

GD 0055/14



**Isle of Man
Government**

Reilts Ellan Vannin



Isle of Man Government Accounts

For the year ended 31 March 2014

Laid before Tynwald by the Treasury

The Treasury
Finance Division

Price: £9.20



GD 0055/14**ISLE OF MAN GOVERNMENT ACCOUNTS****For the Year Ended 31 March 2014****LAI D BEFORE TYNWALD BY THE TREASURY****CONTENTS**

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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. This book is 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 2014.

1.2 Accounting Changes

The Isle of Man Government introduced the Audit Act 2006 and Accounts and Audit Regulations 2013 (Statutory Document SD No 0054/13) for accounting and financial reporting effective from the year ended 31 March 2014 and requires the Accounts to be prepared in accordance with the Isle of Man Statement of Recommended Practice 2007 *Accounting for entities subject to the Audit Act 2006* ("the SORP") and Audit Directions 2008.

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 three non-Revenue Funded Statutory Boards) and companies owned by Central Government. The Accounts for 2013-14 have been produced on the same basis as 2012-13 Accounts.

1.3 Financial Commentary

The financial commentary 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's components.

1.4 Statement of Responsibilities

This sets out the respective responsibilities for preparing the Accounts.

1.5 Statement on Internal Control

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 Independent Auditor's Report

The Independent Auditor reports on whether, in his opinion, the Accounts have been properly prepared in accordance with the Accounts and Audit Regulations 2013 and comply with the requirements of all other enactments applicable to the Accounts.

1.7 Income and Expenditure Account

The Income and Expenditure Account shows in summary form all of the Government's annual income and expenditure, in accordance with the SORP and United Kingdom Accounting Standards, 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

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 Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses 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 property.

1.10 Balance Sheet

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 Notes to the Accounts

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 Custom and Excise, Income Tax 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.

1.12 Analysis of Expenditure of Department and Other Bodies

These statements provide a more detailed analysis of the income and expenditure of the individual Departments and other heads of expenditure which appear in summary form 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, which is appropriate and necessary for reporting purposes. These statements show net expenditure against the approved revenue budget and a reconciliation to the figures presented in the Income and Expenditure Account.

1.13 Consolidated Loans Fund

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.

1.14 Additional Information

There are two other annual publications which provide more financial information in support of these Accounts.

Of these, the prime reference document is the "Detailed Government Accounts" (the "Light Blue Book") which is not audited and is published informally as a source of management information within three months of the end of the accounting year. It contains the more detailed version of the Government's Accounts, published to the nearest Pound and one of its functions is that it is used to compile the Dark Blue Book which is published to the nearest thousand Pounds. The Light Blue Book also contains some additional information, comment and explanation about specific accounts including the purpose of the various General Revenue and non-General Revenue funds and how they are operated.

The other publication is the "Accounts and Financial Information" (the "Orange Book") which contains details of Trust Accounts and other third party statements.



