit pension schemes across Central Government and subsidiary entities. The total Group liability as at 31 March 2021 is £4,801M.

The determination of this liability is considered to be a significant judgement as detailed in Note 7.2 and we therefore consider this to be a significant audit risk and key audit matter.

The Group engages an independent actuarial expert (Hymans Robertson for the Central Government, Buck for the Isle of Man Post Office and Mercer for The Isle of Man Steam Packet Group Limited) to determine the liability at the year end. This valuation considers key assumptions agreed with management and changes in the membership profile of the scheme. Any unreasonable judgements made could result in a material misstatement of the Income and Expenditure Account, Statement of Comprehensive Income and Balance Sheet.

Our audit work included, but was not restricted to, the following:

- Obtained an understanding of the methodology and assumptions used in the valuation of the defined benefit scheme liability
- Assessed the competence, capabilities, and objectivity of the actuaries
- Carried out a broad range of reasonableness checks on the actuary's figures, evaluated if the methodology, assumptions, and results fit together as a whole
- Reviewed the reasonableness of the underlying assumptions made by the actuary such as key inputs and components to ensure they are in line with the requirements of FRS 102
- Reviewed the disclosures in the financial statements

Key observations

As a result of our work, we concluded that the valuation of the defined benefit pension scheme liability is appropriate.

Our application of materiality

We define materiality as the magnitude of a misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality measure	Group	Central Government
Financial statements as a whole	£25.8M which equates to 2% of Group total expenses. This benchmark was considered the most appropriate given that the Central Government's objective is to spend money to provide services to the residents of the Isle of Man and raising tax to fund those services. The objective of the subsidiary entities is also to be profitable. However, in the current year the Group Accounts show a deficit	£21.4M which equates to 2% of Central Government total expenses. This benchmark was considered the most appropriate given that the Central Government's objective is to spend money to provide services to the residents of the Isle of Man and raising tax to fund those services. This materiality was based on draft figures and was not updated to the final Accounts as we did not consider



	before interest and therefore expenses were considered more appropriate than income. This materiality was based on draft figures and was not updated to the final Accounts as we did not consider these adjustments to have a material impact on materiality.	these adjustments to have a material impact on materiality.
Performance materiality to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the Treasury Department	£1,070K and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the Accounts.	£1,070k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the Accounts.

Other information

The Treasury Department of the Isle of Man Government is responsible for the other information. The other information comprises the information included in the Accounts set out on pages 3 to 17, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of The Treasury and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the Treasury and the Chief Financial Officer are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view, and for such internal control as the Treasury and the Chief Financial Officer determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasury and Chief Financial Officer are responsible for assessing the Group and Central Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group or Central Government intends to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- The Isle of Man Government is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including FRS 102 and the requirements of the Accounts and Audit Regulations 2018 made under the Audit Act 2006. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- We understood how the Group and Central Government is complying with those legal and regulatory frameworks by, making inquiries to management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of minutes and documents provided to the board.
- We assessed the susceptibility of the Group and Central Government's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - identifying and testing journal entries, in particular any unusual journal entry postings.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Use of our report

This report is made solely to the Treasury Department of the Isle of Man Government, as a body, in accordance with section 6 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Treasury Department of the Isle of Man Government those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Treasury Department of the Isle of Man Government, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Grant Thornton Limited

Douglas
Isle of Man

Date: *1 September 2021*



6 Statement of Accounts

6.1 Income and Expenditure Account – Reconciliation

INCOME & EXPENDITURE ACCOUNT RECONCILIATION							
A	2020-21						
	Detailed Government Accounts B £000	Adjustments				Consolidation F £000	Government Audited Accounts G £000
		Fixed Assets C £000	Pensions D £000	Other E £000			
Treasury Department							
Customs and Excise	328,440	-	-	93,385	-	421,825	
Income Tax	234,981	-	-	2,744	-	237,725	
Social Security	224,550	-	-	-	-	224,550	
Other Treasury Income	6,632	-	-	(147)	-	6,485	
Treasury Reserves Income	-	-	-	56,329	-	56,329	
Total Treasury Income	794,603	-	-	152,311	-	946,914	
Other Departments							
Cabinet Office	(33,354)	232	(5,644)	(619)	-	(39,385)	
Enterprise	(1,316)	(676)	(3,053)	(109)	-	(5,154)	
Education, Sport & Culture	(114,172)	(12,547)	(24,723)	(204)	-	(151,646)	
Environment, Food & Agriculture	(17,068)	(488)	(2,809)	(88)	2,000	(18,453)	
Health & Social Care	(225,906)	(6,373)	(42,223)	(751)	-	(275,253)	
Home Affairs	(38,037)	7,377	(8,165)	31	-	(38,794)	
Infrastructure	(68,743)	(49,256)	(13,041)	3,383	-	(127,657)	
Treasury Gross Expenditure	(341,734)	395	(5,818)	(13,487)	(1,512)	(362,156)	
	(840,330)	(61,336)	(105,476)	(11,844)	488	(1,018,498)	
Other bodies							
Executive Government	(11,318)	-	80,811	(109)	-	69,384	
Statutory Boards (Revenue Funded)	952	(191)	(2,347)	(103)	-	(1,689)	
	(10,366)	(191)	78,464	(212)	-	67,695	
Expenses of the Legislature	(4,334)	264	(988)	(30)	-	(5,088)	
Net Voted Income/(Expenditure)	(60,427)	(61,263)	(28,000)	140,225	488	(8,977)	
Statutory Boards (Non-Revenue Funded)							
Isle of Man Post Office	-	-	-	-	1,675	1,675	
Manx Utilities Authority	-	-	-	-	25,742	25,742	
	-	-	-	-	27,417	27,417	
Owned Companies							
Laxey Glen Mills Limited	-	-	-	-	(19)	(19)	
Radio Manx Limited	-	-	-	-	(958)	(958)	
Isle of Man Steam Packet Group	-	-	-	-	(10,258)	(10,258)	
Isle of Man Meat Company Ltd	-	-	-	-	(2,096)	(2,096)	
	-	-	-	-	(13,332)	(13,332)	
Interest payable and similar charges	-	-	(86,000)	(1,354)	(17,331)	(104,685)	
Interest and investment income	-	-	-	-	10,227	10,227	
Gain on forward purchases	-	-	-	-	6,008	6,008	
Debt reduction – MUA	-	-	-	-	524	524	
Unrealised gain on investments	-	-	-	223,519	-	223,519	
Total Surplus/(Deficit)	(60,427)	(61,263)	(114,000)	362,390	14,001	140,701	
Depreciation of fixed assets	-	132,844	-	-	-	132,844	
Amortisation of intangible assets	-	30	-	-	5,683	5,713	
Net loss on disposal of fixed assets	-	5,045	-	-	-	5,045	
Net charges made for retirement benefits	-	-	114,000	-	-	114,000	
Unrealised gain on investments	-	-	-	(223,519)	-	(223,519)	
Other adjustments	-	-	-	(89,512)	-	(89,512)	
Loan Charges for Capital Financing	-	(37,829)	-	-	-	(37,829)	
Net Capital Expenditure charge in-year	-	(10,940)	-	-	-	(10,940)	
Net transfer to earmarked reserves	-	-	-	(121,629)	(14,001)	(135,631)	
Increase/(Decrease) in General Revenue Account	(60,427)	27,887	-	(72,270)	5,683	(99,127)	



6.1 Income and Expenditure Account – Reconciliation (continued)

All results derive from continuing activities. The Notes on pages 34 to 94 form part of these Accounts.

Notes:

- i. Column B shows the amounts originally reported in the Detailed Government Accounts (GD 2021/0060) in July 2021, showing the Deficit of £60.427 million.
- ii. Column C shows the adjustments applied to Department expenditure in respect of fixed assets.
- iii. Column D shows the adjustments applied to Department expenditure in respect of pension costs.
- iv. Column E shows the adjustments applied to Department net expenditure in respect of other adjustments required to comply with Accounting Standard FRS102. The main adjustments are recognising total income from Government reserves and inclusion of certain amounts which will be repayable (debts) to Government.
- v. Column F shows the adjustments in respect of the additional bodies included with the audited Government Accounts and adjusts gross expenditure where one part of Government is paying another part of Government, to avoid double counting of income and expenditure.
- vi. Column G shows the adjusted amounts presented in the Group Income and Expenditure Account shown on page 28.
- vii. The adjustments shown in Columns C, D, E and F are reversed in the Statement of Total Movement on the General Revenue Account Balance on page 30 of the audited Government Accounts, to result in the 'Increase/(decrease) in General Revenue Account balance', the resultant deficit for the year of £99.1 million.



6.2 Income and Expenditure Account – Group

INCOME & EXPENDITURE ACCOUNT					
	Note	Group			
		2020-21			2019-20
		Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
Treasury Department					
Customs and Excise	7.3.1	-	421,825	421,825	456,146
Income Tax	7.3.2	-	237,725	237,725	242,685
Social Security	7.3.3	-	224,550	224,550	226,980
Other Treasury Income	7.3.4	-	6,485	6,485	9,324
Treasury Reserves Income	7.3.5	-	56,329	56,329	63,130
Sub-Total Treasury Income		-	946,914	946,914	998,265
Government Departments					
Cabinet Office		(40,396)	1,011	(39,385)	(36,369)
Enterprise		(28,215)	23,061	(5,154)	(3,823)
Education, Sport & Culture		(156,848)	5,202	(151,646)	(143,088)
Environment, Food & Agriculture		(22,150)	3,697	(18,453)	(17,982)
Health & Social Care		(327,171)	51,918	(275,253)	(290,039)
Home Affairs		(40,040)	1,246	(38,794)	(49,930)
Infrastructure		(174,663)	47,006	(127,657)	(130,429)
Treasury Gross Expenditure		(362,156)	-	(362,156)	(382,269)
Sub-total Government Departments		(1,151,639)	133,141	(1,018,498)	(1,053,929)
Other Bodies					
Executive Government		(5,311)	74,695	69,384	58,979
Manx Museum and National Trust		-	-	-	(5,200)
Statutory Boards (Revenue Funded)		(11,856)	10,167	(1,689)	(1,585)
Sub-total Other Bodies		(17,167)	84,862	67,695	52,194
Legislature		(5,152)	64	(5,088)	(4,780)
Sub-total Central Government	7.4.2	(1,173,958)	1,164,981	(8,977)	(8,250)
Statutory Boards (Non-Revenue Funded)					
Isle of Man Post Office		-	1,675	1,675	(514)
Manx Utilities Authority		-	25,742	25,742	20,308
		-	27,417	27,417	19,794
Owned Companies					
Isle of Man Film Limited		-	-	-	-
Laxey Glen Mills Limited		(19)	-	(19)	(33)
Radio Manx Limited		(958)	-	(958)	(962)
Isle of Man Steam Packet Group		-	(10,258)	(10,258)	14,421
Isle of Man Meat Company Ltd		(2,096)	-	(2,096)	(1,976)
		(3,073)	(10,258)	(13,332)	11,450
(Deficit)/Surplus before Interest		(1,177,032)	1,182,140	5,108	22,994
Interest payable and similar charges	7.7	(104,685)	-	(104,685)	(121,946)
Interest and investment income		-	10,227	10,227	(894)
Debt Reduction		-	524	524	-
Gain/(loss) on forward purchases		-	6,008	6,008	(13,392)
Unrealised gain/(loss) on investments		-	223,519	223,519	(118,140)
Surplus/(Deficit) for the year		(1,281,717)	1,422,418	140,701	(231,378)

All results derive from continuing activities. The Notes on pages 34 to 94 form part of these Accounts.



6.3 Income and Expenditure Account – Central Government

Income and Expenditure Account					
	Note	Central Government			
		2020-21			2019-20
		Gross Spend £000	Gross Income £000	Net (Spend)/ Income £000	Net (Spend)/ Income £000
Treasury Department					
Customs and Excise	7.3.1	-	421,825	421,825	456,146
Income Tax	7.3.2	-	237,725	237,725	242,685
Social Security	7.3.3	-	224,550	224,550	226,980
Other Treasury Income	7.3.4	-	6,485	6,485	9,324
Treasury Reserves Income	7.3.5	-	56,329	56,329	63,130
Total Treasury		-	946,914	946,914	998,265
Other Departments					
Cabinet Office	8.2	(40,396)	1,011	(39,385)	(36,369)
Enterprise	8.2	(28,215)	23,061	(5,154)	(3,823)
Education, Sport & Culture	8.2	(156,848)	5,202	(151,646)	(143,088)
Environment, Food & Agriculture	8.2	(24,150)	3,697	(20,453)	(19,986)
Health & Social Care	8.2	(327,171)	51,918	(275,253)	(290,039)
Home Affairs	8.2	(40,040)	1,246	(38,794)	(49,930)
Infrastructure	8.2	(174,663)	47,006	(127,657)	(130,429)
Treasury Gross Expenditure	8.2	(360,644)	-	(360,644)	(370,769)
Sub-total Government Departments		(1,152,127)	133,141	(1,018,986)	(1,044,433)
Other bodies					
Executive Government	8.2	(5,311)	74,695	69,384	58,979
Manx Museum and National Trust	8.2	-	-	-	(5,200)
Statutory Boards (Revenue Funded)	8.2	(11,856)	10,167	(1,689)	(1,585)
		(17,167)	84,862	67,695	52,194
Legislature	8.2	(5,152)	64	(5,088)	(4,780)
Total Expenditure	8.2	(1,174,446)	218,067	(956,379)	(997,019)
Net Voted Income	7.4.2	(1,174,446)	1,164,981	(9,465)	1,246
Surplus before Interest		(1,174,446)	1,164,981	(9,465)	1,246
Interest payable and similar charges	7.7	(87,354)	-	(87,354)	(101,474)
Interest and investment income		-	346	346	2,076
Unrealised gain/(loss) on investments		-	233,789	233,789	(123,534)
Surplus / (Deficit) for the year		(1,261,800)	1,399,116	137,316	(221,686)

All results derive from continuing activities. The Notes on pages 34 to 94 form part of these Accounts.



6.4 Statement of Total Movement on the General Revenue Account Balance

MOVEMENT ON THE GENERAL REVENUE ACCOUNT BALANCE				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Amounts included in the Income and Expenditure Account but required to be excluded when determining the movement on the General Revenue Account balance for the year				
- Depreciation and impairment of fixed assets	132,844	137,527	104,940	102,518
- Amortisation of Other Intangible Assets	5,713	13,184	47	303
- Net (gain) or loss on disposal of fixed assets	5,045	-	5,045	-
- Net charges made for retirement benefits	114,000	145,000	114,000	145,000
- Unrealised (gain)/loss on investments	(223,519)	118,140	(233,789)	123,534
- Other adjustments	(89,512)	9,563	(89,512)	9,563
	(55,428)	423,413	(99,269)	380,918
Amounts not included in the Income and Expenditure Account but required to be included when determining the movement on the General Revenue Account balance for the year				
- Loan Charges for Capital Financing	(37,829)	(39,685)	(37,829)	(39,685)
- Net Capital Expenditure charge in-year to the General Revenue Adjustment Account	(10,940)	(583)	(10,940)	(584)
	(48,769)	(40,269)	(48,769)	(40,269)
Transfers that are required to be taken into account when determining the movement on the General Revenue Account balance for the year				
- Net transfer to reserves	(135,631)	(149,624)	(88,405)	(116,821)
	(135,631)	(149,624)	(88,405)	(116,821)
Net additional amount required to be credited / (charged) to the General Revenue Account balance	(239,828)	233,520	(236,443)	223,828
Surplus/(Deficit) for the year on the Income and Expenditure Account	140,701	(231,378)	137,316	(221,686)
(Decrease)/increase in General Revenue Account balance for the year	(99,127)	2,142	(99,127)	2,142
- General Revenue Account balance brought forward	92,043	89,902	92,043	89,902
General Revenue Account balance carried forward	(7,084)	92,043	(7,084)	92,044

The Notes on pages 34 to 94 form part of these Accounts.



6.5 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME					
	<i>Note</i>	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
		£000	£000	£000	£000
Income and Expenditure Account – surplus/(deficit) for the year		140,701	(231,378)	137,316	(221,686)
Other Comprehensive Income:					
- Surplus on revaluation of fixed assets	<i>7.10</i>	6,143	152,616	6,143	151,302
- Unrealised investment (losses)/gains		(10,214)	5,331	-	-
- Re-measurement of net defined benefit obligation	<i>7.24.8</i>	(925,729)	563,741	(925,000)	566,000
Total other comprehensive income for the year		(929,800)	721,688	(918,857)	717,302
Total comprehensive income for the year		(789,099)	490,310	(781,541)	495,616

The Notes on pages 34 to 94 form part of these Accounts.


6.6 Balance Sheet

BALANCE SHEET					
	Note	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
		£000	£000	£000	£000
Long Term Assets					
Fixed Assets	7.10	2,548,613	2,600,368	2,073,256	2,120,670
Intangible Assets	7.10.5	75,242	77,872	813	452
Investment Property		950	1,000	-	-
Long Term Investments	7.14.1	1,615,149	1,426,892	1,663,901	1,475,644
Long Term Debtors	7.16.1	19,398	22,162	522,463	527,485
		4,259,352	4,128,294	4,260,433	4,124,251
Current Assets					
Stocks and Work in Progress	7.17	19,796	15,071	10,509	5,704
Debtors and Prepayments	7.16.2	217,005	117,995	194,091	94,033
Financial Assets	7.22.2	446	619	-	-
Short Term Deposits		156,802	284,781	130,600	254,400
Cash at Bank and in Hand	7.18	65,289	53,723	37,881	14,154
		459,338	472,190	373,081	368,291
Current Liabilities					
Creditors	7.19.1	(147,207)	(101,428)	(122,222)	(69,135)
Finance Debt	7.19.1	(9,461)	(15,968)	(2,176)	(2,049)
Pension Scheme Liability	7.24.3	(2,000)	(500)	-	-
Bank Overdrafts	7.18.1	(1,400)	(1,215)	(1,393)	(1,208)
		(160,068)	(119,111)	(125,791)	(72,392)
Net Current Assets		299,270	353,079	247,290	295,900
Long Term Liabilities					
Loans Payable	7.21.2	(264,544)	(264,363)	(262,750)	(262,522)
Pension Scheme Liability	7.24.3	(4,799,387)	(3,759,972)	(4,789,000)	(3,750,000)
Finance Debt	7.19.2	(30,396)	(41,396)	(19,481)	(21,658)
Deferred Income and Provisions	7.19.2	(30,718)	(25,047)	(12,510)	(11,773)
		(5,125,045)	(4,090,778)	(5,083,741)	(4,045,953)
Total Net Assets/(liabilities)		(566,423)	390,595	(576,018)	374,198
Represented by					
Net General Revenue Account		(7,084)	92,044	(7,084)	92,044
General Revenue Adjustments Account	7.23.2	(2,379,957)	(1,386,569)	(2,368,767)	(1,378,387)
Hospital Estates Development Fund	7.14.5 i	30,023	27,325	30,023	27,325
Manx Currency Account	7.14.5 i	103,369	98,514	103,369	98,514
Media Development Fund	7.14.5 i	17,279	17,089	17,279	17,089
National Insurance Fund	7.14.5 ii	982,785	880,532	982,785	880,532
Public Service Employees Pension Reserve	7.14.5 i	47,522	80,911	47,522	80,911
Reserve Fund	7.14.5 i	448,215	380,504	448,215	380,504
MUA Bond Repayment Fund	7.14.5 i	84,738	69,208	84,739	69,208
Enterprise Development Fund	7.14.5 i	7,903	7,762	7,903	7,762
Internal Funds and Reserves	7.23.5	98,784	123,275	77,998	98,696
		(566,423)	390,595	(576,018)	374,198

The notes on pages 34 to 94 form part of these Accounts.