S Clague, FCA
Chief Accountant
Treasury, Finance Division
24 September 2014

2 Financial Commentary

2.1 Introduction

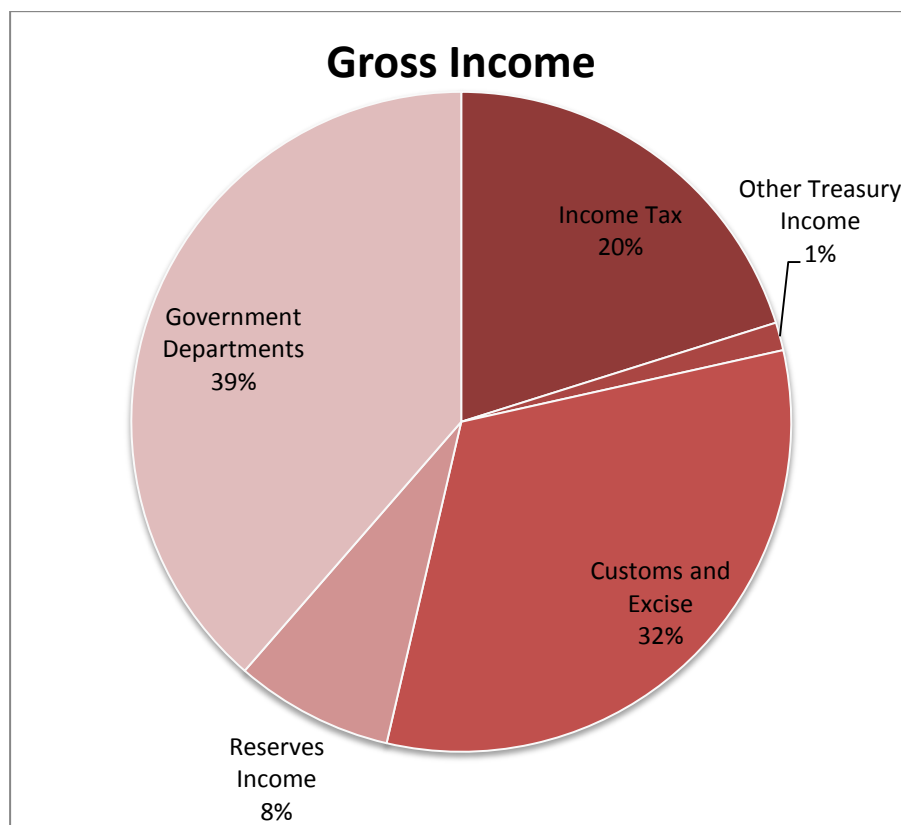
The financial commentary is intended to provide a quick guide to the Government’s annual transactions and its year end position. The graphs included within the commentary add further information and give a visual impression of the relative sizes of the Income and Expenditure Account’s components.

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 three non-revenue funded Statutory Boards and seven companies owned by Central Government).

2.2 Central Government

2.2.1 Income

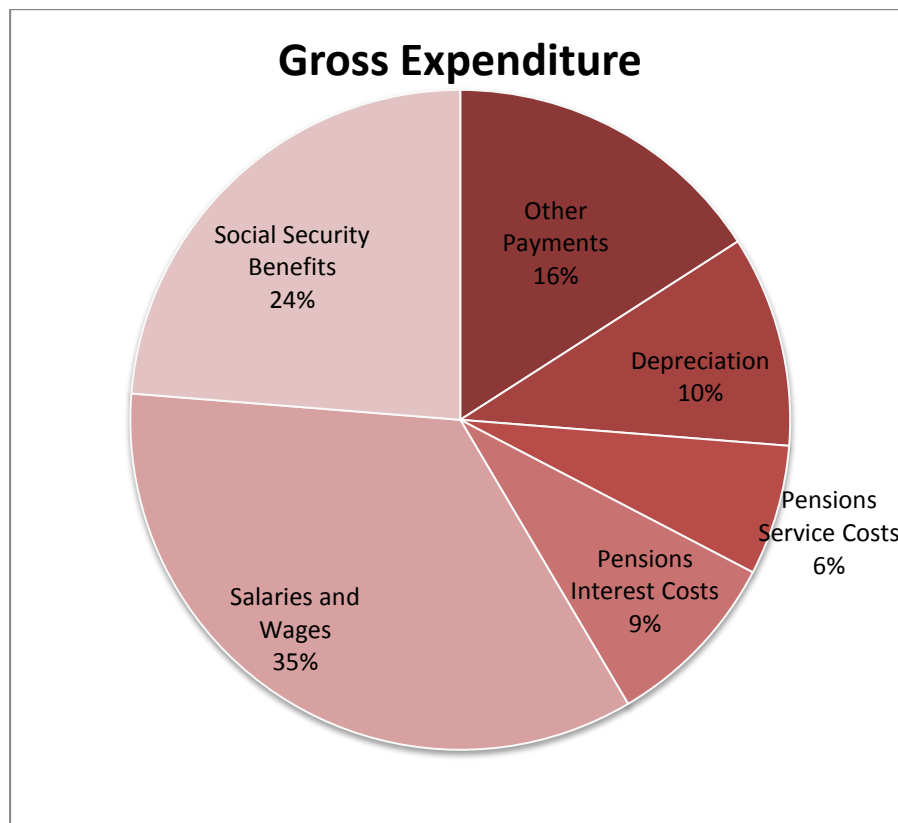
Gross income from all sources at £969.4 million (2013 : £908.0 million) was generally in line with the various estimates for Departments and Other Bodies. The increase over the previous year (£61.4 million) was due to increased Customs income (up £18.2 million), Income Taxes (up £7.6 million), Reserves income (up £10.4 million) and increases in Department receipts (up £27.9 million). This was mitigated by lower other Treasury income (down £2.7 million).



2.2.2 Expenditure

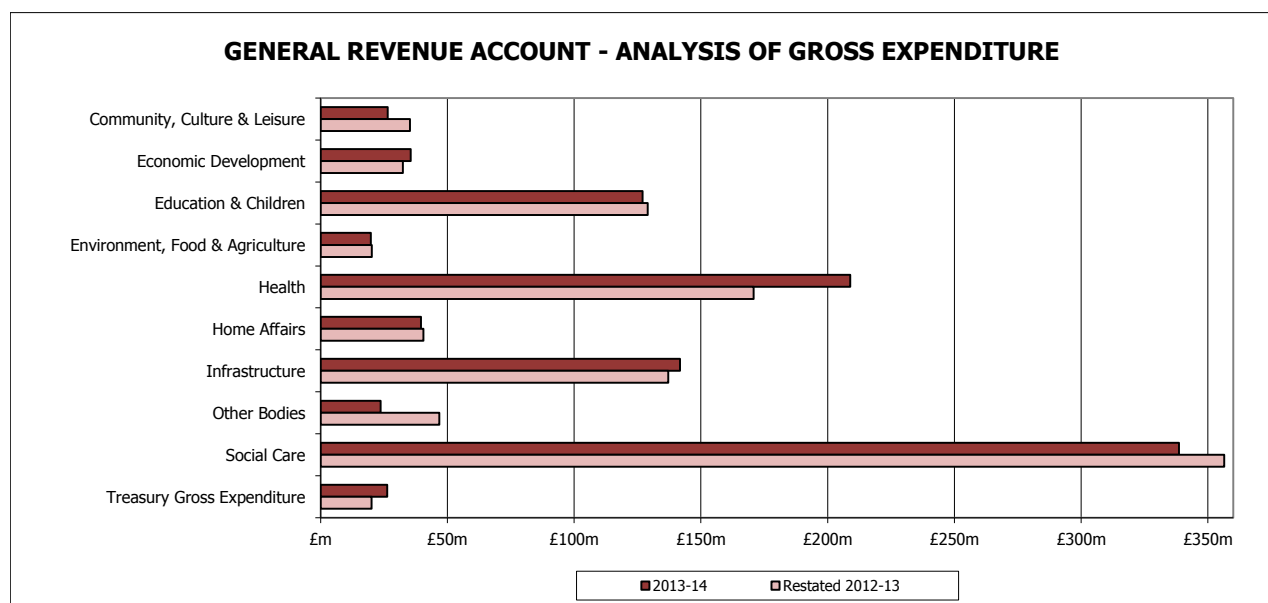
Gross expenditure for 2013-14 was £1,086.6 million and net expenditure was £117.2 million. These figures include pension interest costs of £97.0 million (2012-13 : £85.0 million; see 7.20) that reflect the estimated impact of inflation on existing pension liabilities between the annual actuarial valuations of the pension scheme liabilities.

Gross expenditure for 2013-14 of £1,086.6 million (2013 : £1,075.9 million) was £10.7 million higher than 2012-13 due to increases in general gross expenditure being partially offset by a reduction in fixed assets adjustments of £20.2 million and pensions adjustments of £2.0 million. The increase in gross income resulted in net expenditure of £117.2 million (2013 : £165.9 million).



All Departments stayed within their original expenditure votes for the year with the exception of the Department of Health that obtained a supplementary vote of £2.1 million in respect of pay awards. The Department of Infrastructure will require an additional vote to apply excess receipts to meet excess expenditure. No other Departments will require further supplementary revenue votes in respect of gross or net expenditure.