6.6 Balance Sheet (continued)

The accounts were approved by Treasury on the *1 September 2021* and signed on its behalf by:

Alanne Hon. A L Cannan, Minister for the Treasury

C Randall C Randall, Chief Financial Officer

6.7 Cash Flow Statement

CASH FLOW STATEMENT					
	Note	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
		£000	£000	£000	£000
Net Cash (Outflow)/Inflow from Operating Activities	7.29	(103,398)	198,890	(139,710)	141,934
Cash flow from Investing Activities					
Interest received		25,078	11,471	30,195	30,132
Investment income		48,682	68,958	48,682	68,958
Net (purchases) of investments		32,206	(37,546)	47,852	(40,701)
Payments to acquire tangible fixed assets		(195,210)	(193,654)	(171,592)	(174,915)
Proceeds from disposal of tangible fixed assets		(1,612)	697	(1,710)	511
Repayments		99,987	104,513	99,960	104,513
Deferred income received - customers' contributions		1,184	816	-	-
Net cash generated from investing activities		10,315	(44,745)	53,387	(11,502)
Cash flow from Financing Activities					
Repayment of loan		5,746	(17,507)	-	-
New loan finance arranged		12,648	5,653	-	-
Receipt/ (repayment) of lease finance		(305)	118	2,050	1,930
Interest paid		(24,298)	(14,612)	(14,163)	(14,163)
Net cash generated from / (used in) financing activities		(6,209)	(26,348)	(12,113)	(12,233)
Net increase/(decrease) in cash & cash equivalents		(99,292)	127,797	(98,436)	118,199
Cash and cash equivalents at the beginning of the year		16,418	(111,196)	(18,883)	(137,082)
Exchange gains/(losses) on cash and cash equivalents		(390)	(418)	-	-
Cash and cash equivalents at the end of the year		(83,264)	16,183	(117,319)	(18,883)
Cash and cash equivalents comprises:					
Cash Balances	7.18.1	65,289	53,723	37,881	14,154
Short term deposits (maturity of 3 months or less)		156,802	284,781	130,600	254,400
Bank Overdrafts and Loans Payable	7.18.2	(305,355)	(322,321)	(285,800)	(287,437)
Total		(83,264)	16,183	(117,319)	(18,883)

The Notes on pages 34 to 94 form part of these Accounts.



6.8 Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY - GROUP					
	Net General Revenue Account £000	General Revenue Adjustments Account £000	External Funds £000	Internal Funds and Reserves £000	Total Equity £000
Balance at 31 Mar 19	89,902	(1,881,010)	1,634,234	98,753	(58,121)
2019-20					
Surplus/(Deficit) for the year	68,892	(351,993)	51,191	532	(231,378)
Other Comprehensive Income	-	717,302	-	4,386	721,688
Total Comprehensive Income	68,892	365,309	51,191	4,918	490,310
Transfers	(66,750)	129,132	(123,582)	25,043	(36,157)
Total adjustment during the year	2,142	494,441	(72,391)	29,961	454,153
Balance at 31 Mar 20	92,044	(1,386,569)	1,561,843	128,714	396,032
2020-21					
Surplus/(Deficit) for the year	(60,427)	143,563	51,171	6,392	140,701
Other Comprehensive Income	-	(918,857)	-	(10,945)	(929,802)
Total Comprehensive Income	(60,427)	(775,293)	51,171	(4,553)	(789,101)
Transfers	(38,701)	(218,094)	108,822	(25,377)	(173,349)
Total adjustment during the year	(99,128)	(993,388)	159,993	(29,930)	(962,452)
Balance at 31 Mar 21	(7,084)	(2,379,957)	1,721,836	98,784	(566,420)

The Notes on pages 34 to 94 form part of these Accounts.



7 Notes to the Statement of Accounts

7.1 Accounting Policies

7.1.1 Basis of Preparation

The Statement of Accounts has been prepared on a going concern basis and under the historical cost convention, as modified by the recognition of certain assets and liabilities measured at fair value. The Accounts have been drawn up in accordance with the Audit Act 2006 and the Accounts and Audit Regulations 2018 as representing proper accounting practices, unless superseded by United Kingdom Accounting Standards.

The Accounts have also been prepared in compliance with United Kingdom Accounting Standards as applicable to an Isle of Man Entity, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102). The principal accounting policies applied in presentation of these Statement of Accounts are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of these Statement of Accounts requires the use of certain critical accounting estimates. It also requires Government to exercise its judgement in the process of applying the Group and Central Government accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Statement of Accounts, are disclosed in Note 7.2.

The accounts are prepared using figures extracted from the Government financial systems rounded to the nearest thousand. As a result of this rounding there is the potential for inherent casing errors.

7.1.2 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for the below items:

Direct and indirect taxes, including Customs and Excise, Income Tax and Social Security, are accounted for as income during the year in which the assessments are raised and issued;

Fees, charges and rents due from customers are accounted for as income at the date the Government provides the relevant goods or services;

7.1.3 Interest Income

Interest income is recognised using the effective interest rate method.

7.1.4 Borrowing costs

All borrowing costs are recognised in the Income and Expenditure Account in the period in which they are incurred. Issue costs are expensed over the life of the debt on an effective interest basis.

7.1.5 Tangible Fixed Assets

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets has been capitalised on an accruals basis. Where such expenditure is less than a specified de-minimis level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred. Capital expenditure incurred on fixed assets that does not materially add to the value of those assets is written off to the Income and Expenditure Account. All other tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred.



7.1 Accounting Policies (continued)

7.1.5 Tangible Fixed Assets (continued)

Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land, assets under the course of construction and investment property. Depreciation is calculated from the date of valuation based on the remaining useful economic life of the asset. Where depreciation is provided for, assets are depreciated by applying the straight line method to Balance Sheet values over periods reflecting their estimated useful lives.

The following estimated useful lives are applied:

Depreciation Policy – Tangible Assets	
	Years
Land and Buildings	
Land (freehold)	None
Buildings (freehold)	20-40 years
Land and Buildings (leasehold)	Over period of lease
Vehicles, Plant and Equipment	
Vehicles	5-10 years
Plant – short term	3-9 years
Plant – long term	10-30 years
Specialist	5-10 years
Conventional ferries	30 years
Fast ferries	15 years
Infrastructure Assets	
Impounding Reservoirs	150 years
Coastal Defences	40-60 years
Distribution networks	40-60 years
Highways	10-30 years
Bridges and Constructs	30-40 years
Footpaths and Permanent ways	30 years
Railway Permanent Way	20-40 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each year. The effect of any change is accounted for prospectively.

Revaluation

Certain long term assets and assets without a relevant purchase cost have been valued by suitably qualified valuers within Government. Any gain on revaluation has been applied to the Statement of Other Comprehensive Income. Where valuers are unable to provide a definitive value, for example due to the non-existence of comparable assets or any active market for sale of the assets, the value is determined by the Treasury Department on a best estimate basis, taking into account factors such as replacement costs. Revaluation of fixed assets takes place across each Government Department, on a Department by Department basis. Revaluations shall be made on a three to five year cycle to ensure that the carrying amount does not differ materially from that which would be determined using fair value.

Subsequent Additions and Major Components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The carrying amount of any replaced asset is derecognised. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred.

Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.



7.1 Accounting Policies (continued)

7.1.5 Tangible Fixed Assets (continued)

Assets in the Course of Construction

Expenditure on assets in the course of construction is included within Tangible Fixed Assets. These assets are not depreciated until they are available for use. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred.

Impairment

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each year. Where values have changed materially in the year, the valuations are adjusted to reflect the change. When a major change in asset values occurs due to physical damage etc. the impairment loss is recognised in the Income and Expenditure Account.

For items not carried at fair value, the carrying amount is compared to the recoverable amount to determine any impairment indication. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income and Expenditure Account.

Disposals

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the sale proceeds and current carrying value of the asset disposed (i.e. the gain or loss on disposal) is applied to the Income and Expenditure Account.

7.1.6 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Non-operational assets are those held primarily for this purpose. Operational heritage assets are those that are also used for other activities or to provide other services. Operational heritage assets are accounted for within the principal asset category to which they relate.

Non-operational assets (including for example works of art and antiques), have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or the level of costs of valuation greatly exceed the additional benefits derived by users of the accounts. In these cases, no value is reported for these assets in the Balance Sheet. Information about the non-operational heritage assets is included in Note 7.11.

7.1.7 Intangible Fixed Assets

Recognition

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

Costs associated with the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis. Where such expenditure is less than a specified de-minimus level it is not capitalised but is charged to the Income and Expenditure Account in the year in which it is incurred. Capital expenditure incurred on intangible fixed assets that does not materially add to the value of those assets is written off to the Income and Expenditure Account.



7.1 Accounting Policies (continued)

7.1.7 Intangible Fixed Assets (continued)

The cost of intangible assets acquired in business combinations are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

The following estimated useful lives are applied:

Depreciation Policy - Intangible Assets	
	Years
Software	3 years
Sea Services Agreement	Period of agreement (2045)
Licences	3 years, or period of licence

Amortisation is charged to the Income and Expenditure Account. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

Impairment

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each year. Where values have changed materially in the year, the valuations are adjusted to reflect the change. When a major change in asset values is due to a consumption of economic benefits, the impairment loss is recognised in the Income and Expenditure Account.

7.1.8 Leases

The Government has acquired a variety of assets ranging from vehicles to computer equipment by means of leases. These transfer the risks and rewards of ownership without transferring title of the assets.

Finance Leases

Assets acquired under finance leases are capitalised at commencement of the lease and included in the Balance Sheet except for leases that are in secondary rental periods, where there are no future obligations of material significance.

Finance leases capitalised are recognised at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets acquired under finance leases are depreciated over the lease period if this is shorter than their estimated useful life.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating Leases

Operating leases are those leases that do not transfer the risks and rewards of ownership to the Government. Rentals payable, net of benefits received or receivable (such as cash incentives or rent free periods), are charged to the Income and Expenditure Account on a straight line basis over the lease term and transactions are disclosed as a Note to the Accounts.



7.1 Accounting Policies (continued)

7.1.9 Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial Assets

Basic financial assets, including loan receivables, trade and other receivables, short term deposits and cash at bank, are initially recognised at transaction price, unless the arrangement constitutes a financing arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income and Expenditure Account.

Other financial assets, including investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Income and Expenditure Account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of ownership of the asset are transferred to another party or (iii) despite having retained some significant risk and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial Liabilities

Basic financial liabilities, including creditors and loans payable, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are not basic financial instruments. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Income and Expenditure Account in finance costs or finance income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, which is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



7.1 Accounting Policies (continued)

7.1.10 Deferred Income

Customer contributions in respect of tangible assets are treated as deferred income. Deferred income is released to the Income and Expenditure Account over a 40 year period.

7.1.11 Value Added Tax

Value Added Tax on expenditure is included in the Income and Expenditure Account, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

7.1.12 Stocks and Work in Progress

Stocks and work in progress have been valued at the lower of cost and estimated selling price less costs to sell. They are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period inventories are assessed for impairment. A provision is made against slow-moving, obsolete, surplus, deteriorated and unusable stocks at the end of the reporting period. Where a reversal of the provision is required the charge is reversed up to the original provision, and is recognised as a credit in the Income and Expenditure Account.

7.1.13 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

7.1.14 Foreign Currency

The Accounts are presented in pound sterling and rounded to thousands. The Group and Central Government's functional and presentation currency is the pound sterling.

Income and expenditure arising from a transaction in foreign currency is translated into Sterling at the exchange rate in operation on the date on which the transaction occurred. Where rates do not fluctuate significantly, an appropriate average rate is used as an approximation. Monetary assets and liabilities held in a foreign currency at the Balance Sheet date are translated by using the closing rate or any fixed rate imposed by the relevant transactions.

Differences on translation of balances from foreign currencies to Sterling relating to Government income and expenditure are applied to the Income and Expenditure Account. Generally, transactions and balances are denominated in Sterling and differences arising on translation to Sterling are negligible.

Differences arising on financial assets denominated in non-Sterling currencies held by external investment managers are applied to the reserve funds that the underlying assets relate to.

7.1.15 Short Term Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

7.1.16 Pension Costs

Government operates a defined benefit plan for employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.



7.1 Accounting Policies (continued)

7.1.16 Pension Costs (continued)

The defined benefit obligation is calculated using the projected unit credit method. Annually Government engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Sterling and have terms approximating the estimated period of future payments (discount rate).

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with Government's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in Income and Expenditure Account as employee costs, where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in Income and Expenditure as 'Interest payable and similar charges'

7.1.17 Reserves

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The Government maintains the following significant reserves:

- Manx Currency Account – to provide asset backing for Manx Currency issued by the Treasury under the Currency Act 1992;
- National Insurance Fund – to meet certain on-going social security liabilities for payment of contributory benefit liabilities;
- Public Service Employees' Pension Reserve – to meet the emerging pensions liability in respect of public sector pensions; and
- Reserve Fund – set up to act as a buffer against the potential risks of increased expenditure to be charged to future years' Accounts.

7.1.18 Provisions and Contingencies

Provisions are recognised when the Government has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Government's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable. The nature and estimated financial effect of each item are disclosed.



7.1 Accounting Policies (continued)

7.1.19 Exceptional Items, Extraordinary Items and Prior Year Adjustments

Exceptional items and extraordinary items are included in the cost of the relevant service or on the face of the Income and Expenditure Account, as appropriate. Prior year adjustments arising from natural corrections associated with estimates used in the Accounts are accounted for in the year in which they are recognised. Adjustments arising from changes in accounting policies or material errors are accounted for by restating preceding year comparative figures and opening balances on reserves. Appropriate disclosures are made where relevant.

7.1.20 Events after the Balance Sheet date

Post Balance Sheet events, whether favourable or unfavourable, that affect the conditions existing at the Balance Sheet date are adjusted in the Accounts and disclosures. For events occurring after the Balance Sheet date relating to conditions that arose after that date, adjustments are not made in the Accounts but details are disclosed in a note to the Balance Sheet. These principles apply up to the date when the Accounts are authorised for issue.

The responsibilities of Government are such that significant areas of new expenditure are frequently identified, although the actual expenditure is subject to approval by Tynwald. No attempt has been made to disclose or account for material items of new expenditure which arise in the period between the year end and the date of signing the Accounts and which relate to circumstances in existence at year end. Such items are accounted for in the year in which the budget is approved.

7.1.21 Basis of Consolidation

Central Government Accounts

The Central Government Accounts show the transactions and balances for Central Government as a single entity, as defined by the Accounts and Audit Regulations 2018. This comprises all Government Departments, the revenue funded Statutory Boards (being the Office of Fair Trading, the Financial Services Authority, the Gambling Supervision Commission and the Communications Commission), PSPA, Offices of Government and the Legislature, Manx Museum and National Trust and the Financial Intelligence Unit. From the start of the current financial year (2020/21) Manx Museum and National Trust (trading as Manx National Heritage) is funded via a grant from the Treasury.

Transactions and balances relating to the Consolidated Loans Fund are eliminated on consolidation in the Central Government Accounts as these are, in effect, loans from Treasury to other Government Departments. Similarly, the capital loans from Government to the Manx Utilities Authority are eliminated on consolidation of the Group Accounts.

Group Accounts

The Group Accounts incorporate the Accounts of Central Government, the two non-Revenue Funded Statutory Boards and companies owned by Central Government or the Statutory Boards. The two non-Revenue Funded Statutory Boards are:

- Isle of Man Post Office; and
- Manx Utilities Authority.

The transactions and balances of Depositors' Compensation Schemes (initiated under the Banking Business (Compensation of Depositors) Regulations 1991 and the Compensation of Depositors Regulations 2008) are not consolidated within the Group Accounts on the basis the assets managed under these schemes relate to third parties. Amounts due from or to such schemes are included within Government debtors and creditors.



7.1 Accounting Policies (continued)

7.1.21 Basis of Consolidation (continued)

Accounting Year

The Accounting Year used for reporting purposes is the twelve months ending 31 March each year, as defined in the Accounts and Audit Regulations 2018. Treasury, a department of the Isle of Man Government, previously acquired the Isle of Man Steam Packet Group Limited (previously MIOM Limited) which has a year end of 31 December. In accordance with FRS 102, the current year consolidated accounts include the twelve months to the 31 December 2020 as the three months to 31 March 2021 are not materially different. Similarly, the Isle of Man Post Office financial statements are for the 52 weeks ended 28 March 2021 instead of the year ended 31 March 2021, however the impact of this non-coterminous year end is not considered material.

Elimination of Transactions and Balances on Consolidation

The following transactions and balances are eliminated on consolidation:

- Year-end debtor and creditor balances between Central Government and the two non-revenue funded Statutory Boards
- Year-end debtor and creditor balances between Central Government and the owned companies: Isle of Man Film Limited, Isle of Man Film (DOI) Limited, Isle of Man Limited, Isle of Man National Transport Limited, Radio Manx Limited, Laxey Glen Mills Limited, Isle of Man Steam Packet Group Limited and Isle of Man Meat Company Limited;
- Transactions relating to interest on the Bonds issued by Treasury on behalf of the Manx Utilities Authority;
- Transactions relating to the subvention paid to Radio Manx Limited by Central Government and revenue transactions relating to the contribution to Government from Laxey Glen Mills Limited; and
- Share Capital (including Share Premium) in owned companies.

7.1.22 Business Combinations

Business combinations are accounted for under the purchase method as at the acquisition date, which is the date on which control is transferred to the Government.

At the acquisition date, the Government recognises goodwill at the acquisition date as:

- The fair value of the consideration (excluding contingent consideration) transferred; plus
- The estimated amount of contingent consideration (see below); plus
- Directly attributable costs; less
- The net fair value of the identifiable assets acquired and liabilities and contingent liabilities consumed.