Expenditure within these Accounts is higher than gross expenditure within the Detailed Government Accounts published earlier in the year (GD 0036/14) 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.



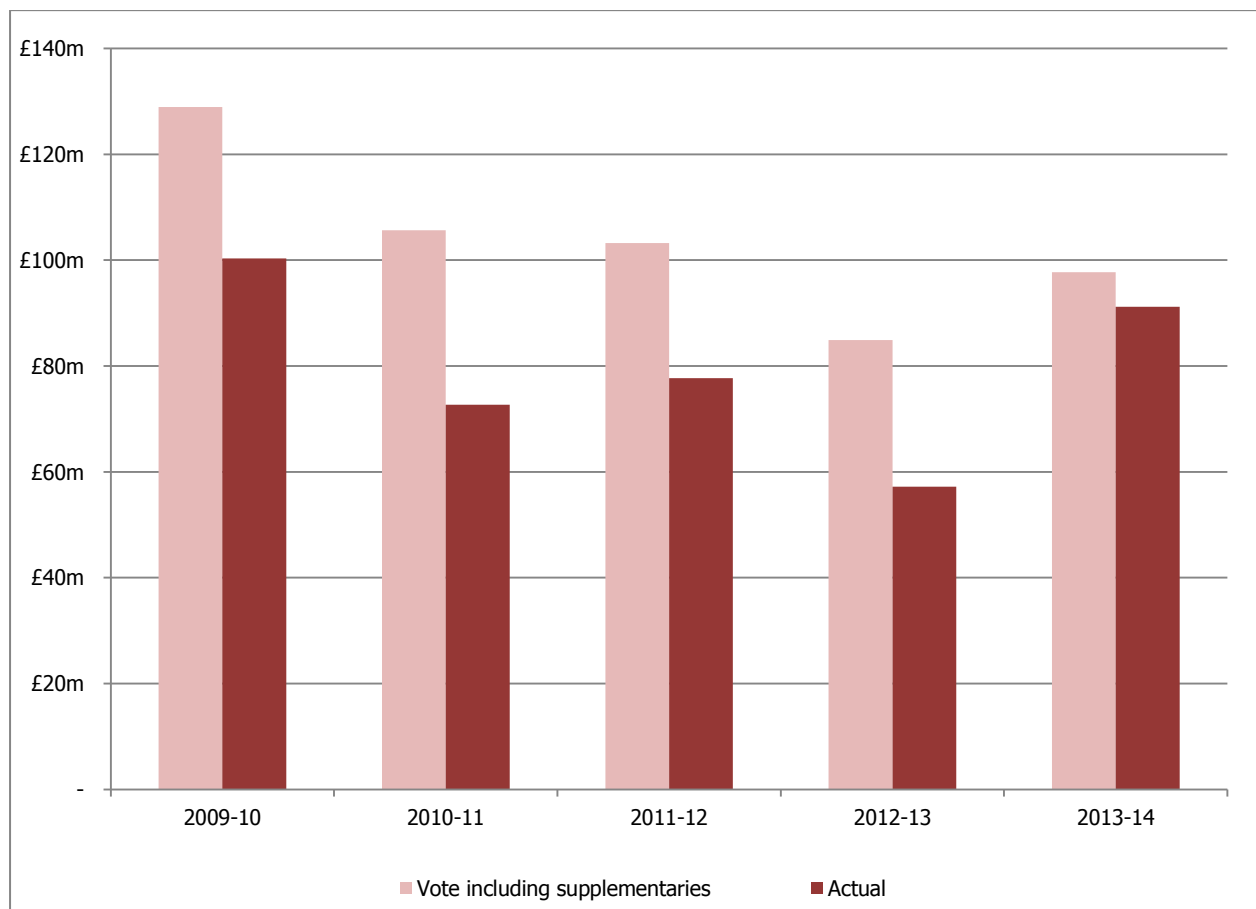
The decrease in the expenditure of the Department of Social Care is due in part to the transfer of mental health services to the Department of Health.

2.2.3 Transfers to Reserve Funds

The deficit for the year prior to transfers to or from Treasury reserves and funds of £117.2 million (2012-13 : £167.9 million) was reduced by a £31.6 million transfer from the Reserve Fund (2012-13 : £47.0 million) to £85.6 million (2012-13 : £118.9 million). There were transfers to other reserves totalling £8.0 million during the year (2012-13 : £32.0 million). The retained balance on the General Revenue Account increased by £6.8 million (2013 : reduced by £22.2 million) to £41.3 million.

2.2.4 Capital Expenditure

Total Capital expenditure out-turn for the year was £91.2 million (2012-13 : £57.2 million). This compares with the original vote of £96.5 million (2012-13 : £83.0 million) plus Supplementary Votes of £2.2 million (2012-13 : £3.0 million).

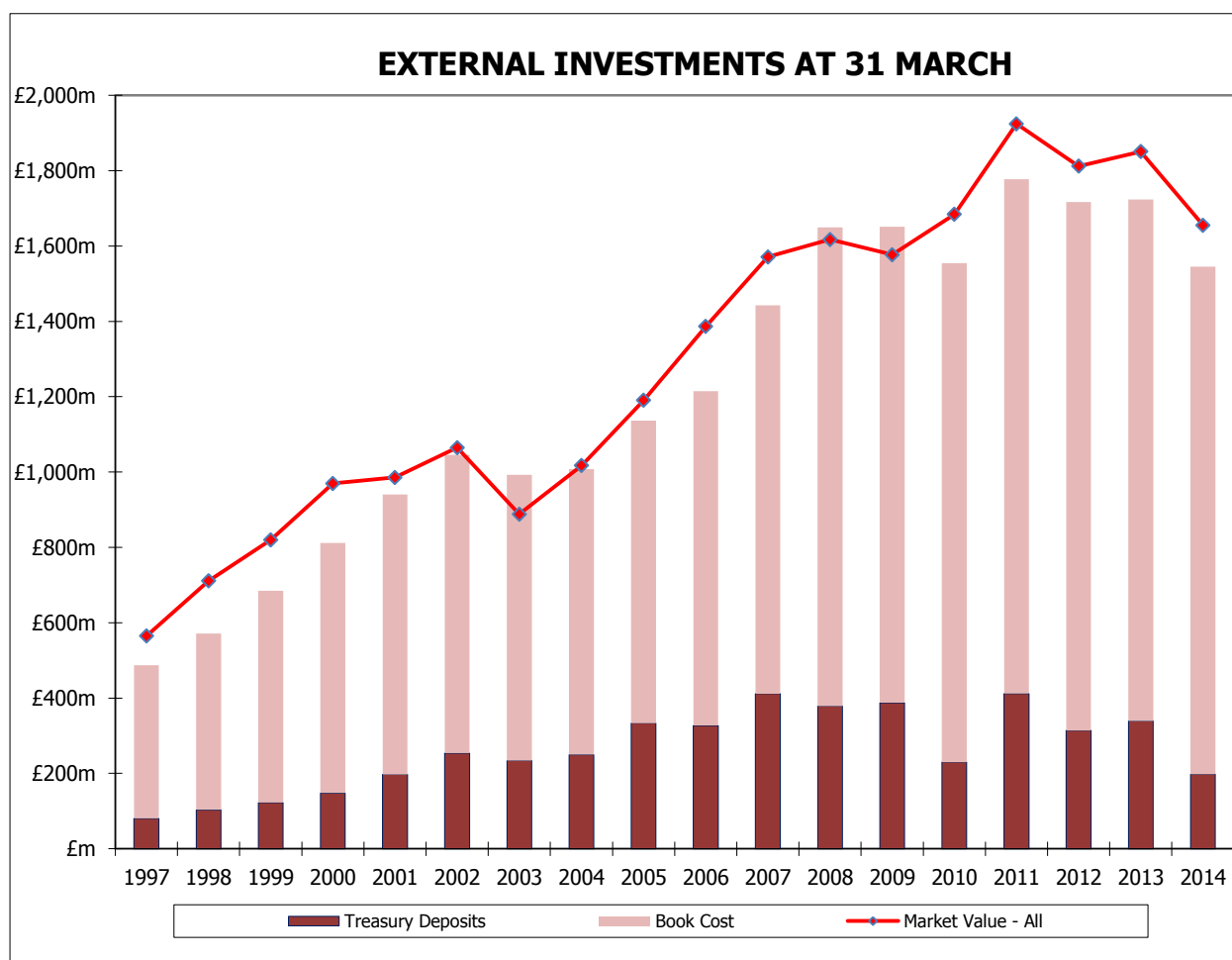


The balance on the Capital Fund at the end of the year was £859.0 million (2013 : £824.0 million) and the cash remaining available for capital expenditure was £50.6 million (2013 : £52.2 million).