Consideration which is contingent on future events is recognised based on the estimates amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.



7.2 Critical Accounting Judgements and Estimation Uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Central Government accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

7.2.1 Valuation and useful economic lives of tangible assets

The valuation of long term tangible fixed assets and assets without a relevant purchase cost involves the use of valuation techniques. Suitably qualified valuers are used to estimate fair values, which includes the use of assumptions.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

See note 7.10 for the carrying amount of tangible assets and note 7.1.5 for the useful economic lives of each asset class.

7.2.2 Defined benefit pension scheme

The Government has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 7.24.

7.2.3 Provisions

Provision is made for asset retirement obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and discount rates used to establish net present value of the obligations require management's judgement.

7.3 Analysis of Treasury Income

Treasury income comprises five main areas – income from Customs and Excise, income from Income Tax, Social Security income (mainly National Insurance receipts), Treasury Reserves Income and other Treasury Income. Further details of this income are set out below:



7.3 Analysis of Treasury Income (continued)

7.3.1 Customs and Excise

CUSTOMS AND EXCISE INCOME				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Shared Revenue				
Value Added Tax	390,277	413,860	390,277	413,860
Excise Duty	1,845	1,994	1,845	1,994
Customs Duty	-	1	-	1
Cost of Collection Adjustment	(2,239)	(1,300)	(2,239)	(1,300)
Non-Shared Revenue				
Gambling Duty	3,577	3,621	3,577	3,621
Air Passenger Duty	480	5,307	480	5,307
Lottery Duty	1,630	1,575	1,630	1,575
Hydrocarbon Oil Receipts	25,495	30,213	25,495	30,213
Non-Revenue Receipts	760	875	760	875
Total	421,825	456,146	421,825	456,146

Notes:

- Income reported in the Detailed Government Accounts was £328.4 million (2019-20 £444.5 million). The difference between those figures and these above arises from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Customs income. An additional adjustment has been made to the FERSA provision as a more accurate estimate was available in August 2021, after the Detailed Government Accounts were published.

7.3.2 Income Tax

INCOME TAX				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Resident Tax	55,815	55,293	55,815	55,293
Company Tax	13,069	10,778	13,069	10,778
Non Resident Tax	20,919	22,264	20,919	22,264
Income Tax Instalment Payments (ITIP)	145,029	148,120	145,029	148,120
Sub-Contractors	2,811	3,306	2,811	3,306
EU Savings Directive	98	92	98	92
Other	(16)	1,432	(16)	1,432
Provision Adjustment	-	1,400	-	1,400
Total	237,725	242,685	237,725	242,685

Notes:

- Income reported in the Detailed Government Accounts was £235 million (2019-20 £241.1 million). The difference between those figures and these above arises from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Income Tax income.



7.3 Analysis of Treasury Income (continued)

7.3.3 Social Security Income

SOCIAL SECURITY INCOME				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
INCOME				
National Insurance Fund				
Contributions - Class 1	212,747	215,278	212,747	215,278
Contributions - Class 2	1,786	1,501	1,786	1,501
Contributions - Class 3	797	630	797	630
Contributions - Class 4	3,926	4,145	3,926	4,145
Less: allocated to Manx NHS	(38,900)	(40,855)	(38,900)	(40,855)
Contributions Equivalent Premium	37	80	37	80
Agency Settlement With UK DHSC	45,307	46,531	45,307	46,531
Class 1 National Insurance Refunds	(1,081)	(220)	(1,081)	(220)
Class 2 National Insurance Refunds	(50)	(36)	(50)	(36)
Class 3 National Insurance Refunds	(11)	(9)	(11)	(9)
Class 4 National Insurance Refunds	(164)	(274)	(164)	(274)
Property Rents	72	72	72	72
Interest On Investments	-	-	-	-
Reimbursement – Legal Aid Contribution	45	48	45	48
Reimbursement – Legal Aid Recovered Costs	39	89	39	89
TOTAL	224,550	226,980	224,550	226,980

Notes:

- No adjustments have been made to the income reported in the Detailed Government Accounts.

7.3.4 Other Treasury Income

OTHER TREASURY INCOME				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Contribution from IOM PO	-	(202)	-	(202)
Fines and Fixed Penalties	570	781	570	781
Interest on Investments:				
- Manx Currency Account	(374)	745	(374)	745
- Reserve Fund	5,823	7,622	5,823	7,622
Miscellaneous income	466	378	466	378
Total	6,485	9,324	6,485	9,324

Notes:

- Compared to the Detailed Government Accounts, income of £147k (from Assurance Advisory Division, Legal Aid and Corporate Strategy) has been transferred to net off with Treasury expense in order to remain consistent with the prior year.



7.3 Analysis of Treasury Income (continued)

7.3.5 Treasury Reserves Income

TREASURY RESERVES INCOME				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
External Funds				
- Investment Income	31,813	39,440	31,813	39,440
sub-total Investment Income	31,813	39,440	31,813	39,440
- Net Profit on Sale of Investments	16,891	29,546	16,891	29,546
<i>Less income within the above already transferred to Other Treasury Income:</i>				
- Manx Currency Account	374	(745)	374	(745)
- Reserve Fund	(5,823)	(7,622)	(5,823)	(7,622)
Internal Funds				
- Investment Income	99	754	99	754
- Sales of Properties (Housing Res. Fund)	5,677	303	5,677	303
- Other Receipts (Seized Asset Fund)	7,298	1,454	7,298	1,454
Total	56,329	63,130	56,329	63,130

Notes:

- Treasury Reserves Income relates to receipts, income and realised investment income in respect of Treasury's external and internal reserve funds. This income does not form part of the Government Net General Revenue Account and is transferred to the reserve funds to which it relates in the Statement of Total Movement on the General Revenue Account Balance.

7.4 Surplus/(Deficit) for the Year

7.4.1 The Surplus/(Deficit) for the Year

The surplus/(deficit) on the Income and Expenditure Account is arrived at after charging:

SURPLUS/(DEFICIT) FOR THE YEAR IS ARRIVED AT AFTER CHARGING:					
	Note	Group		Central Government	
		2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Auditors' remuneration	7.9	263	228	130	114
Depreciation	7.10	132,844	137,527	104,940	102,518
Amortisation	7.10.5	5,730	13,184	47	303
Pension costs	7.24.6	202,858	223,785	198,000	219,000
Irrecoverable VAT		279	286	-	-
(Loss)/gain on disposal of fixed assets		(5,004)	35	(5,045)	-
Rentals payable under leases		5,770	7,514	3,537	3,502



7.4 Surplus/(Deficit) for the Year

7.4.2 Department Expenditure

An analysis of Department Expenditure is included in the Detailed Government Accounts and summarised at Section 8. The following adjustments have been applied to reflect different basis of preparation to the Detailed Government Accounts.

RECONCILIATION OF DEPARTMENTAL EXPENDITURE				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Total Revenue Expenditure, per Section 8	(855,030)	(854,048)	(855,030)	(854,048)
<u>Accounting Standards Adjustments</u>				
Fixed Assets Adjustments	(61,263)	(62,552)	(61,263)	(62,552)
Pension Adjustments	(28,000)	(45,000)	(28,000)	(45,000)
Other	(12,087)	(35,419)	(12,086)	(35,419)
<u>Consolidation Adjustments</u>				
Treasury - Grant to MUA	500	500	-	-
Treasury - Manx Radio Subvention	995	900	-	-
Treasury - Amortisation of Intangibles	(3,007)	(12,900)	-	-
DEFA - Grant to IOM Meat Company	2,000	2,004	-	-
Net Voted Expenditure	(955,892)	(1,006,515)	(956,379)	(997,019)
Treasury Income	946,915	998,265	946,914	998,265
Net Voted Income	(8,977)	(8,250)	(9,465)	1,246

Notes:

Other adjustments include the reversal of lease costs paid by the Department of Infrastructure in respect of the Energy from Waste plant (the financing cost is included within Interest Payable and Similar Charges), the movement on House Purchase Assistance Schemes' balances for the Department of Infrastructure, the movement on the value of the strategic oil reserve (excluded from the Detailed Government Accounts) and accruals not captured in the Detailed Government Accounts.



7.5 Staff Remuneration

Numbers of employees and Members whose remuneration of £50,000 or greater is included in these Accounts as at 31 March for each year:

STAFF REMUNERATION				
Remuneration Band	Group		Central Government	
	2020-21	2019-20	2020-21	2019-20
£350,000 to £374,999	1	-	1	-
£325,000 to £349,999	2	3	2	3
£300,000 to £324,999	3	1	3	1
£275,000 to £299,999	5	5	5	5
£250,000 to £274,999	6	4	6	4
£225,000 to £249,999	13	17	13	17
£200,000 to £224,999	17	12	17	12
£175,000 to £199,999	22	15	22	15
£150,000 to £174,999	20	23	19	22
£125,000 to £149,999	40	44	40	43
£100,000 to £124,999	65	55	61	51
£75,000 to £99,999	226	199	212	186
£50,000 to £74,999	1,131	1,058	1,037	964

Notes:

- The above figures include gross pay amounts as remuneration (including compensation payments made in connection with their employment) but exclude employers' contributions (for example, employers' pension contributions), settlement payments, compromise agreements etc.
- The figures are based on the total remuneration for an individual employee regardless of how many posts that individual may have held. For example, where an individual was employed by two different Departments for two different tasks, the employee is classified above based on their amalgamated remuneration for both posts.

7.6 Key Management Compensation

The compensation paid or payable to key management for employee services is shown below:

KEY MANAGEMENT COMPENSATION				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Total Compensation Paid/Payable	5,894	5,838	3,074	3,074

Notes:

- For Central Government, "Key Management" has been interpreted to be the Minister and Chief Officer of each Department, Board or Office.
- In respect of the Group Accounts, "Key Management" includes the Board Members, Directors and Senior Management team.



7.7 Interest Payable and Similar Charges

INTEREST PAYABLE AND SIMILAR CHARGES				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Isle of Man Treasury Bond 2034	(10,171)	(10,178)	-	-
Isle of Man Treasury Bond 2030	(4,219)	(4,219)	-	-
Consolidated Loans Fund	-	-	-	-
Local Authority loan interest	(128)	(127)	-	-
Lease finance	(3,709)	(4,303)	(1,354)	(1,474)
Other finance charges	(54)	(54)	-	-
Rates discounts allowed	-	-	-	-
Unrealised gain/(loss) on currency balances	(315)	(427)	-	-
Amortisation of bond issue expenses	-	(505)	-	-
Net interest expense on post-employment benefits	(86,089)	(102,133)	(86,000)	(100,000)
Total	(104,685)	(121,946)	(87,354)	(101,474)

7.8 Financial Commitments

7.8.1 Operating Leases

The Government's future minimum operating leases payments are as follows:

OPERATING LEASES - PAYABLE				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Within one year	11,705	15,928	1,450	1,753
Between one and five years	17,936	30,583	2,910	2,898
After five years	3,842	12,183	3,842	628
Total	33,483	58,694	8,202	5,279

The Government's future minimum operating leases receipts are as follows:

OPERATING LEASES - RECEIVABLE				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Within one year	5,571	7,338	4,326	6,093
Between one and five years	19,615	21,898	14,629	16,895
After five years	60,917	64,367	29,048	31,272
Total	86,103	93,603	48,003	54,260

Note: Where lease is linked to inflation, a rate of 2% has been used. Where leases are pooled and not all are linked to inflation, no inflationary increase has been taken into account. This is consistent with prior year.



7.9 External Audit Fees

EXTERNAL AUDIT FEES				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Fees payable with regard to external audit services carried out by the appointed auditors	263	245	130	131
Fees payable with regard to other services carried out by the appointed auditors	655	-	655	-
	918	245	785	131

Crowe Isle of Man LLC and Baker Tilly Isle of Man LLC are the appointed auditors of the Local Authority entities following a successful tender process for a 3 year term commencing 1 April 2019. Nicola Bowker & Co Limited is the appointed external auditor of Laxey Glen Mills Limited and PricewaterhouseCoopers LLC is the appointed external auditor of Radio Manx Limited. The audit fees for each of these are included within the Group figures.

The non audit fees received by Grant Thornton relate to a relationship whereby Grant Thornton under appointment by the Isle of Man Courts, is currently undertaking liquidation work where the Financial Supervision Authority has exercised its power to apply for "winding-up in the public interest". To allow the Authority to exercise this power, the funding for the fees and disbursements of the liquidator underwritten by the Treasury of the Isle of Man Government. To mitigate any potential issue with independence, this work is carried out and reviewed by a separate Grant Thornton team than those involved in the audit.'



7.10 Fixed Assets

7.10.1 Summary of Fixed Assets

SUMMARY OF FIXED ASSETS - NET BOOK VALUE					
	Note	Group		Central Government	
		2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Tangible Fixed Assets	7.10.3	2,548,613	2,600,368	2,073,256	2,120,670
Intangible Fixed Assets	7.10.5	75,242	77,872	813	452
Total		2,623,855	2,678,240	2,074,069	2,121,122

7.10.2 Valuations

The Government has a current policy of looking to revalue certain key assets over a period of 3 to 5 years.

Therefore many of the Group's land and buildings, including both freehold and leasehold assets, have been revalued during the last three years on the basis of existing use or depreciated replacement cost by qualified valuers. The valuations were undertaken by the Treasury's Valuation Office having regard to the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

Depreciation is being charged based upon the revalued amounts and revised estimated useful economic life of the buildings.

The freehold land and buildings have been categorised into Departments and will be revalued on a 3-5 year cycle, as follows:

- 2019/20 – Department of Health and Social Care and the Department of Education, Sport and Culture
- 2020/21 – Department of Environment, Forestry and Agriculture and the Department of Home Affairs
- 2021/22 – Department of Infrastructure



7.10 Fixed Assets (continued)

7.10.3 Tangible Fixed Assets – Group

TANGIBLE FIXED ASSETS						
	Group					
	Freehold Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure assets £000	Assets Under Course of Construction £000	Investment Property £000	Total £000
As at 31 March 2020						
Cost or Valuation (Restated)	1,570,292	495,686	1,881,288	52,449	497	4,000,212
Accumulated Depreciation (Restated)	(417,347)	(307,628)	(674,809)	-	(57)	(1,399,840)
Net Book Value	1,152,946	188,059	1,206,479	52,449	440	2,600,372
Year end 31 March 2021						
Opening Net Book Value	1,152,946	188,059	1,206,479	52,449	440	2,600,372
Additions	6,082	34,866	7,192	29,700	-	77,840
Disposals	(2,697)	(124)	(55)	-	-	(2,876)
Transfers	4,742	110	2,701	(7,553)	-	-
Depreciation	(51,645)	(27,363)	(53,836)	-	-	(132,844)
Revaluations/Impairment	6,112	(322)	353	(22)	-	6,121
Closing Net Book Value	1,115,540	195,225	1,162,834	74,574	440	2,548,613
As at 31 March 2021						
Cost	1,571,864	471,676	1,891,143	74,574	497	4,009,754
Accumulated Depreciation	(456,325)	(276,451)	(728,309)	-	(57)	(1,461,141)
Closing Net Book Value	1,115,540	195,225	1,162,834	74,574	440	2,548,613

Notes

Included within tangible fixed assets at 31 March 2021 is freehold land amounting to £61.1 million (2019/20: £62.5 million, restated) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £48.6 million (2019/20: £51.7 million, restated). Depreciation of £3.3 million (2019/20: £3.2 million) was charged in the year on these assets.

During the year a revaluation was undertaken on the Department of Home Affairs and the Department of Environment, Forestry and Agriculture property portfolio. This review resulted in positive adjustments totalling £6.1 million across the asset groups.

The opening balance on the asset cost and accumulated depreciation has been restated between asset categories to reflect the position of the asset register which has changed compared to 2019/20.

The investment property shown above is owned by Laxey Glen Mills Limited. Its fair value was established by G P R Black FRICS of Black Grace Cowley Limited as at 31st March 2016. The Directors of that Company believe this is representative of the property's fair value as at 31st March 2021.



7.10 Fixed Assets (continued)

7.10.4 Tangible Fixed Assets – Central Government

TANGIBLE FIXED ASSETS					
	Central Government				
	Freehold Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure assets £000	Assets Under Course of Construction £000	Total £000
As at 31 March 2020					
Cost / Valuation (restated)	1,504,792	141,723	1,412,630	52,427	3,111,572
Accumulated Depreciation (restated)	(387,929)	(104,719)	(498,250)	-	(990,898)
Net Book Value	1,116,863	37,004	914,380	52,427	2,120,674
Year end 31 March 2021					
Opening Net Book Value	1,116,863	37,004	914,380	52,427	2,120,674
Additions	6,018	17,686	804	29,700	54,208
Disposals	(2,697)	(77)	(55)	-	(2,829)
Transfers	4,742	110	2,701	(7,553)	-
Depreciation	(50,108)	(11,047)	(43,785)	-	(104,940)
Revaluations/Impairment	6,112	(322)	353	-	6,143
Closing Net Book Value	1,080,930	43,354	874,398	74,574	2,073,256
As at 31 March 2021					
Cost	1,507,030	142,306	1,416,097	74,574	3,140,007
Accumulated Depreciation	(426,100)	(98,952)	(541,699)	-	(1,066,751)
Net Book Value	1,080,930	43,354	874,398	74,574	2,073,256

Included within tangible fixed assets at 31 March 2021 is freehold land amounting to £55.9 million (2019/20: £57.4 million, restated) which has not been depreciated.

During the year a revaluation was undertaken on the Department of Home Affairs and the Department of Environment, Forestry and Agriculture property portfolio. This review resulted in positive adjustments totalling £6.1 million across the asset groups.

The net book value of fixed assets held under finance leases and hire purchase contracts was £6.7 million (2019/20: £8.9 million). Depreciation of £2.2 million (2019/20: £2.2 million) was charged in the year on these assets.

The opening balance on the asset cost and accumulated depreciation has been restated between asset categories to reflect the position of the asset register which has changed compared to 2019/20.



7.10 Fixed Assets (continued)

7.10.5 Intangible fixed assets

INTANGIBLE FIXED ASSETS		
	Group	Central Government
	Intangible Assets £000	Intangible Assets £000
As at 31 March 2020		
Cost or Valuation (restated)	103,389	2,589
Accumulated Depreciation (restated)	(25,517)	(2,137)
Net Book Value	77,872	452
Year end 31 March 2021		
Opening Net Book Value (restated)	77,872	452
Additions	407	408
Amortisation	(3,037)	(47)
Closing Net Book Value	75,242	813
As at 31 March 2021		
Cost	103,796	2,096
Accumulated Depreciation	(28,554)	(1,283)
Closing Net Book Value	75,242	813

The annual amortisation charge in relation to the Isle of Man Steam Packet Group Limited is shown within Treasury expenditure in the Income and Expenditure Account.

Other Intangible fixed assets mainly consist of purchased software packages.



7.11 Heritage Assets

7.11.1 Nature and scale of assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value. Heritage assets include historic buildings, archaeological sites, monuments, statues, military and scientific equipment of historic importance, museum collections and works of art.

The majority of Heritage Assets are held by Manx Museum and National Trust and cover both a wide cross-section of the Island's natural visitor attractions and Museum artefacts considered to be of national importance.

Heritage Assets currently include:

- Land and Buildings – such as Snaefell, The Sound, Cregneash, Skye Hill, Castle Rushen, Peel Castle, Rushen Abbey, Laxey Wheel, The Grove Museum, the Old House of Keys and the old Grammar School.
- Transport – including the Horse Trams, Electric Railway, Mountain Railway, Steam Railway.
- Other Artefacts – such as Paintings, ornaments, Viking hoards of silver and gold plus items such as the 18th century yacht 'The Peggy', a skeleton of a giant deer and the Sword of State.

Policy for acquisition, preservation, management and disposal of Heritage Assets

The Manx Museum and National Trust is a charitable Trust operating under the name Manx National Heritage, governed by a board of Trustees. Overall governance is provided in legislation by the Manx Museum and National Trust Act 1959. The Act determines that the Trust shall operate a Museum and shall keep the Museum and any additions thereto in good order and repair. The Museum shall be used for storing, classifying, and exhibiting objects of art, or of antiquarian, scientific, literary, historical, or educational interest, whether the property of such Trust or of any other person or body.

The Museum is currently open to the Public 5 days a week. In addition, the Trust has a Large Objects Store which is open from time-to-time for guided tours mainly for "Friends of Manx National Heritage" (a registered charity committed to supporting the work of Manx National Heritage).

The Trust is supported by the Isle of Man Government which provides funding for core activities and some capital projects.

The Department of Infrastructure has responsibility for the preservation and maintenance of the transport assets listed above. These are operational assets in daily (seasonal) use and are therefore maintained to a standard suitable for public use.

Accounting treatment of Heritage Assets

The transport assets identified above are included within the Accounts under "Vehicles, Plant and Equipment" as these are operational assets. The accounting treatment of these assets is consistent with the policy for Vehicles – in general the vehicles have a life of 6 years. In addition, the value of the railway tracks is included within the Accounts under "Infrastructure assets" with a life of 20-40 years as per the accounting policy.

However the value of Heritage Assets owned by the Manx Museum and National Trust are not included within the Accounts. These assets have generally not been acquired by way of purchase and therefore have no associated purchase cost. Additionally, many of the assets would be difficult to value as there would be no commercial market for them. In terms of Heritage Assets the two principal 'values' that can be reasonably attached are historical importance and visitor importance and attaching values to these would be highly subjective.



7.11 Heritage Assets

7.11.2 Heritage Assets – Group

The Isle of Man Post Office owns a number of heritage assets that are not included in the balance sheet position at 31 March 2021. The assets comprise:

1. A collection of paintings, representing the original artwork for stamps produced during the 1970's and 1980's.
2. A memorial World War 1 plaque designed by Archibald Knox.
3. A memorial World War 2 plaque.

These assets were purchased historically. It is the view of the Post Office Board that the costs incurred to reliably value these assets on an ongoing basis, even if such values could be obtained, would be disproportionate to any additional benefits derived by the Post Office or users of the Accounts.

7.12 Capital Commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into, as at 31 March 2021 are set out below. This amount predominantly relates to capital schemes approved by Tynwald which were in the course of construction at the year end.

Further details of approved Capital Schemes are set out in the Isle of Man Budget 2020-21 (GD 2020/001).

CAPITAL COMMITMENTS				
	Group		Central Government	
	2020-21	2019-20	2020-21	2019-20
	£000	£000	£000	£000
Central Government	54,932	61,062	54,932	61,062
Manx Utilities Authority	4,114	9,013	-	-
Total	59,046	70,075	54,932	61,062



7.13 Financial Instruments

The Group has the following financial instruments:

FINANCIAL INSTRUMENTS					
	Note	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
			Restated		
		£000	£000	£000	£000
Financial assets at fair value through profit or loss:					
- Long term investments	7.14.1	1,615,149	1,426,892	1,663,901	1,475,644
- Derivative financial instruments	7.22.2	446	619	-	-
Financial assets that are debt instruments measured at amortised cost:					
- Loans receivable	7.16.1	20,319	23,218	534,672	536,259
- Trade debtors	7.16.2	53,090	43,392	19,583	13,221
- Other debtors	7.16.2	162,724	73,368	162,299	72,038
- Short term deposits		156,802	284,781	130,600	254,400
- Cash at bank	7.18.1	65,289	53,723	37,881	14,154
		458,224	478,483	885,035	890,072
Total Assets		2,073,819	1,905,993	2,548,936	2,365,716
Financial liabilities at fair value through profit or loss:					
- Derivative financial instruments	7.22.2	2,934	12,138	-	-
Financial liabilities measured at amortised cost:					
- Loans payable	7.21.2	265,944	265,578	264,143	263,730
- Trade creditors	7.19.1	17,945	21,529	10,183	12,487
- Accruals	7.19.1	65,945	58,801	53,271	46,263
- Other creditors	7.19.1	59,201	10,855	58,768	10,385
- Financial leases	7.22.1	37,799	57,363	21,657	23,707
- Retirement benefit obligation	7.24.3	4,801,387	3,760,472	4,789,000	3,750,000
		4,167,362	4,174,598	5,197,022	4,106,572
Total Liabilities		4,179,500	4,186,736	5,197,022	4,106,572



7.14 Long Term Investments

7.14.1 Investments

The market value and classification of the Long Term Investments held is as follows:

GROUP INVESTMENTS VALUE BY ASSET CLASS				
	Market Value 31 March 2021	Book Value 31 March 2021	Market Value 31 March 2020	Book Value 31 March 2020
	£000	£000	£000	£000
Property	600	408	600	408
Investment in Films	380	380	635	635
United Kingdom Fixed Interest	322,101	316,701	377,795	378,076
United Kingdom Equities	208,967	206,299	261,169	305,550
Overseas Fixed Interest	5,762	5,222	64,734	64,672
Overseas Equities	401,272	269,375	404,336	365,378
Other Investments	509,300	427,151	167,738	175,573
Cash & Cash Instruments	166,767	166,768	149,885	149,864
TOTAL	1,615,149	1,392,304	1,426,892	1,440,156

Notes:

- The Central Government investments differs by £48.8 million which represents the investment in the Isle of Man Steam Packet Group Limited (previously MIOM Limited) and is eliminated on consolidation.

7.14.2 Balances on Externally Managed Funds

The investments relate to eight externally managed funds. In addition to the investments above, the external Investment Managers and Treasury also hold cash balances in respect of these funds, details of which are set out below:

GROUP BALANCES ON EXTERNALLY MANAGED FUNDS				
	Market Value 31 March 2021	Book Value 31 March 2021	Market Value 31 March 2020	Book Value 31 March 2020
	£000	£000	£000	£000
Long Term Investments	1,615,149	1,392,304	1,426,892	1,440,156
Cash funds held by Treasury	101,877	101,878	101,676	101,679
Total	1,717,026	1,494,182	1,528,568	1,541,835

Notes

- The majority of funds are valued through listed holdings on the open market.
- The Media Development Fund is not traded on an open market and is valued by an industry expert, being £17.3 million at 31 March 2021 (2019/20: £17 million). The valuation is based on the original investment less write-downs & provisions. When determining the level of write down to recommend to Treasury, the advisors consider to what extent sums invested into productions are unlikely to materialise into recoupment returns, as a result of changing market sales conditions.



7.14 Long Term Investments (continued)

7.14.2 Financial Risk

This note provides information about financial risk which is material in the context of the accounts as a whole.

1. Investments

Investment Manager Risk

The appointment of investment managers follows a rigorous process in which prospective managers are required to provide evidence of the company's ability to achieve a strong track record of performance against benchmarks, including how investment performance is achieved and risk controlled in volatile markets. All prospective investment managers must hold the relevant licence from the Isle of Man Financial Services Authority.

In order to mitigate risk and achieve satisfactory diversification, several investment managers are appointed (2020/21: 5 2019/20: 5 2018/19: 5) and the portfolio is spread amongst them, as this limits the risk exposure with any single investment manager.

The performance of each manager is reviewed on a quarterly basis by Treasury's investment advisor who in turn provides a report for scrutiny by the Investment Committee.

The investment managers are invited to meet the Investment Committee twice a year to discuss current performance and discuss upcoming risks and issues.

In addition Treasury has appointed a master custodian who provides the following functions which serve toward risk management associated with the investment managers:

- safekeeping of assets/securities such as stocks, bonds, and currency (cash)
- arranging settlement of any purchases and sales and deliveries in/out of such securities and currency
- collect information on and income from such assets and administer related tax withholding documents and foreign tax reclamation
- administer voluntary and involuntary corporate actions
- provide information on the securities and their issuers such as annual general meetings and related proxies
- maintain currency/cash bank accounts, effect deposits and withdrawals and manage other cash transactions
- perform additional services including portfolio accounting, reconciliation and administration and performance measurement
- provide online information and reports
- dedicated client relationship manager.

Market Risk

Market risk arises from investments held for which prices in the future are uncertain. The risk is managed through diversification and selection of securities. Selection of securities is delegated to investment managers who in turn must comply with the conditions that apply to the investment mandates that Treasury has in place. The mandates provide certain constraints around the investment profile in order to achieve the investment objective. Treasury currently has two investment mandates:



7.14 Long Term Investments (continued)

7.14.3 Financial Risk

Market Risk (Continued)

Conditions	Investment Mandate	
	(1) Absolute Return Funds	(2) Absolute Return Funds (Fixed Income Funds)
Benchmark	To outperform the Bank of England Base Rate +3% over rolling three year periods.	To outperform the Bank of England Base Rate +1% over rolling three year periods.
Investment Objective	To achieve moderate capital appreciation over the medium term without excessive volatility.	Capital preservation over the medium term with reduced volatility.
Time Horizon	3 – 5 years.	3 – 5 years.
Risk Tolerance	A moderate tolerance for risk commensurate with the investment objective.	A low tolerance for risk commensurate with the investment objective.
Equities	Up to 80% of the market value of the total assets of the portfolio. No more than 15% of the market value of the total assets of the portfolio to be invested in any one equity sector. No more than 6% of the market value of the total assets of the portfolio to be invested in any one share.	No more than 20% of total assets of the market value of the total assets of the portfolio.
Bonds & Cash	Up to 100% of the market value of the total assets of the portfolio. No more than 10% of the total portfolio may be exposed to bonds rated below Investment Grade.	Up to 100% of the market value of the total assets of the portfolio. No more that 10% of the total portfolio may be exposed to bonds rated below Investment Grade.
Currency Exposure	No more than 40% of the market value of the total assets of the portfolio to be held in non-sterling assets.	No more than 10% of the assets of the portfolio to be held in non-sterling assets.
Isle of Man Companies	No dealing in shares of companies registered in the Isle of Man without prior Treasury consent.	No dealing in shares of companies registered in the Isle of Man without prior Treasury consent.
Unquoted Securities	No dealing in unquoted securities without prior Treasury consent.	No dealing in unquoted securities without prior Treasury consent.
Banking Arrangements	No more than 5% of the market value of the total assets of the portfolio to be held in cash with any bank forming part of the investment manager's group. Cash assets above 5% of the total market value of the portfolio should be deposited with other institutions. No more than £15 million or 15% of the market value of the portfolio, whichever is the greater, may be held with institutions within any one banking group.	No more than 10% of the market value of the total assets of the portfolio to be held in cash with any bank forming part of the investment manager's group. Cash assets above 10% of the total market value of the portfolio should be deposited with other institutions. No more than £8 million or 15% of the market value of the portfolio, whichever is the greater, may be held with institutions within any one banking group.
Derivatives	Derivatives can only be used to provide downside protection to assets held by the portfolio. Prior written permission is required for the use of any derivatives other than Index Futures, Stock Futures, Call Options and Put Options. Use of derivatives is subject to the certain limits.	No dealing in derivatives without prior Treasury consent.



7.14 Long Term Investments (continued)

7.14.3 Financial Risk

Market Risk (Continued)

Conditions	Investment Mandate	
	Absolute Return Funds	Absolute Return Funds (Fixed Income Funds)
Use of Collective Investment Schemes	No investment in any collective investment schemes or other in-house products operated by the investment manager or the investment manager’s group without prior Treasury consent.	No investment in any collective investment schemes or other in-house products operated by the investment manager or the investment manager’s group without prior Treasury consent.
Liquidity	No investment should be made which is not realisable within a reasonable period, maximum 3 months, without prior Treasury consent.	No investment should be made which is not realisable within a reasonable period, maximum 3 months, without prior Treasury consent.
Other	Treasury accepts that funds do routinely use a variety of instruments, including derivatives however at least 98% of the value of the underlying investments of the portfolio must consist of investments which if held directly would be compliant with the above conditions.	N/A

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts owed to Government in full when due. Risk areas for Government are primarily investments and cash and cash equivalents. The risk with investments is managed within the terms of the mandates outlined above.

2. Cash

Treasury considers cash management guidelines at least once per year. The guidelines were last amended and approved by Treasury in September 2017 and have been reviewed internally since then with no changes required. The limits applying to institutions under the current guidelines are based on the short term credit rating awarded to the local institution’s parent by the Fitch credit rating agency. The short term Fitch rating has been used as the primary basis for determining the amount to be placed with an institution under the cash guidelines for over 13 years.

The guidelines are as follows:

- a. The overall total of deposits placed with an F1+ and F1 rated bank (with G-SIFI¹ status) not to exceed 40% of the Treasury’s total sterling on deposit;
- b. The overall total of deposits placed with an F1 rated bank (without G-SIFI status) not to exceed 30% of the Treasury’s total sterling on deposit;
- c. F1 rated bank (without G-SIFI status) maximum duration is 12 months with a restriction of a maximum deposit limit of £20m for deposits held for greater than three months;

¹ Global Systematically Important Financial Institutions



7.14 Long Term Investments (continued)

7.14.3 Financial Risk

Market Risk (Continued)

2. Cash (continued)

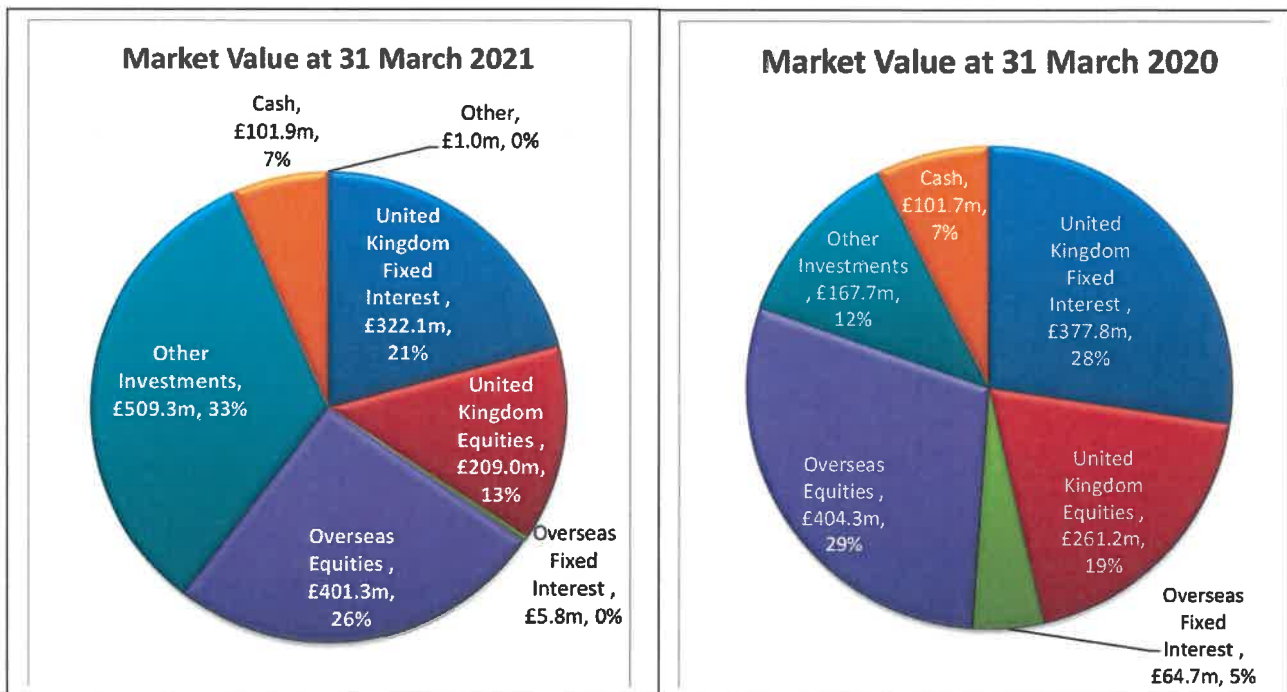
d. The following limits to apply to the placing of all new sterling funds with any one institution

Fitch Short Rating	Limit as % of Deposits	Maximum Maturity
F1+	40%	24 months
F1 with G-SIFI status	40%	12 months
F1 and F2 (without G-SIFI status)	30%	12 months (up to a maximum of £20 million in excess of 3 months)
F2	5%	1 month
F3 and no Fitch Rating	£1,000,000	1 month

- e. The maximum to be deposited with subsidiaries of any one banking group is based on the lowest rated relevant subsidiary.
- f. A maximum limit of £1,000,000 in cash deposits may be held with any individual institution or group that has an F3 rating or does not have a credit rating.