2.2.5 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 2013-14 the market value of the investments (net of transfers into and out of the funds) reduced by £54.5 million (2.9%, net of transfers; 2013 : increase of £30.9 million, 2.1%, also net of transfers).

Treasury Deposits decreased by £141.2 million (2012-13 : increase of £25.3 million) due to reduction in balances due to HM Revenue and Customs.



2.2.6 Other Balances

The value of fixed assets decreased by £159.6 million to £2,263.2 million (2013 : £2,422.8 million) principally due to depreciation charges for the year. Long term debtors increased by £36.4 million to £536.2 million (2013 : £499.8 million) predominantly due to refinancing a £35.0 million loan to the Manx Electricity Authority from the Consolidated Loans Fund.

Credit balances reduced by £49.5 million to £70.0 million (2013 : £119.5 million) due to increased working capital balances.

The pension liability in respect of Government pension schemes increased during the year by £27.0 million to £2,318.0 million (2013 : £2,291.0 million), principally due to experience gains of £175.0 million significantly offsetting changes to assumptions applied to actuarial calculations (£94.0 million) and the assumed interest charge on previous pension liabilities (£97.0 million). The United Kingdom's Government Actuary's Department has estimated that a reduction in the discount rate (in excess of Consumer Price Index inflation) of 0.5% will lead to an increase in pension liabilities of £230.0 million.

The value of internal investments decreased by £13.1 million (2012-13 : increase of £16.9 million, both net of expenditure and transfers) as a result of expenditure reimbursed from the funds exceeding transfers from the General Revenue Account to the reserve funds during the year. The balance on the General Revenue Adjustments Account decreased by £152.3 million to £284.7 million (2013 : £437.0 million) as a consequence of the increase in the value of fixed assets.