7.14.4 Market Value of Externally Managed Funds

The total market value of externally managed fund assets held at 31 March 2021 can be shown by asset type as follows:

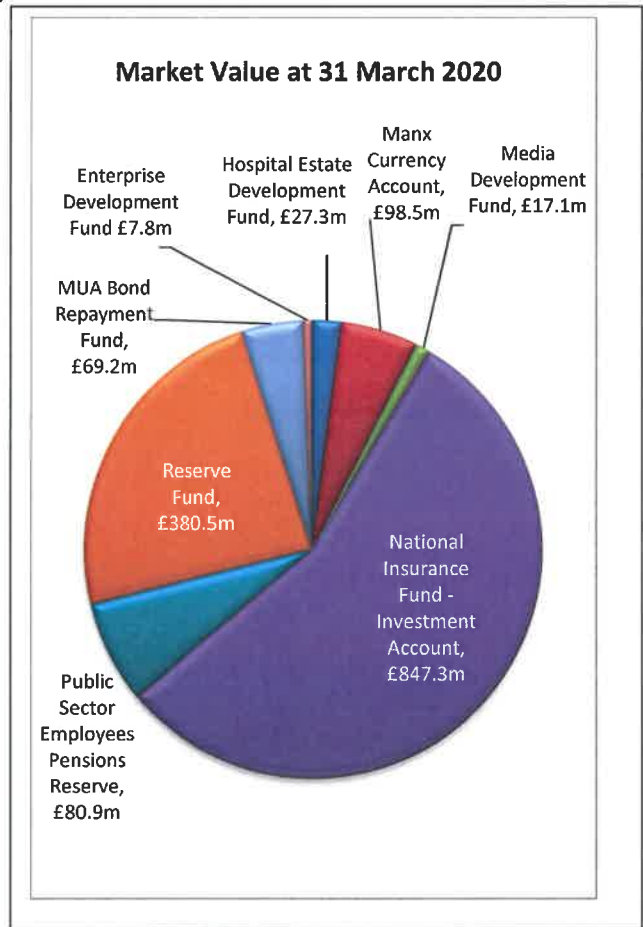
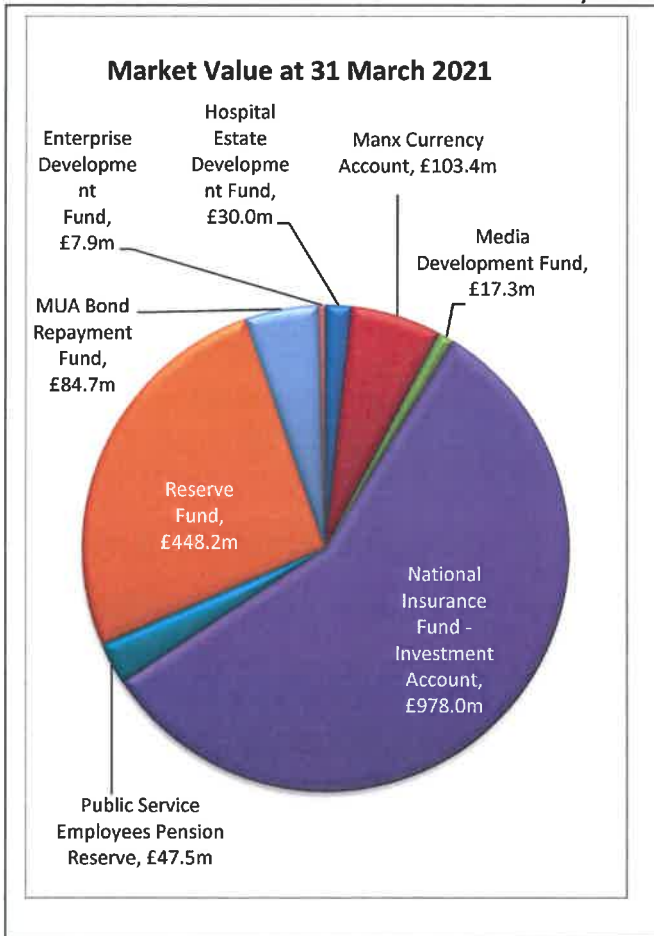




7.14 Long Term Investments (continued)

7.14.4 Market Value of Externally Managed Funds (continued)

The assets are allocated across the externally managed funds as follows:





7.14 Long Term Investments (continued)

7.14.5 Movements on Externally Managed Funds

An analysis of the fund balances and movements during the year is set out below:

MOVEMENT ON EXTERNALLY MANAGED FUNDS							
Invested Fund	Balances Brought Forward 1 April 2020 £000	Income			Unrealised gain/(loss) on Investments £000	Expenditure & Transfers to Internal Accounts £000	Balances Carried Forward 31 March 2021 £000
		Contributions & Other £000	Investment Income £000	Net Profit on Sale of Investments £000			
Hospital Estate Development Fund	27,325	-	503	682	5,181	3,668	30,023
Manx Currency Account	98,514	-	4,631	(70)	1,082	789	103,368
Media Development Fund	17,089	(429)	17	174	1	(428)	17,280
National Insurance Fund - Investment Account	847,257	(40,000)	16,780	8,644	147,301	2,005	977,977
Public Service Employees Pension Reserve	80,911	-	863	631	5,377	40,260	47,522
Reserve Fund	380,504	-	7,896	7,877	65,702	13,764	448,215
MUA Bond Repayment Fund	69,208	6,500	1,109	(1,069)	9,145	155	84,738
Enterprise Development Fund	7,762	-	14	22	-	(105)	7,903
Total	1,528,570	(33,929)	31,813	16,891	233,789	60,108	1,717,026

Notes:

- i. The market values and book cost of each of the externally managed funds is shown below:

FUND VALUES				
	Market Value 31 March 2021 £000	Book Value 31 March 2021 £000	Market Value 31 March 2020 £000	Book Value 31 March 2020 £000
Hospital Estate Development Fund	30,023	27,185	27,325	29,669
Manx Currency Account	103,368	103,476	98,514	99,704
Media Development Fund	17,280	17,280	17,089	17,089
National Insurance Fund - Investment Account	977,977	834,964	847,257	851,544
Public Service Employees Pension Reserve	47,522	43,388	80,911	82,153
Reserve Fund	448,215	386,242	380,504	384,233
MUA Bond Repayment Fund	84,738	73,744	69,208	67,359
Enterprise Development Fund	7,903	7,903	7,762	10,084
TOTAL	1,717,026	1,494,182	1,528,570	1,541,835



7.14 Long Term Investments (continued)

7.14.5 Movements on Externally Managed Funds (continued)

- ii. The National Insurance Fund comprises an externally invested National Insurance Investment Account and an internally managed National Insurance Operating Account. The balances on these two funds are as follows:

NI FUND		
	31 March 2021	31 March 2020
	£000	£000
Operating Account	4,808	33,275
Investment Account	977,977	847,257
Total	982,785	880,532

- iii. The face value of the Manx Currency in circulation at 31 March 2021 was £98.8 million (2019/20: £94.3 million). At that date the Currency Account Surplus, being the amount by which the Manx Currency Account exceeds the face value of Manx Currency in circulation, was £4.7 million (2019/20: £5.4 million, restated).
- iv. Included in the Enterprise Development Fund are unquoted investments amounting to £1,438,587 (2019/20 £3,812,000).

7.15 Government Owned Companies

7.15.1 Central Government

The Isle of Man Government hold all the shares in the following eight companies, the accounts of which have been consolidated with the Government’s Group Accounts in accordance with the Accounts and Audit (Amendment) Regulations 2019:

GOVERNMENT OWNED COMPANIES			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Isle of Man Film Ltd	Film investment	Isle of Man	100%
Isle of Man Film (DOI) Ltd	Film investment	Isle of Man	100%
Isle of Man Ltd	Dormant	United Kingdom	100%
Isle of Man National Transport Ltd	Dormant	Isle of Man	100%
Laxey Glen Mills Ltd	Flour milling	Isle of Man	100%
Radio Manx Ltd	Commercial radio	Isle of Man	100%
Isle of Man Steam Packet Group Ltd	Passenger and freight ferry services	Isle of Man	100%
Isle of Man Meat Company Ltd	Procurement and processing of cattle sheep and pigs	Isle of Man	100%



7.15 Government Owned Companies (continued)

7.15.1 Central Government (continued)

The Accounts of the five trading Companies are required to be laid before Tynwald annually. Further details of the non-dormant companies' activities during the year are set out below:

Isle of Man Film Ltd ("IOMFL")

IOMFL previously made investments in film productions on behalf of Government and remits receipts from film sales to the Media Development Fund.

Isle of Man Film (DOI) Ltd is a wholly-owned subsidiary of IOMFL but is now dormant.

Laxey Glen Mills Ltd ("LGML")

Government provides subsidies to LGML in respect of flour sales, advances funds for LGML to purchase grain and provides grants to pay bonuses to growers.

Radio Manx Ltd ("RML")

Government provides an annual subvention to RML. In addition, Government organisations purchase services from and sell services to RML on an arm's length basis.

Isle of Man Steam Packet Group Ltd (IOMSPGL)

On the 24th May 2018 Treasury, a department of the Isle of Man Government acquired the full shareholding of the IOMSPGL (formerly known as MIOM Ltd) for £48.8 million.

The group is run on an arm's length basis from Government.

Isle of Man Meat Company Ltd (IOMMCL)

The Department of Environment, Forestry and Agriculture (DEFA) provide an annual grant to the IOMMCL to meet operational costs. DEFA holds one 'G' share which holds voting and distribution rights. The remaining 50% is owned by Isle of Man Fat Stock Marketing Association Ltd who hold one 'A' share with no voting or distribution rights.

7.15.2 Group Accounts

Manx Utilities Authority

In addition to 7.15.1, the Manx Utilities Authority hold all the shares in the following two companies, the accounts of which have been consolidated with the Government's Group Accounts, on the basis that they are consolidated within the Manx Utilities Authority's own Group Accounts:

COMPANIES OWNED BY THE MANX UTILITIES AUTHORITY			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Manx Cable Company Limited	Electricity cable link	Isle of Man	100%
e-Ilan Communications Limited	Wholesale telecom services	Isle of Man	100%



7.15 Government Owned Companies (continued)

7.15.2 Group Accounts (continued)

Isle of Man Post Office

As part of the acquisition of property at Barleyfields, Isle of Man Business Park, the Post Office acquired 40 shares of Isle of Man Business Park (No.4) Management Company Limited. The principal activity of the company is the management of the shared element of the property acquired.

The Post Office share of the profits or losses of associates or its interest in their net assets have not been consolidated with the Government's Group Accounts, on the basis that its transactions and balances are not material.

COMPANIES IN WHICH THE ISLE OF MAN POST OFFICE HAS SHARES			
Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Isle of Man Business Park (No.4) Management Company Limited	Property management	Isle of Man	40%

7.16 Debtors and prepayments

7.16.1 Long Term Debtors

Long Term Debtor balances comprise loan schemes funded by the Consolidated Loans Fund. An analysis of the closing balances on these schemes is shown below:

LONG TERM DEBTORS				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Loan Schemes				
Agricultural Holdings Scheme 1978	36	50	36	50
Agricultural Holdings Scheme 2000	354	382	354	382
Agricultural Credits Acts 1924-66	6	9	6	9
Fishing Industry	5	8	5	8
House Purchase Assistance Schemes	18,424	21,127	18,424	21,127
House Purchase Schemes	9	12	9	12
House Purchase & Refurbishment Scheme 1991	210	250	210	250
Local Authorities	1,275	1,380	1,275	1,380
	20,319	23,218	20,319	23,218
Loans to Statutory Boards				
Manx Utilities Authority	0	-	438,999	439,627
Isle of Man Steam Packet Group	0	-	75,354	75,354
Total Loans Outstanding	20,319	23,218	534,672	538,199
Due within 12 months	(921)	(1,056)	(12,209)	(10,714)
Total Due After 12 Months	19,398	22,162	522,463	527,485



7.16 Debtors and prepayments (continued)

7.16.1 Long Term Debtors (continued)

Notes:

- The criteria for the House Purchase Assistance schemes have varied across the years but in general have been offered at 1% below the Bank of England base rate. In 2014 a Shared Equity Scheme was introduced which offered a 2 year interest-free period then charged at 1%, increasing incrementally by 1% each subsequent year or Bank of England Base Rate plus 5% whichever is the lesser.
- The MUA loan includes Isle of Man Treasury Bonds that comprise a Bond with a £75 million nominal value at 5.625% per annum with a maturity date of 29 March 2030, and a Bond with a £185 million nominal value at 5.375% per annum with a maturity date of 14 August 2034. The balance of the loan amount relates to loans from the Capital Loans Fund.
- The Local Authority Loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.
- Interest payable on the Consolidated Loans Fund is at a variable interest rate as determined annually by Isle of Man Government Treasury. For the year under review the interest rate was set at 2% (2019/20: 2%).
- On the 24th May 2018 Treasury, a department of Isle of Man Government, entered into a loan agreement with Isle of Man Steam Packet Group Limited (previously MIOM Ltd). Interest is payable six monthly at 2% plus base rate. Repayment is due prior to 24th May 2028. There has been a waiver of interest that accrued on this loan from March 2020 to March 2021 inclusive due to the adverse impact of the Coronavirus pandemic on IOMSPG revenue and cash flows.

7.16.2 Current Debtors

CURRENT DEBTORS				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Trade Debtors	53,090	43,392	19,583	13,221
Prepayments	270	179	-	-
Loan Schemes	921	1,056	12,209	8,774
Sub-total	54,281	44,627	31,792	21,995
Taxation Debtors	100,008	48,710	100,008	48,709
Other Debtors	62,716	24,658	62,291	23,329
Sub-total	162,724	73,368	162,299	72,038
Accrued Income Receivable	-	-	-	-
Total	217,005	117,995	194,091	94,033

Notes

- Included within Trade Debtors and Prepayments for both the Group and Central Government is an amount of £1.5 million (2019/20: £1.5 million) in respect of the Kaupthing Singer & Friedlander (Isle of Man) Limited Early Payment Schemes and Depositors' Compensation Schemes. A provision of £1.1 million (2019/20: £1.1 million) has been applied against this balance to give a net balance of £0.4 million (2019/20: £0.4 million).
- Taxation Debtors include amounts in respect of direct and indirect taxation where assessments have been raised and are expected to be paid. Income Tax assessments which are under review and for which the assessed value may change are excluded from the Taxation Debtors amount as the amount and timing of payment is uncertain.



7.16 Debtors and prepayments (continued)

7.16.2 Current Debtors (continued)

- Other Debtors include an amount of £nil (2019/20: £3 million) payable by the United Kingdom's HM Revenue & Customs in respect of the VAT sharing arrangement and a £45 million (2019/20: £nil) accrual payable by HMRC UK in respect of work and pensions.

7.17 Stocks and Work in Progress

STOCKS AND WORK-IN-PROGRESS				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Raw Materials and Consumables	17,762	13,469	8,645	4,289
Work in Progress	(18)	(18)	(18)	(18)
Goods for Resale	2,052	1,620	1,882	1,433
Total	19,796	15,071	10,509	5,704

7.18 Cash Balances

7.18.1 Cash Balances

CASH BALANCES				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Cash re: external funds	72,222	68,058	72,222	68,058
Cash re: loans fund	53,458	56,791	53,458	56,791
Other cash balances	(60,391)	(71,125)	(87,799)	(110,694)
Cash at Bank and in Hand	65,289	53,723	37,881	14,154
Bank Overdrafts	(1,400)	(1,215)	(1,393)	(1,208)
Total	63,889	52,508	36,488	12,946

The above represents cash held in Government bank accounts and cash held by the Government's External Investment Managers (see Note 7.14 Long Term Investments). In addition, Treasury also places short term cash deposits on wholesale money markets.

Cash balances in respect of the Consolidated Loans Fund (Capital cash balance) are funded from General Revenue and are therefore shown as both a positive (in respect of the Consolidated Loans Fund) and a negative (overdrawn, in respect of General Revenue) cash balance with 'Other cash balances' above.

Cash and Cash Instruments are now classified as Investments and included in the table from note 7.14.1 above. This is to provide greater transparency in showing how our reserves position is made up of our investment portfolio.



7.18.2 Bank Overdrafts and Loans Payable

BANK OVERDRAFTS AND LOANS PAYABLE					
	<i>Note</i>	Group		Central Government	
		2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Current Liabilities					
Net Finance Debt		(9,015)	(15,349)	(2,176)	(2,049)
Loans Payable - LA		-	-	-	-
Bank Overdrafts and Loans Payable	7.21.2	(1,400)	(1,215)	(1,393)	(1,208)
		(10,415)	(16,564)	(3,569)	(3,257)
Long Term Liabilities					
Loans Payable - Bonds	7.21.2	(262,750)	(262,522)	(262,750)	(262,522)
Loans Payable - LA	7.21.2	(1,794)	(1,841)	-	-
Finance Debt	7.19.2	(30,396)	(41,396)	(19,481)	(21,658)
		(294,941)	(305,759)	(282,231)	(284,180)
Total		(305,355)	(322,321)	(285,800)	(287,437)

The Treasury reviews its banking arrangements annually and currently has lending facilities in place with the Isle of Man Bank Limited and Lloyds Bank which are as follows:

LENDING FACILITIES IN PLACE	
Account	Limit £
Forward Foreign Exchange	£1,545,000
NatWest Purchasing Card	£2,000,000
Revolving Credit Facility – Lloyds	£150,000,000
BACS	£69,000,000
General Charges Account	£10,000,000

During the 2020/21 financial year a Revolving Credit Facility with Lloyds Bank was agreed. In August 2020 £40 million was withdrawn to facilitate cash flow requirements, this was repaid in three months and no further drawdowns have taken place.



7.19 Creditors and Third Party Funds

7.19.1 Creditors: Amounts falling due within one year

CURRENT LIABILITIES					
	Note	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
		£000	£000	£000	£000
Trade creditors		17,945	21,529	10,183	12,487
Accruals		65,945	58,801	53,271	46,263
Other creditors		59,201	10,855	58,768	10,385
Deferred income		4,115	10,245	-	-
Sub-total		147,207	101,429	122,222	69,135
Finance debt	7.22.1	8,512	7,899	2,176	2,049
Derivatives		949	8,069	-	-
Sub-total		9,461	15,968	2,176	2,049
Total		156,668	117,397	124,398	71,184

7.19.2 Creditors: Amounts falling due after more than one year

LONG-TERM LIABILITIES					
	Note	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
		£000	£000	£000	£000
Finance debt	7.22.1	28,412	37,334	19,481	21,658
Derivatives		1,984	4,062	-	-
Sub-total		30,396	41,396	19,481	21,658
Deferred income	7.20	18,044	13,161	-	-
Provisions		-	-	-	-
Other creditors		12,674	11,886	12,510	11,773
Sub-total		30,718	25,047	12,510	11,773
Total		61,114	66,442	31,991	33,431



7.20 Deferred Income

DEFERRED INCOME				
	Group		Central Government	
	2020-21	2019-20	2020-21	2019-20
	£000	£000	£000	£000
Falling due after more than one year				
Customers' Contributions				
Opening Balance	13,162	13,022	-	-
Received in the year	5,500	816	-	-
Released to I&E Account in the year	(618)	(677)	-	-
Closing Balance	18,044	13,161	-	-

Deferred income represents amounts paid in advance by customers of the Manx Utilities Authority.

7.21 Loans Payable

7.21.1 Central Government

The external debt of Government (other than temporary borrowing by way of Bank overdraft) comprises Bonds issued under the Isle of Man Loans Act 1958-74.