2.3 Group Accounts

2.3.1 Contribution from Statutory Boards

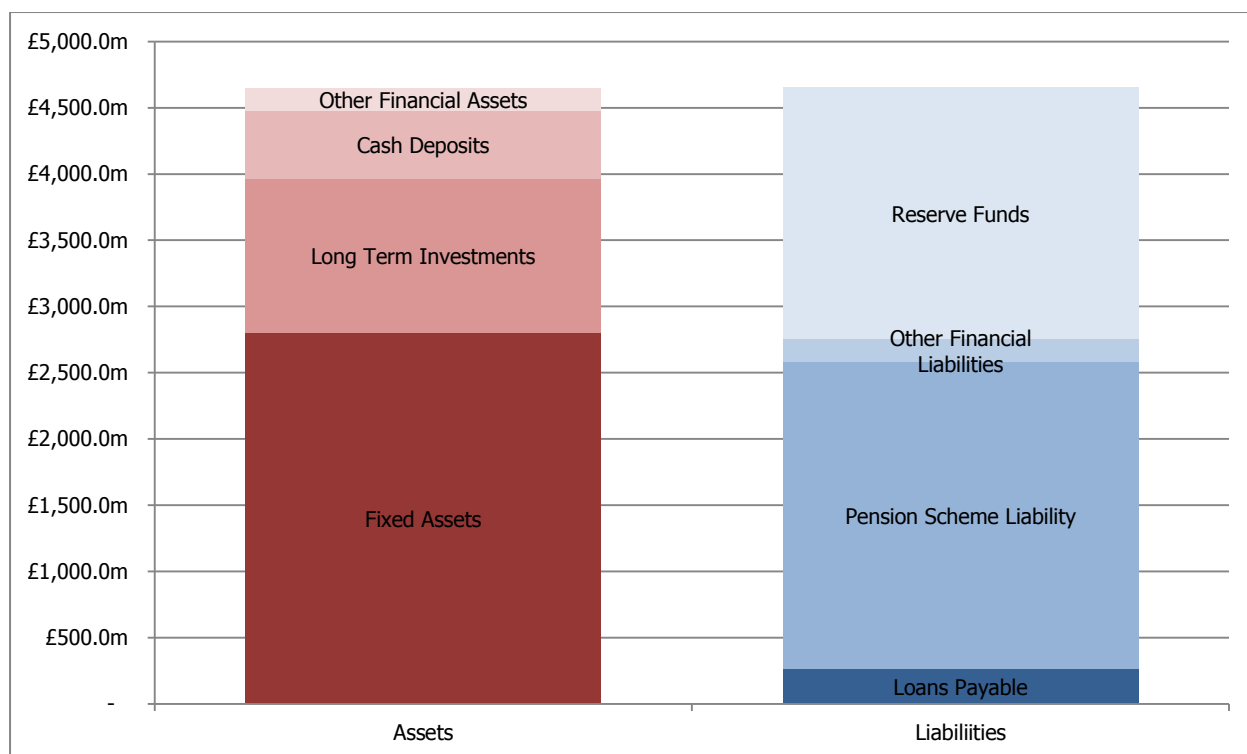
The operational surplus for the three non-revenue funded Statutory Boards and owned companies was £12.8 million (2013 : surplus of £16.7 million). However, the surplus reduces to a net deficit for the three non-revenue funded Statutory Boards and owned companies of £4.8 million (2012-13 : £1.3 million) when net interest charges of £15.7 million (2012-13 : £18.0 million) are included, predominantly in respect of the Manx Electricity Authority (£14.0 million, 2012-13 : £16.1 million).

2.3.2 General Revenue Account and Other Balances

The results of the three 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).

During the year the aggregate balance on the reserves held by the three non-revenue funded Statutory Boards and owned companies reduced from £10.3 million to £8.8 million due to the retained losses at the Manx Electricity Authority.

The group balance sheet can be summarised as follows:



S Clague, FCA
 Chief Accountant
 Treasury, Finance Division

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 Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Treasury's Statement of Accounts in accordance with applicable laws and regulations.

The Audit Act 2006 requires the Chief Financial Officer to prepare Accounts for each financial year, which meet the requirements of the Accounts and Audit Regulations 2013. The regulations require the Chief Financial Officer to prepare the Accounts in accordance with United Kingdom Accounting Standards and in accordance with proper practices as set out in the Isle of Man Statement of Recommended Practice 2007, *Accounting for entities subject to the Audit Act 2006*.

The Statement of Accounts are required by law to give a true and fair view of the financial position of the Isle of Man Government at the accounting date (31 March), and its income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the Accounts and Audit Regulations 2013 and the SORP.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that the Statement of Accounts presents fairly the financial position of the Isle of Man Government at 31 March 2014, and its income and expenditure for the year ended 31 March 2014.

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 2014 and the financial position of Isle of Man Government as at 31 March 2014.



M Couch PhD
Chief Financial Officer
Treasury Department
24 September 2014

4 Statement on Internal Control

Year ended 31 March 2014

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 Accounting 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 Accounting 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. This requirement is set out in the Isle of Man Government's Corporate Governance Principles and Code of Conduct prescribed by the Council of Ministers, and specified by the Direction of the Treasury through the Audit Act 2006.

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 obligations above and, by doing so, then setting out an appropriate programme of development and improvement for the subsequent year.

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 the Accounting Officer.

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

- accomplishment of established goals and objectives;
- compliance with policies, plans, procedures, the 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 wholly vested with each individual Accounting Officer.

In accordance with the Audit Act 2006 Government maintains a system of Internal Audit which operates in accordance with the Government Internal Audit Standards.

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 Internal Audit Division, the public auditors and by other external inspection bodies. The established audit committees of the Manx Electricity Authority, Isle of Man Post Office, Isle of Man Water and Sewerage Authority, and Financial Supervision Commission, 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.