Loans payable comprise £260 million (2019/20: £260 million) in respect of loans issued from the Consolidated Loans Fund to the Manx Utilities Authority. These amounts relate to amounts raised by Treasury through a Bond Issue on behalf of the Statutory Board, the proceeds of which were then loaned to the Statutory Board.

The Bonds have the following details:

MANX UTILITIES AUTHORITY BONDS			
Statutory Board	Amount	Interest rate	Maturity Date
Manx Utilities Authority (former Isle of Man Water and Sewerage Authority)	£75 million	5.625% (fixed)	29 March 2030
Manx Utilities Authority (former Manx Electricity Authority)	£185 million	5.375% (fixed)	14 August 2034



7.21.2 Group Accounts

Loans payable includes £1.8 million (2019/20: £2 million) due to local authorities by the Manx Utilities Authority. The loans are in respect of obligations taken on for sewer mains and sewerage assets transferred to the Authority prior to 2007.

The bonds are accounted for on an effective interest basis and include accrued interest applicable to the financial year 2020/21.

LOANS PAYABLE					
	<i>Note</i>	Group		Central Government	
		2020-21	2019-20	2020-21	2019-20
		£000	£000	£000	£000
5.625% Bonds repayable March 2030		72,930	72,761	72,931	72,761
5.375% Bonds repayable August 2034		189,819	189,761	189,819	189,761
Total Bonds		262,749	262,522	262,750	262,522
Local Authority loans taken over (MUA)		1,794	1,841	-	-
Total Long Term Loans		264,543	264,363	262,750	262,522
Bank Overdrafts	7.18.2	1,400	1,215	1,393	1,208
Total Loans Payable		265,944	265,578	264,143	263,730



7.22 Other Financial Assets and Liabilities

7.22.1 Finance leases

The future minimum finance lease payments are as follows:

FINANCE LEASE OBLIGATIONS				
	Group		Central Government	
	2020-21	2019-20 Restated	2020-21	2019-20 Restated
Payments Due:	£000	£000	£000	£000
Falling due within one year:				
Within one year	9,461	15,968	2,176	2,049
Falling due after one year:				
Between one and five years (restated)	23,953	32,013	13,061	12,304
Later than five years (restated)	6,443	9,382	6,420	9,353
Sub-Total	30,396	41,395	19,481	21,657
Total	39,857	57,363	21,657	23,706

Central Government

At 31 March 2021 there was one material finance lease in existence in respect of the Energy from Waste Plant in Braddan, which was the subject of a sale and lease back agreement in 2004. During the year to 31 March 2021 the annual rental of £3.4 million (2019/20: £3.4 million) was charged to the Income and Expenditure Account of the Department of Infrastructure. That amount is payable until the final payment which is due on 28 September 2028.

The finance liability represents the present value of expected future capacity payments discounted at an interest rate of 6.2% per annum. This amount has been included in fixed assets and is depreciated over 20 years.

The 2019/20 figures have been reclassified between the one to five years and the later than five years category. The total value of the obligation has not changed for 2019/20.

Group Accounts

In 2002, the Manx Electricity Authority entered into contractual arrangements to obtain capacity on the natural gas inter-connector between the UK and the Republic of Ireland and to construct a spur pipeline to connect the Isle of Man to the inter-connector. These contractual arrangements were entered into by the Authority in order to bring natural gas to the Isle of Man to supply the Authority and other third party users.

The Isle of Man Pipeline Connection Agreement relates to the use of the spur pipeline linking the Moffat Distribution System and the west coast of the Isle of Man. Under the terms of the agreement, the Manx Utilities Authority pays the operator for the construction costs of the spur pipeline until 30 September 2023.

The finance liability represents the present value of expected future capacity payments discounted at an interest rate of 10.8% per annum (2019/20: 10.8%). The effective interest rate has been reassessed based on the value of payments made each year. This amount has been included in tangible assets and is depreciated over 60 years. Operating and maintenance charges also arise under the spur inter-connector Agreement and are charged to the Income and Expenditure account.

The amounts due under this agreement are payable in Euros (€). At 31 March 2021 the Manx Utilities Authority had contracts in place for monthly commitments to purchase Euros at a predefined rate until March 2022. The total nominal amount of these contracts at 31 March 2021 was €19.3 million which equates to a Sterling commitment of £17.3 million (2019/20: €14.5 million, £13.2 million).



7.22 Other Financial Assets and Liabilities (continued)

7.22.2 Derivatives

FINANCIAL ASSETS				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Forward sale of electricity	-	619	-	-
Forward purchase of natural gas	446	-	-	-
Total	446	619	-	-

FINANCIAL LIABILITIES				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Falling due within 1 year				
Forward purchase of natural gas	-	7,868	-	-
Forward purchases of currency	949	208	-	-
Sub-total	949	8,076	-	-
Falling due after 1 year				
Forward purchase of natural gas	105	4,054	-	-
Forward purchases of currency	1,880	8	-	-
Sub-total	1,985	4,062	-	-
Total	2,934	12,138	-	-

Derivative financial instruments – Forward Purchase Contracts

- The Manx Utilities Authority has entered into a number of contracts to purchase gas at a pre-determined price for delivery between April 2016 and March 2022, in order to hedge against gas price volatility. At the Balance Sheet date the amount of these commitments was £16.7 million (2019/20: £31.8 million).
- The contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward market price at the balance sheet date and the quantity of gas purchased. The fair value of the forward natural gas purchase contracts is a financial asset of £0.3 million (2019/20: financial liability £12 million), being the market value of the contracts of £17 million (2019/20: £19.8 million) less the contractual commitments of £16.7 million (2019/20: £31.8 million).
- Additionally, the Manx Utilities Authority enters into forward contracts to purchase Euros in order to protect against foreign currency exchange volatility on charges paid in respect of the Gas Interconnector and the Spur Pipeline, which are invoiced in Euros. At the Balance Sheet date Manx Utilities had contracts in place for monthly commitments to purchase Euros at a pre-defined rate until March 2022. The nominal amount of these contracts at 31 March 2021 was €19.3 million which equates to a Sterling commitment of £17.3 million (2019/20 €14.5 million, £13.2 million).



7.22 Other Financial Assets and Liabilities (continued)

7.22.2 Derivatives (continued)

Derivative financial instruments – Forward Purchase Contracts (continued)

- The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for Sterling to Euros. The fair value of the forward foreign currency contracts is £nil (2019/20: £0.2 million), being the market value of the contracts of £nil (2019/20: £13 million) less the contractual commitments of £nil (2019/20: £13.2 million).

7.23 Movements on Reserves

7.23.1 Net General Revenue Account

The movement on the General Revenue Account is shown in the Statement of Total Movement on the General Revenue Account Balance (Section 6.4).

7.23.2 General Revenue Adjustments Account

GENERAL REVENUE ADJUSTMENTS ACCOUNT				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Balance brought forward	(1,386,569)	(1,881,011)	(1,378,387)	(1,882,954)
Fixed assets adjustments	(49,098)	97,469	(49,098)	97,469
Pensions adjustments	(1,039,000)	421,000	(1,039,000)	421,000
Other	94,710	(24,027)	97,718	(13,902)
Total	(2,379,957)	(1,386,569)	(2,368,767)	(1,378,387)

Adjustments which are required to comply with current applicable Accounting Standards and are applied to the Income and Expenditure Account but which are not included in the Government's budget are applied to the General Revenue Adjustments Account and not the Net General Revenue Account.

7.23.3 External Funds and Reserves

The Government has eight externally managed funds and reserves. These are reserves where the invested assets relating to each reserve are managed by external investment managers.

Details of balances and movements on externally managed funds and reserves are provided in Note 7.14.5.



7.23 Movements on Reserves (continued)

7.23.4 Internal Funds – Central Government

INTERNAL FUNDS - CENTRAL GOVERNMENT						
Internal Revenue Fund or Reserve	Balances brought Forward 1 Apr 20 £000	Income			Expenditure	Balances Carried Forward 31 Mar 21 £000
		Transfers to/from Operating Account £000	Contributions Seizures & other £000	Investment Income £000	Transfers to Internal Accounts £000	
Academic Business Planning Fund	1,396	(600)	987	2	400	1,385
Agriculture and Forestry Fund	1,485	1,700	-	2	900	2,287
Brexit Fund	2,680	-	-	2	111	2,571
Contingency Fund	47,464	18,100	-	13	54,912	10,666
Digital Strategy Fund	4,317	1,000	-	5	345	4,977
Economic Development Fund	9,767	(5,000)	-	10	-	4,778
Government Marketing Initiatives Fund	1,530	1,000	-	2	-	2,532
Environmental Protection Fund	-	5,000	-	2	353	4,650
Economic Recovery Fund	-	15,500	-	6	12,426	3,079
Healthcare Transformation Fund	8,887	5,000	-	8	4,840	9,055
Housing Reserve Fund	1,412	-	5,575	10	2,105	4,890
Invest to Save Fund	2,194	-	-	2	314	1,883
Land & Property Acquisition Reserve	6,913	-	-	8	-	6,921
Legal Costs Reserve	3,166	1,000	-	3	1,361	2,808
Medical Indemnity Fund	2,949	3,000	-	4	2,146	3,807
Seized Assets Fund	3,023	-	7,298	19	144	10,195
Town & Village Centre Regeneration Fund	1,514	-	-	2	-	1,515
Total	98,697	45,700	13,860	100	80,357	77,999

The internally managed funds are funds allocated from General Revenue to provide funding for a specific purpose. The assets invested for each fund comprise cash deposits based with local banks and are not separately identifiable from other General Revenue cash deposits.

Details of each fund, including a brief description of the purpose of each fund, can be found in Section 8 of the Detailed Government Accounts. There are some slight rounding differences in the table above compared to the Detailed Government Accounts.



7.23 Movements on Reserves (continued)

7.23.5 Internal Funds – Group Accounts

INTERNAL FUNDS - GROUP					
	Balances brought Forward 1 Apr 20 £000	Income		Expenditure	Balances Carried Forward 31 Mar 21 £000
		Contributions Seizures & Other £000	Realised Income £000	Internal Transfers and Other Expenses £000	
Treasury funds					
Internally managed funds	98,696	59,560	100	(80,357)	77,999
Other funds					
<u>Isle of Man Post Office</u>					
Reserves	15,510	-	-	5,973	21,483
<u>Manx Utilities Authority</u>					
Reserves	1,768	-	-	5,277	7,045
<u>Owned Companies</u>					
Reserves	7,300	(15,042)	-	-	(7,742)
Total	123,274	44,518	100	(69,107)	98,785

7.24 Pensions

7.24.1 Overview

The Isle of Man Government operates a number of pensions for staff employed under a variety of pay agreements. These schemes apply to personnel in the various Departments, Boards and Offices within the scope of the Central Government Accounts. The schemes are managed and administered by the Public Sector Pensions Authority, a statutory board of Government. The transactions and balances in respect of these schemes are included within the Central Government figures below.

Whilst the Treasury has established a reserve fund to address the emerging pension liability, these schemes are accounted for as unfunded schemes as the Public Service Employees' Pension Reserve is not exclusively used to meet pension scheme liabilities and its assets are not allocated to specific schemes.

The schemes operated by Central Government comprise the following:

- Government Unified Scheme
- *Judicial Pension Scheme 1992 (closed scheme)*
- Judicial Pension Scheme 2004
- *Police Pension Regulations 1991 (closed scheme)*
- Police Pension Regulations 2010
- *Superannuation Manual Workers (No 1) Pension Scheme 1973 (closed scheme)*
- Teachers Superannuation Order 2007

The Isle of Man Post Office operates a separate defined benefit scheme, the transactions and balances of which are included in the Group figures below. The scheme is a funded scheme, contributions to which are determined by a firm of independent actuaries employed by the Trustees.

The scheme operated by the Isle of Man Post Office is as follows:

- The Isle of Man Post Office Superannuation Scheme



7.24 Pensions (continued)

7.24.1 Overview (continued)

The Isle of Man Steam Packet Group Limited operates a defined contribution scheme, the Carey Workplace Pension Trust, and three defined benefit schemes as follows:

- Isle of Man Steam Packet Company Ltd Staff Pension Fund (SPPF)
- Merchant Navy Officers Pension Fund (MNOFP)
- Merchant Navy Ratings Pension Fund (MNRPF)

The SPPF scheme is a contributory, defined benefit scheme which provides retirement benefits and death benefits for all permanent employees in the form of a guaranteed level of pension payable for life. The level of benefits are dependent on length of service and salary.

The MNOFP and MNRPF schemes are closed to future accrual. Insufficient information is available to enable defined benefit accounting on these two schemes therefore a defined contribution approach has been adopted and the full annual cost is included.

7.24.2 Assumptions used

The financial assumptions used to calculate scheme liabilities under FRS 102 Section 28 are as follows:

PENSION ASSUMPTIONS USED				
	Group		Central Government	
	2020-21	2019-20	2020-21	2019-20
Discount rate	2.07%	2.39%	2.00%	2.30%
Salary increase rate	4.89%	3.94%	4.85%	3.90%
Rate of revaluation in deferment	2.90%	1.95%	n/a	n/a
Pension increase rate	2.94%	2.01%	2.85%	1.90%
Expected return on scheme assets	3.15%	2.55%	n/a	n/a
Price inflation rate - Consumer Price Index (CPI)	2.96%	2.02%	2.85%	1.90%

Assumptions regarding life expectancy of members are based on published statistics and mortality tables.

The expected return on scheme assets is determined as the best estimate of returns expected over the period from dividends, interest and capital gains, taking into account the expected returns for individual asset categories.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions determined by the Accounting Standard which, due to the timescale covered, may not necessarily be borne out in practice.



7.24 Pensions (continued)

7.24.3 Amounts recognised in the Balance Sheet

PENSION AMOUNTS RECOGNISED IN THE BALANCE SHEET				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Equities	53,563	54,115	-	-
Property	16,624	14,060	-	-
Other	98,471	69,419	-	-
Fair value of scheme assets	168,658	137,594		-
Present value of liabilities – DB schemes	(4,968,260)	(3,897,780)	(4,789,000)	(3,750,000)
Present value of liabilities - DC scheme	(1,785)	(286)	-	-
Net pension liability	(4,801,387)	(3,760,472)	(4,789,000)	(3,750,000)

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were as follows:

7.24.4 Reconciliation of scheme liabilities

RECONCILIATION OF SCHEME LIABILITIES				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
At beginning of period	3,897,781	4,313,127	3,750,000	4,171,000
Benefits paid	(116,112)	(104,191)	(111,000)	(99,000)
Employee contributions	28,283	26,216	27,000	25,000
Current service cost	116,356	123,313	112,000	119,000
Interest Cost	89,306	103,781	86,000	100,000
Curtailments	-	-	-	-
- Actuarial (gains)/losses	952,646	(564,466)	925,000	(566,000)
At end of period	4,968,260	3,897,780	4,789,000	3,750,000



7.24 Pensions (continued)

7.24.5 Changes in the fair value of scheme assets

CHANGES IN THE FAIR VALUE OF SCHEME ASSETS				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
At beginning of period	137,593	135,020	-	-
Benefits paid	(5,363)	(3,055)	-	-
Employee contributions	1,283	570	-	-
Expected return on assets	2,804	2,238	-	-
Sponsor contributions	5,424	1,238	-	-
Actuarial (losses)/gains	26,917	(6,550)	-	-
At end of period	168,658	129,461	-	-

7.24.6 Amounts recognised in the Income and Expenditure Account

AMOUNTS RECOGNISED IN THE INCOME AND EXPENDITURE ACCOUNT				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Current service cost	116,411	123,438	112,000	119,000
Interest on scheme liabilities	89,591	103,997	86,000	100,000
Expected return on scheme assets	(3,144)	(3,650)	-	-
Total expense	202,858	223,785	198,000	219,000
Actual return on scheme assets	25,308	(2,899)	-	-

7.24.7 Return on plan assets

RETURN ON PLAN ASSETS				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Actual Return on Plan Assets	25,308	(2,899)	-	-
Actual Return on Plan Assets	25,308	(2,899)	-	-



7.24 Pensions (continued)

7.24.8 Amounts recognised in the Statement of Comprehensive Income

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Actual return less expected return on scheme assets	26,917	(725)	-	-
Expected gains and losses arising on scheme liabilities	277,886	12,994	278,000	10,000
Change in assumptions underlying present value of scheme liabilities	(1,230,532)	551,472	(1,203,000)	556,000
Net actuarial gains/ (losses) recognised in the period	(925,729)	563,741	(925,000)	566,000

7.24.9 Reconciliation of Movement on the General Revenue Account Balance

RECONCILIATION FOR MOVEMENT ON GENERAL REVENUE ACCOUNT BALANCE				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Amount recognised in the I&E Account	198,000	219,000	198,000	219,000
Add Back:				
Employee Contributions	27,000	25,000	27,000	25,000
Benefits Paid	(111,000)	(99,000)	(111,000)	(99,000)
Total	114,000	145,000	114,000	145,000

Note – IOM Post Office and The Isle of Man Steam Packet Group movements do not impact the General Revenue Account.

7.24.10 Cumulative net actuarial gains and losses recognised in the Statement of Comprehensive Income

CUMULATIVE NET ACTUARIAL (GAINS)/LOSSES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
At beginning of period	1,222,660	1,786,402	1,224,000	1,790,000
Actuarial loss/(gain) on pension scheme	925,729	(563,741)	925,000	(566,000)
At end of period	2,148,389	1,222,661	2,149,000	1,224,000



7.24 Pensions (continued)

7.24.10 Cumulative net actuarial gains and losses recognised in the Statement of Comprehensive Income (continued)

Cumulative net actuarial (gains)/losses for Central Government have been determined as the amounts recognised in the Statement of Comprehensive Income since the period ended 31 March 2010. Cumulative net actuarial (gains)/losses for other Group entities have been determined as the amounts recognised in the Statement of Comprehensive Income since the period ended 31 March 2004.

The £925 million net actuarial loss for Central Government for 2020/21 (19/20: £566 million gain) reflects changes in financial assumptions underlying the present value of scheme liabilities. The change of financial assumptions primarily due to a decrease in the real discount rate and an expected increase to future CPI inflation.

7.24.11 Historical Information

HISTORICAL INFORMATION				
	Group			
	2021	2020	2019	2018
	£000	£000	£000	£000
Present value of scheme Liabilities - DB Scheme	(4,968,260)	(3,897,780)	(4,262,279)	(3,812,693)
Present value of scheme Liabilities - DC Scheme	(1,785)	(286)	-	-
Fair value of scheme assets	168,657	129,461	88,399	86,677
Net scheme deficit	(4,801,388)	(3,768,605)	(4,173,880)	(3,726,016)
Experience adjustments on scheme liabilities	(278,114)	(12,994)	533	31,655
Experience adjustments on scheme assets	26,917	(6,550)	(1,445)	2,929
	Central Government			
	2021	2020	2019	2018
	£000	£000	£000	£000
Present value of scheme Liabilities	(4,789,000)	(3,750,000)	(4,171,000)	(3,723,000)
Fair value of scheme assets	-	-	-	-
Net scheme deficit	(4,789,000)	(3,750,000)	(4,171,000)	(3,723,000)
Experience adjustments on scheme liabilities	(278,000)	(10,000)	-	32,000

7.25 Contingent Assets

As at 31 March 2021, grants totalling £17.5 million had been issued under House Purchase Assistance Schemes currently operated by the Department of Infrastructure (2019/20 £17.5 million). These grants depreciate by 20% of the original value at 5 year intervals, and outstanding grants are repayable on disposal of the property. Total currently outstanding (i.e. less depreciation and repayment) is £4 million (2019/20: £4.9 million).

At the same date, loans totalling £27.3 million (including accrued interest) (2019/20: £26.6 million) had also been issued under House Purchase Assistance Schemes (since 1999) to date. The current loan balance outstanding is £14.4 million (2019/20: £16.3 million).



7.26 Contingent Liabilities

CONTINGENT LIABILITIES				
	Group		Central Government	
	2020-21	2019-20	2020-21	2019-20
	£000	£000	£000	£000
Local Authority Borrowing	220,809	216,108	220,809	216,108
Medical Indemnity Fund	15,375	15,735	15,375	15,735
Insurance	13,382	4,555	13,382	4,555
Student Loans	48	92	48	92
Bord Gais Energy limited	25,000	25,000	-	-
Total	274,614	261,490	249,614	236,490

This statement records Government's identified potential liabilities and specific guarantees. No provision for threatened or pending legal actions outstanding has been made in these Accounts as the likelihood of these actions giving rise to material liabilities is considered remote.

Specific guarantees or potential liabilities at 31 March 2021 totalled £274.6 million (2019/20: £261.4 million), as set out below:

- i. Local Authority Borrowing relates to Letters of Comfort issued by Treasury to Bankers in relation to authorised Local Authority borrowing to a value of £266.0 million at 31 March 2021 (2019/20: £266.0 million).
- ii. The Medical Indemnity Fund and Insurance amounts relate to notified insurance claims. The amounts represent the risk adjusted anticipated liability for these incidents, although it is still to be determined if Government has a liability in each case. The amount payable will depend on the final agreement of the liability for each claim with the claimant and the claims will be paid, if required, following this agreement.
- iii. The Department of Education, Sport and Culture and the Treasury have signed an agreement with the Isle of Man Bank Limited to indemnify the bank for losses in respect of student loans issued by the bank. The maximum amount guaranteed under this facility is £10 million (2019/20: £10.0 million).
- iv. During 2016/2017 Treasury provided a guarantee in support of the Manx Utilities Authority's "Route to Market" trading framework agreement with Bord Gais Energy limited, to the maximum value of £25 million. The guarantee provides security of supply to the Island's natural gas pipeline, and reduces gas price risk for the Authority.
- v. The Isle of Man Government has given an undertaking to financially support the Manx Utilities Authority.
- vi. During 2020/21 the Isle of Man Government has agreed to underwrite 80% of up to £60 million of new lending provided by Isle of Man banks through the Loan Disruption Agreement. During the year no claims had been received, see note 7.33 for more details.
- vii. On 18 March 2021 the Treasury agreed to guarantee the amount of lending obtained by the Isle of Man Steam Packet Company Limited for the acquisition of its new vessel, "Manxman". The provision of this guarantee by Treasury is contingent on Treasury reviewing and approving the written terms of the proposed form of guarantee, which should stipulate that Treasury would only be required to make payment under the guarantee to the extent that the IOMPSC is unable to reasonably be able to make a payment when it falls due. It has also been stipulated that the amount of the guarantee shall not exceed £160 million.
- viii. In addition to the guarantee on Manxman in vii, the Treasury agreed to provide financial support for a period of at least twelve months from the date of approval of the financial statements ending 31 December 2020 and agreed to waive interest until border restrictions are removed.



7.27 Post Balance Sheet Events

There are no material adjusting events after the reporting date.

Subsequent to the year end, Tynwald approval was granted on 15 June 2021 in order for Treasury to borrow up to £400 million by means of the issue of securities on terms approved by the Treasury, such borrowings to be repaid within 40 years. As at the date of issue of these financial statements no borrowing has been made.

7.28 Related Party Transactions

Section 33 of FRS102 requires an entity to disclose within its financial statements material transactions with related parties, that is bodies or individuals, that have the potential to control or influence Government Departments, Boards and Offices, or to be controlled or influenced by the same.

Disclosure of these transactions allows the readers to assess the extent to which the Government might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Government. Due to the nature of Isle of Man Government's business, the main related parties considered are Members of Tynwald Court and senior management of Government.

7.28.1 Related Party Transactions - Group

In accordance with FRS102 Section 33 transactions and balances between the Isle of Man Government, the Manx Utilities Authority, the Isle of Man Post Office and the Government-owned companies are not disclosed in this note. Details of balances held are disclosed in the Accounts of those bodies, however.

Manx Utilities Authority

Apart from transactions with Isle of Man Government, the other related party transactions were with wholly owned subsidiaries and so have also not been disclosed.

There were no transactions with key management personnel during the year other than in respect of the supply of utility services and contracts of employment on Manx Utilities' standard term and conditions. The total value of compensation to key management is included at note 7.6.

Isle of Man Post Office

The Board of the Isle of Man Post Office considers the main related parties are the Isle of Man Post Office Superannuation Scheme ("the Scheme"), members of the Board and Senior Management of the Isle of Man Post Office. In respect of the Scheme the Post Office pays pensions and other certain costs on behalf of the Scheme as well as making contributions to the Scheme. These balances are settled by recharges between the scheme and the Post Office during the year.

ISLE OF MAN POST OFFICE SUPERANNUATION SCHEME		
	31 Mar 21	31 Mar 20
	£000	£000
Pensions paid on behalf of the Scheme	2,147	2,026
Net recharges made to the Scheme	514	402
Balance owed by the Scheme	(48)	(30)

The Isle of Man Post Office has an interest in a company and the relevant disclosure can be found in Note 7.15.2. The total value of compensation to key management is included at Note 7.6.

Isle of Man Steam Packet Group Limited

Related party transactions were with wholly owned subsidiaries and so have not been disclosed.



7.28 Related Party Transactions (continued)

7.28.2 Related Party Transactions - Central Government

(i) Related Parties - 2020/21

RELATED PARTY TRANSACTIONS - 2020/21					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/21
Dr A Allinson, MHK	Motiv8 *	Trustee	£298,699	Provision of services	£0
	Ardwhallan Jubilee Trust *	Trustee	£20,590	Payments made for books, materials and services	£0
Mr T S Baker	Isle of Man Meat Company	Director and Chairman	£3,047,842	Subvention and payments made for animal feed	£0
Mrs C L Barber	Hospice	Director	£561,567	Payments made for grants, apprenticeship, vocational training and services	£808
Mrs C A Corlett, MHK	Brunswick Gardens	Shareholder	£5,166	Payments made against relevant supplier invoices	£0
Mrs C Christian, MHK	Riverside Ltd	Brother in law Director	£81,640	Payments made against relevant supplier invoices and business payment scheme	£0
	Claire Christian Couture Ltd	Director and husband Director	£8,000	Business payment scheme	£0
Mrs J M Edge, MHK	Camada Ltd	Partner is a Director	£54,347	Payments made against relevant supplier invoices and business payment scheme	£346
Mrs M Maska, MLC	Culture Vannin	Vice Chair	£408,757	Lottery Duty for distribution	£0
Mr G R Peake, MHK	Mooijer Veggey *	Director	£49,013	Pre-School credits and supplier invoices and business payment scheme	£0
	Manx Lottery Trust *	Trustee	£44,081	Lottery Duty for distribution	£0
Mrs J Poole-Wilson MLC	St Christopher's Fellowship	Voluntary Trustee	£5,419,340	Payments made against relevant supplier invoices	£0
	IOM Pride	Voluntary Director/Trustee	£1,843	Payments made against relevant supplier invoices	£0
Mr J L M Quinn, Attorney General & his Son	Quinn Legal Advocates Ltd	Mr Quinn's Son is a Director	£355,849	Legal aid and professional services	£0
Mr R H Quayle, CM	Ballahowin Courtyard	Wife - Director	£34,375	Business Accommodation Grant scheme	£0

2020/21 related parties continue on next page



7.28 Related Party Transactions (continued)

7.28.2 Related Party Transactions - Central Government (continued)

(i) Related Parties - 2020/21 (continued)

RELATED PARTY TRANSACTIONS - 2020/21 (Continued)					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/21
Mr S C Rodan, MLC	Laxey Chemist Ltd	Director	£619,657	Payments made against relevant supplier invoices and reimbursement of pharmaceutical costs. This is the gross amount and covers the reimbursement of items dispensed under NHS prescriptions and related services. The pharmacy also has to cover expenses out of the amount received.	£0
Mr L D Skelly, MHK Mrs Skelly	Manx Inspirations	Director	£2,359	Payments made against relevant supplier invoices	£0
	Salon D'Elegance	Director	£8,780	Apprenticeship payment and business payment scheme	£0
Mr J P Watterson, SHK	Southern Befrienders Ltd - charity 939 *	Treasurer	£10,000	Payments made against relevant supplier invoices	£0
Mrs S Mowle, DESC Member	S & I Ardwhallan	Temporary Trustee	£19,960	Payments made against relevant supplier invoices	£0
Mrs J McAndry, FSA Member	Independent Medical Services	Husband - Partner	£700	Payments made against relevant supplier invoices	£0
Mr A Lees DEFA Member	Isle of Man Meat Company	Director	£3,047,842.04	Payments made against relevant supplier invoices	£0
Mr A Doherty DFE Member	Standard Bank (IOM) Limited	Non-Executive Director	£21,642	Payments made against relevant supplier invoices	£0
Mr S Bradley DFE Member	Mannin Media Ltd	Director	£28,282	Payments made against relevant supplier invoices	£0
Mr C Randall Chief Financial Officer	Small Countries Financial Management *	Board Member as part of CFO role	£2,827	Payments made against relevant supplier invoices	£0
	Laxey Glen Mills	Shareholder as part of FC role	£253,256	Payments made against relevant supplier invoices	£0
Manx Museum & National Trust	Manx Museum *	Trust	£237,439	Payments made against relevant supplier invoices	£0

*Charity

All balances due to related parties are interest free and incurred through normal operating activity of the Isle of Man Government.

Notes

- i. Members of Tynwald are required to register certain interests in the Register of Members' Interests, a copy of which can be inspected at the Tynwald Library.
- ii. Details of the remuneration paid to Members of Tynwald Court is published by the Clerk of Tynwald's Office and can be accessed via the Tynwald website at <http://www.tynwald.org.im/memoff/remall/Pages/default.aspx>.



7.28 Related Party Transactions (continued)

7.28.2 Related Party Transactions - Central Government (continued)

- iii. Ministers of Departments are considered to be 'key management' so the compensation paid to Ministers during the year has been included within the note 7.6.
- iv. The Government has interests in companies and the relevant disclosures can be found in Note 7.15.

(ii) Related Parties - 2019/20

RELATED PARTY TRANSACTIONS - 2019/20					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/20
Dr A Allinson, MHK	Motiv8*	Director	£289,999	Provision of services	£0
	Ardwhallan Jubilee Trust*	Trustee	£50,394	Payments made for books, materials and services	£1,210
Mrs C A Corlett, MHK	Niarbyl Catering	Director	£1,362	Payments made against relevant supplier invoices	£0
Mrs J McAndry, FSA Member	Brunswick Gardens	Shareholder	£5,040	Payments made against relevant supplier invoices	£0
Mr T A Baker	Isle of Man Meat Company	Director and Chairman	£2,135,844	Subvention and payments made for animal feed	£0
Miss K Costain	Manx Home Care Ltd	Director	£4,788	Payments made against relevant supplier invoices	£0
Mr G Cregeen MHK	IOM Gymnastics Association	Chairman	£2,406	Payments made against relevant supplier invoices	£0
	Ballasalla Enterprise Ltd (Ballasalla Community Partnership)	Director	£1,000		£0
Mrs J M Edge, MHK	Camada Ltd	Partner is a Director	£82,050	Payments made against relevant supplier invoices	£2,012
Mrs M Maska, MLC	Culture Vannin	Vice Chair	£418,539	Lottery Duty for distribution	£217
Mr G R Peake, MHK	Quing*	Director	£40	Payments made against relevant supplier invoices	£0
	Mooijer Veggey*	Director	£555,180	Pre-School credits and supplier invoices	£148,204
	Manx Lottery Trust*	Trustee	£505,919	Lottery Duty for distribution	£168,419
Mrs J Poole-Wilson MLC	St Christopher's Fellowship	Voluntary Trustee	£5,288,208	Payments made against relevant supplier invoices	£0
Mr J L M Quinn, Attorney General & his Son	Quinn Legal Advocates Ltd	Mr Quinn's Son is a Director	£114,898	Advocate Fees and Court Costs Awarded	£0
Mr S C Rodan, MLC	Laxey Chemist Ltd	Director	£474,932	Payments made against relevant supplier invoices and reimbursement of pharmaceutical costs. This is the gross amount and covers the reimbursement of items dispensed under NHS prescriptions and related services. The pharmacy also has to cover expenses out of the amount received.	£601

2019/20 related parties continue on next page

**7.28 Related Party Transactions (continued)****7.28.2 Related Party Transactions - Central Government (Continued)**

RELATED PARTY TRANSACTIONS - 2019/20 (Continued)					
Related Party	Company in receipt of payment	Related Party relationship to Company	Amount Paid to Company by Govt	Type of payment made to company	Year End balance 31/03/20
Mr L D Skelly, MHK Mrs Skelly	Manx Inspirations	Director	£32,358	Payments made against relevant supplier invoices	£0
	Salon D'Elegance	Director	£690	Apprenticeship payment	£0
Mr J P Watterson, SHK	Southern Befrienders Ltd - charity 939*	Treasurer	£10,000	Payments made against relevant supplier invoices	£0
Mrs J McAndry, FSA Member	Independent Medical Services	Husband - Partner	£280	Payments made against relevant supplier invoices	£0
Mr A Lees DEFA Member	Isle of Man Meat Company	Director	£2,119,729	Payments made against relevant supplier invoices	£0
Mr A Doherty DFE Member	Standard Bank (IOM) Limited	Non-Executive Director	£5,880	Payments made against relevant supplier invoices	£0
Mr R Caldwell DFE Member	Erin Arts Centre*	Director	£200	Payments made against relevant supplier invoices	£0
Mr C Randall Chief Financial Officer	Small Countries Financial Management*	Board Member as part of CFO role	£300,000	Payments made against relevant supplier invoices	£0
Manx Museum & National Trust	Manx Museum*	Trust	£486,310	Payments made against relevant supplier invoices	£0

All balances due to related parties are interest free and incurred through normal operating activity of the Isle of Man Government.



7.29 Reconciliation of Net Cash Flow from Operating Activities

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES				
	Group		Central Government	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
Surplus/(Deficit) Before Interest	(34,635)	22,994	(49,208)	1,246
- Net transfer to reserves	(95,888)	(149,624)	(48,662)	(116,822)
Operating (Deficit)	(130,523)	(126,631)	(97,870)	(115,575)
Depreciation and amortisation charges	138,557	149,232	104,987	102,822
Loss(Gain) on Revaluation	574	(309)	-	-
Deferred income release	(2,367)	(443)	-	-
Amortised debt interest adjustment	-	-	-	-
Movement on bond Issue Costs	(228)	-	(228)	-
Net transfer (to)/from external reserves	(101,296)	70,564	(144,815)	39,344
Net interest expense	(346)	(2,074)	-	-
(Gain)/loss on disposal of fixed assets	5,000	(35)	5,045	-
Unrealised gain/(loss) on forward purchase contracts	3,950	(13,392)	-	-
Unrealised (loss)/gain on currency revaluation	(7,269)	7,191	-	-
Defined benefit scheme - current service cost in excess of contributions	29,172	45,768	28,000	45,000
Movements in working capital:				
- (Increase)/decrease in stocks	(4,587)	899	(4,666)	613
- (Increase)/decrease in debtors	(143,338)	37,515	(141,220)	42,741
- Increase/(decrease) in creditors	109,302	30,604	111,057	26,990
Net cash inflow/(outflow) from operating activities	(103,398)	198,890	(139,710)	141,934

7.30 Analysis of Changes in Net Debt

ANALYSIS OF CHANGES IN NET DEBT				
	At 1 April 2020 £'000	Cash Flows £'000	Other Non-Cash Changes £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash at bank	53,723	28,372	-	65,289
Short term deposits	284,781	(127,664)	(315)	156,802
	338,505	(99,292)	(315)	222,091
Borrowings				
<i>Debt due within one year</i>				
Bank Overdraft	(1,215)	(185)	-	(1,400)
Loans Payable		454	-	-
Finance Debt	(15,968)	17,507	(11,000)	(9,461)
<i>Debt due after one year</i>				
Bank Overdraft				
Loans Payable	(264,363)	-	(181)	(264,544)
Finance Debt	(41,396)	-	11,000	(30,396)
	(322,942)	17,776	(181)	(305,801)
Total	15,563	(81,516)	(496)	(83,710)



7.31 Comparative Amounts

During the preparation of these financial statements it was identified that:

The opening position for Cost and Accumulated Depreciation for the Group and Central Government differed between asset classifications in the Fixed Asset Register and the prior year closing figures.

The Group Cost/Valuation amount was lower in the prior year by £3.1 million and Accumulated Depreciation was lower by the same value.

The Central Government Cost/Valuation amount was lower in the prior year by £3.3 million and Accumulated Depreciation was lower in the prior year by £3.1 million.

This has had no impact of opening reserves or the Income and Expenditure Account.

7.32 General Information

The Treasury is a Department of the Isle of Man Government and it comprises six key service areas: Income Tax, Customs and Excise, Social Security, Financial Governance (including Finance Shared Services), Financial Advisory and Audit Advisory. Treasury's head office is 3rd Floor, Government Offices, Bucks Road, Douglas, Isle of Man, IM1 3PZ.



7.33 COVID-19 Impact Statement

On the 11th March 2020, the World Health Organisation declared COVID-19 a pandemic. The Isle of Man introduced significant restrictions on the movement and meeting of people on 26 March 2020.

Many businesses closed or temporarily reduced their services and restrictions continued throughout the 2020-21 financial year, with the first lockdown occurring between March and June 2020 and then subsequent lockdowns in January 2021 and March 2021.

The result of these lockdowns has been significant to the Isle of Man's economy and has also resulted in the Isle of Man Government increasing the breadth of services and support that it provides to the population.

During the first lockdown period of March 2020 to June 2020 there was a significant reduction in the normal day-to-day operations and services offered by the Government, with resources being diverted to focus on areas such as healthcare provision, track and trace teams and supporting the local economy via business grants.

The Isle of Man then experienced a period of six months in which there were no community transmissions of COVID-19 on the Island which meant that the economy was able to fully re-open, with the exception of the tourism industry as our borders remained closed.

The subsequent lockdowns in January and March 2021 saw a return to the conditions seen in early 2020, with most businesses requiring to close or downscale operations and entire areas of the economy (such as Construction) ceasing to operate in order to get control over community transmissions.

The Government Audited Accounts show the full impact of the pandemic on public finances for 2020/21.

Impact on Revenue Receipts

The final results in the Detailed Government Accounts for the financial year ending 31 March 2021 showed income of £1.01 billion, a reduction of £111 million from the budgeted expected income of £1.12 billion. This result was due to reduced Treasury income of £77 million and reduced Departmental income of £34 million.

Included within income is a provision against VAT receipts for the pandemic impact to the Final Expenditure Revenue Sharing Agreement (FERSA). In the Audited Accounts an adjustment to the provision has been made based on a best estimate received during August 2021. This has increased income by £43 million and reduced the impact of the pandemic on Treasury income from £77 million to £34 million. This takes the total impact of the pandemic on income from being £111 million to £68 million.

Impact on Operating Costs

The Detailed Government Accounts showed that expenditure was £1.07 billion versus the budget of £1.11 billion presenting an underspend of £38 million. The impact of reduced revenues was that a £60.4 million deficit reported at the year, compared to a budgeted surplus of £12 million, a shortfall of £72.4 million.

The Detailed Government Accounts included unbudgeted costs of the pandemic on NI funded benefits which totalled £78 million and reflected the level of support Government provided to the public during 2020/21 in the form of benefits and employer grants. The Audited Accounts include an accrual of £6.9 million relating to benefit payments and employer grants which were approved before the 31st March 2021 but paid in April 2021. This takes the total of NI funded benefits relating to pandemic support to £84.9 million.

Department costs incurred as a result of the pandemic amounted to £34 million during the year, these costs were funded from the Contingency Fund within internal reserves.



7.33 COVID-19 Impact Statement (continued)

Impact on Capital Programme

Due to the pandemic and restrictions from lockdowns during the year the capital programme has been delayed and the final cost was £71.6 million for the 2020-21 year, against an original budget of £159 million resulting in an under spend of £84.4 million. In previous years the delivery of capital was lower than budgeted (2019/20: 54%) however 2020/21 the delivery against budget reduced to 45%.

COVID-19 Support Schemes

Immediately prior to and during the 2020-21 financial year a number of schemes were created and administrated to support the economy as an immediate response to the conditions imposed by the pandemic. Below is some narrative explaining the purpose of each scheme.

The funding for the schemes is supported by the Treasury, with the payments relating to MERA and the Salary Support Scheme being funded from the NI Fund.

The other schemes will be funded by claims to contingency and where possible, will be from internal sources before using reserves.

Manx Earnings Replacement Scheme: Provides an income of £200 a week (later rising to £230 per week) to people who have been laid off by their employer without pay, or have been made redundant from their employment, or who are unable to carry out their self-employed work on account of COVID restrictions. The cost included in the Detailed Government Accounts in the 2020/21 financial year end was £11.6 million. A further accrual was provided in the Audited Accounts relating to benefit payments amounting to £6.6 million. This scheme was closed during quarter two of 2021. The total costs incurred during the 2021-22 financial year were £0.7 million.

Coronavirus Business Support Scheme: The scheme was initially established to provide grant assistance to support businesses in designated sectors that were financially affected by the measures announced during the first lockdown. The scheme was then closed in July 2020, before being amended throughout the year to offer support to businesses operating in the Travel & Tourism sector. The level of support offered by this scheme varied throughout the year. The scheme was still in operation as at 31/3/21 and the final cost in the Detailed Government Accounts at the financial year end was £19.6 million. An additional accrual was made in the Audited Accounts for 2020/21 amounting to £0.2 million. The scheme is still in operation and is due to close for all sectors in December 2021.

Salary Support Scheme: The purpose of this scheme is to provide salary support for businesses adversely affected by the pandemic and initially provided a maximum contribution of £280 per week for employees working a 35 hour week, pro-rated for reduced hours. This contribution was increased to £310 per week from March 2021 onwards. This scheme was still in operation as at 31/3/21 and the final cost included in the Detailed Government Accounts was £66.5 million. An additional accrual was made in the Audited Accounts for £0.6 million. This scheme is due to end in December 2021.

Strategic Capacity Scheme: The primary purpose of this scheme is to ensure the Island retains its strategic capacity in the Tourist Accommodation sector during the period impacted by the pandemic and subsequent emergency measures introduced by the Government. The scheme was still in operation as at 31/3/21 and has a projected spend of around £8.8 million. This scheme is due to end in December 2021.

Fisheries Industry Supplier Scheme: This scheme was established by DEFA to provide grant assistance to support fixed costs incurred by the Manx fishing fleet and local seafood businesses during the pandemic. This scheme was still in operation as at 31/3/21 and incurred costs of £1.1m during 2020-21, the projected cost for 2021/22 is £0.3 million, the scheme ended in August 2021.



7.33 COVID-19 Impact Statement (continued)

Manx Restart Scheme: The Manx Restart Scheme has been developed as part of the Government's Economic Recovery Programme to help individuals on the Isle of Man who have been unemployed for three months or more, and to support businesses who wish to grow and take on new staff. The scheme allows employers to claim back 70% of an employee's salary and national insurance contributions, capped at the national living wage. This scheme was still in operation as at 31/3/21 and as it has only recently started, has only incurred £21,000 during 2020-21.

Coronavirus Recovery Scheme: This purpose of this scheme is to provide financial assistance in the form of a grant payment to support the costs of adapting a business and/or support towards essential outgoing costs, including salaries. The scheme is funded from the Financial Assistance Scheme budget (which will be refunded from the Contingency Fund) which has had its existing terms and conditions updated to allow for support to some businesses during the pandemic. The scheme was still in operation as at 31/3/21 and has not yet incurred costs.

Isle of Man Disruption Loan Guarantee Agreement: Will see the Island's commercial banks supporting up to £60 million of new lending, 80% of which will be underwritten by the IOM Government.

Coronavirus Business Working Capital Loan Agreement: Supports overdraft and term-lending loan facilities of up to £250,000 for a minimum term of three years and a maximum term of seven years. In the year a total of 13 applications amounting to £850,250 were sanctioned and of this 12 applications amounting to £750,250 were drawn down.



8 Reconciliation of Expenditure of Departments and Other Bodies

8.1 Overview

Detailed information in respect of Central Government income and expenditure is reported in the Detailed Government Accounts (GD 2021/0025).

The Detailed Government Accounts are prepared on the same basis as the Government Budget for the year, which is intended to present income and expenditure figures which are consistent year on year and represent an accurate presentation of the costs of the major services provided by Government through funds voted by Tynwald.

As the annual Audited Accounts are required to be prepared in accordance with the Audit Act 2006, which requires United Kingdom Accounting Standards to be applied, differences between income and expenditure figures reported in the Detailed Government Accounts and the annual Audited Accounts arise as a result.

The approved budget comprises amounts authorised by Tynwald at the time the original budget was presented for approval together with any subsequent approvals authorised by Tynwald or Treasury up to the date when the Detailed Government Accounts were prepared. Any subsequent approvals or transfers (virements) are not included.

8.2 Reconciliation of Department Expenditure

The following tables show net expenditure by Department for 2020/21 and 2019/20 as reported in the Detailed Government Accounts and the adjustments applied to re-state the net expenditure figures to the required United Kingdom Accounting Standards basis.

Fixed assets adjustments relate to the capitalisation of expenditure, application of depreciation and elimination of loan charges.

Pension adjustments apply the current service cost for the year apportioned to Departments based on actual salary costs and eliminate the cost of pensions paid.

Other adjustments include the reversal of lease costs paid by the Department of Infrastructure in respect of the Energy from Waste plant (the financing cost is included within Interest Payable and Similar Charges), the movement on House Purchase Assistance Schemes' balances for the Department of Infrastructure and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).

In 2020/21 the Manx Museum and National Trust (trading as Manx National Heritage) was funded by a Treasury grant, in 2019/20 they were funded through general revenue as an 'other body'.



8.2 - Reconciliation of Department Expenditure (Continued)

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	Central Government 2020-21				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	33,354	(232)	5,644	619	39,385
Enterprise	1,316	676	3,053	109	5,154
Education, Sport & Culture	114,172	12,547	24,723	204	151,646
Environment, Food & Agriculture	17,068	488	2,809	88	20,453
Health & Social Care	225,906	6,373	42,223	751	275,253
Home Affairs	38,037	(7,377)	8,165	(31)	38,794
Infrastructure	68,743	49,256	13,041	(3,383)	127,657
Treasury	341,734	(395)	5,818	13,487	360,644
	840,330	61,336	105,476	11,844	1,018,986
Other bodies					
Executive Government	11,318	-	(80,811)	109	(69,384)
Stat. Boards (Revenue Funded)	(952)	191	2,347	103	1,689
	10,366	191	(78,464)	212	(67,695)
Expenses of the Legislature	4,334	(264)	988	30	5,088
Total Voted Expenditure	855,030	61,263	28,000	12,086	956,379

RECONCILIATION OF NET DEPARTMENT EXPENDITURE					
	Central Government 2019-20				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	30,475	(321)	6,195	20	36,369
Enterprise	1,062	(431)	3,082	110	3,823
Education, Sport & Culture	108,504	9,604	24,980	-	143,088
Environment, Food & Agriculture	17,088	(99)	2,968	29	19,986
Health & Social Care	230,995	3,921	43,051	12,072	290,039
Home Affairs	37,447	203	12,438	(158)	49,930
Infrastructure	70,258	50,016	13,543	(3,388)	130,429
Treasury	338,383	707	4,980	26,699	370,769
	834,212	63,600	111,237	35,384	1,044,433
Other bodies					
Executive Government	11,204	-	(70,208)	25	(58,979)
Manx Museum and National Trust	4,646	(476)	1,022	7	5,199
Stat. Boards (Revenue Funded)	(722)	(233)	2,534	6	1,585
	15,128	(708)	(66,652)	38	(52,194)
Expenses of the Legislature	4,708	(340)	415	(3)	4,780
Total Voted Expenditure	854,048	62,552	45,000	35,419	997,019



8.2 - Reconciliation of Department Expenditure (Continued)

DEPARTMENT NET EXPENDITURE - VARIANCE TO PRIOR YEAR					
	Variance to Prior Year				
	As Reported £000	Fixed Assets Adjustments £000	Pension Adjustments £000	Other £000	As Adjusted £000
Government Departments					
Cabinet Office	(2,879)	(89)	551	(599)	(3,016)
Enterprise	(254)	(1,107)	29	1	(1,331)
Education, Sport & Culture	(5,668)	(2,943)	257	(204)	(8,558)
Environment, Food & Agriculture	20	(587)	159	(59)	(467)
Health & Social Care	5,089	(2,452)	828	11,321	14,786
Home Affairs	(590)	7,580	4,273	(127)	11,136
Infrastructure	1,515	760	502	(5)	2,772
Treasury	(3,351)	1,102	(838)	13,212	10,125
	(6,118)	2,264	5,761	23,539	25,446
Other bodies					
Executive Government	(114)	-	10,603	(84)	10,405
Manx Museum and National Trust	4,646	(476)	1,022	7	5,199
Stat. Boards (Revenue Funded)	230	(424)	187	(97)	(104)
	4,762	(899)	11,812	(174)	15,501
Expenses of the Legislature	374	(76)	(573)	(33)	(308)
Total Voted Expenditure	(982)	1,289	17,000	23,332	40,639

The above table is the variance in expenditure between 2020/21 and the prior year, 2019/20.

In 2020/21 a net zero was budgeted for pensions expenditure in the Public Sector Pensions Authority (PSPA, part of Executive Government), as Government Departments contributed an additional £2 million towards the cost.

This additional contribution to pension costs manifests itself as additional spending in Departments. A full breakdown of Departmental pension contributions can be seen in section 4 of the Detailed Government Accounts.

The "Other" adjustments include a movement on the employee holiday accrual, which has increased following pay awards.



9 Consolidated Loans Fund

9.1 Overview

Detailed information in respect of Central Government capital income and expenditure is reported in the Detailed Government Accounts (GD 2021/0025). The Consolidated Loans Fund provides funding to Departments and other bodies where expenditure will be incurred over a number of years. Its operation is governed by the Isle of Man Loans Act 1974 and it provides a mechanism for allocating funding and funding costs to Departments. From 2021/22 onwards capital funding for Departments will be through the Capital Financing Reserve Fund. Entities outside of Central Government will remain funded through the Consolidated Loans Fund.

The funding for the Consolidated Loans Fund is currently provided by the Capital Fund (an internal fund) and Fixed Rate Bonds issued by Treasury on behalf of the Manx Utilities Authority. Most of the transactions of the Consolidated Loans Fund are between the Treasury and other Government Departments and other bodies and are therefore eliminated on consolidation. The following section summarises information provided within the Detailed Government Accounts and is prior to consolidation adjustments.

9.2 Consolidated Loans Fund Balance Sheet

CONSOLIDATED LOANS FUND BALANCE SHEET		
	Central Government	
	2020-21	2019-20
	£000	£000
Assets		
Advances to Borrowing Accounts:-		
Fixed Assets - Central Government	1,705,052	1,630,087
Loans to Statutory Boards	514,415	514,982
Long Term Loans	1,895	2,091
Cash at Bank	53,458	56,791
Total	2,274,820	2,203,951
Liabilities		
Loans Outstanding:-		
Bond Issues	260,000	260,000
Capital Fund	845,382	829,350
Reserve Fund	75,354	75,354
Capital Discharged	1,113,449	1,039,247
Total	2,294,185	2,203,951

Notes:

- i. Fixed Assets represent gross expenditure on assets purchased from Capital Financing. Long Term Loans are shown net of repayments.
- ii. Capital expenditure in 2020/21 totalled £71.6million (2019/20: £71.6million).
- iii. The Bond issues referred to above were made by the Treasury on behalf of the Manx Utilities Authority. These amounts relate to amounts raised by Treasury through a Bond Issue, the proceeds of which were then loaned to the Manx Utilities Authority through the Consolidated Loans Fund.
- iv. Apart from the earmarked Bond issues, all of Government Departments' current capital financing requirements is met from internal resources, and all other external debt has been repaid. The sources of funding for Government's on-going capital programme were the interest on the Capital Fund, Departmental principal repayments, Capital Receipts and contributions from the Housing Reserve Fund and the Land and Property Acquisition Reserve.



9.2 Consolidated Loans Fund Balance Sheet Notes (Continued)

Notes (continued):

- v. Capital Discharged represents the accumulated payments that have been made out of revenue to pay for capital expenditure, as follows:
- vi. Net interest of £16 million (2019/20: £15.6 million) was paid to the Capital Fund from Departments during the year, as the interest rate was set at 2% (2019/20: 2%).

RECONCILIATION OF CAPITAL DISCHARGED		
	Central Government	
	2020-21 £000	2019-20 £000
Advances to Borrowing Accounts:-		
Fixed Assets	2,219,467	2,145,069
Long Term Loans	1,895	2,091
Capital Discharged	(1,094,084)	(1,039,247)
Net Advances Outstanding	1,127,278	1,107,913

9.3 Consolidated Loans Fund Interest Transactions

CONSOLIDATED LOANS FUND INTEREST TRANSACTIONS		
	Central Government	
	2020-21 £000	2019-20 £000
Income		
Investment Interest	44	329
Bond Interest recharged to MUA (ex WASA)	4,219	4,219
Bond Interest recharged to MUA (ex MEA)	9,944	9,944
Balance received from Departments	15,988	15,640
Total income	30,195	30,132
Expenditure		
Interest on Bond Issues	14,163	14,163
Interest on Capital Fund	16,032	15,969
Total expenditure	30,195	30,132
Net income/expenditure	-	-

Notes:

- i. The balance on the Interest Transactions Accounts represents net interest charged to Borrowing Accounts in the year ended 31 March 2021 at an average rate of 2% (2019/20: 2%).
- ii. Interest on the Manx Utilities Authority Bond Issue of £14.1 million was charged in full to the Authority during the year (2019/20: £14.1 million).



9.4 Summary of Capital Advances

SUMMARY OF CAPITAL ADVANCES							
DEPARTMENT	Revised advances outstanding at 1 Apr 20 £000	Advances		Repayments			Advances outstanding at 31 Mar 21 £000
		Year	Total to	Advances repaid	Capital receipts etc.	Total Repaid	
		2019-20 £000	31 Mar 20 £000	2019-20 £000	2019-20 £000	31 Mar 20 £000	
Cabinet Office	2,080	1,093	3,585	672	-	1,085	2,501
Enterprise	8,702	822	36,629	672	-	27,778	8,852
Education, Sport & Culture	92,789	981	200,238	4,582	226	111,275	88,962
Environment, Food & Agriculture	14,234	357	33,981	519	-	19,910	14,072
Health and Social Care	120,408	5,101	233,790	5,934	-	114,214	119,575
Home Affairs	49,404	1,215	82,339	2,502	1,375	35,597	46,742
Infrastructure	288,681	49,126	701,793	18,504	3,297	385,785	316,006
Treasury	6,058	884	112,573	944	241	106,817	5,757
Statutory Boards	344	275	741	100	-	222	519
Manx National Heritage	8,924	152	24,579	803	-	16,305	8,273
Expenses of the Legislature	4,390	-	10,257	266	-	6,133	4,124
Sub-Total Central Government	596,014	60,006	1,440,505	35,498	5,139	825,121	615,383
<u>Borrowing Authorities</u>							
Manx Utilities	436,546	11,587	694,979	11,594	-	258,439	436,539
MUA bond issue costs	2,522	228	2,750	228	-	-	2,522
Isle of Man Steam Packet	75,354	-	75,354	-	-	-	75,354
Sub-Total Borrowing Authorities	514,422	11,815	773,083	11,822	-	258,439	514,415
TOTAL CAPITAL ADVANCES	1,110,436	71,821	2,213,588	47,320	5,139	1,083,560	1,129,798
Less:							
Loan Schemes	2,091	-	2,091	196	-	196	1,895
Net Central Government	593,363	60,006	1,438,414	35,302	5,139	824,925	613,488

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