To inform my review of effectiveness, I have considered the views of Accounting 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 Accounting 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 & Safety;
- Environment; and
- Corporate Governance

An assurance certificate 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.

I am informed by the Chief Internal Auditor that the results of the work undertaken during the 2013-14 internal audit programme provide adequate assurance on the overall adequacy and effectiveness of the Government's framework of governance, risk management and control; with the exception of the following concerns:

- cost improvement, especially financial planning strategy and the process of allocating reducing resources to priority areas of work; and
- some aspects of governance in the Department of Health.

In other cases where control weaknesses were identified, follow-up reviews indicated that suitable action had been taken by management to strengthen relevant internal controls.

4.4 External Reviews

In addition to the internal review process described above, the Government is subject to external review and assessment. 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 on Public Accounts.

Potentially significant issues which I consider to be relevant to this statement include:

- the governance arrangements associated with the use of the National Insurance Fund to meet administrative expenses;
- the application of the Financial Regulations to the Treasury, which is the Department which produces them; and
- the governance arrangements associated with payments made under the Enterprise Act 2008.

4.5 Planned Areas for Review

A continuous review of effectiveness is the responsibility of each Accounting Officer; as informed by the Internal Audit Division of Treasury, external auditors, third party review and self-assessment. Each Accounting 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.



M Couch PhD
Chief Financial Officer
Treasury Department

Appendix (i) – Outline and definition of relevant Departments, Statutory Boards, Authorities and Bodies

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. **In this Code they are all referred to as "departments"**. The following are "designated bodies":

- o **all departments** (Department of Community, Culture and Leisure, Department of Economic Development, Department of Education and Children, Department of the Environment, Food and Agriculture, Department of Health, Department of Home Affairs, Department of Infrastructure, Department of Social Care, and Treasury, that is the bodies established by the Government Departments Act 1987);
- o **all Statutory Boards** (the Communications Commission, Financial Supervision Commission, Gambling Supervision Commission, Insurance and Pensions Authority, Office of Fair Trading, Public Service Pensions Authority; Isle of Man Post Office, Isle of Man Water and Sewerage Authority and the Manx Electricity Authority, that is the bodies to whom the Statutory Boards Act 1987 applies);
- o **any other body or authority** (other than a local authority), for example Manx National Heritage, 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; and
- o **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 Chief Secretary's Office, Attorney General's Chambers, General Registry, Office of Human Resources, Office of the Data Protection Supervisor, Industrial Relations Service, Road Traffic Licensing Committee and Veterans' Welfare Service, which are not "designated bodies".

5 Report of the Independent Auditors, KPMG Audit LLC, to the Treasury Department of Isle of Man Government

5.1 Introduction

We have audited the consolidated financial statements of the Isle of Man Government and the Statutory Boards ("the Group") for the year ended 31 March 2014 which comprise the Income and Expenditure Account, the Statement of Total Movement on the General Revenue Account Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes to the Statement of Accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006).

This report is made solely to the Treasury, in accordance with Section 4 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Treasury 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, for our audit work, for this report, or for the opinions we have formed.

5.2 Respective responsibilities of Treasury and Auditors

As explained more fully in the Responsibilities Statement set out on page 11, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

5.3 Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Treasury; and the overall presentation of the financial statements.

We report to you our opinion as to whether the Accounts give a true and fair view in accordance with United Kingdom Accounting Standards (as modified by any Directions issued by Treasury under Section 13 of the Audit Act 2006, are properly prepared in accordance with the Accounts and Audit Regulations 2013 made under the Audit Act 2006), and comply with the requirements of any other statutory provision applicable to them.

We review whether the Statement of Internal Control prepared by the Treasury reflects compliance with the Accounts and Audit Regulations 2013 made under the Audit Act 2006. We report if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounts. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls.

5.4 Opinion on the Financial Statements

In our opinion the financial statements set out on pages 17 to 57:

- give a true and fair view of the state of the Isle of Man Government's affairs as at 31 March 2014 and of its deficit for the year then ended; and
- have been properly prepared in accordance with UK Accounting Standards as modified by any Directions issued by Treasury under section 13 of the Audit Act 2006 and the Accounts and Audit Regulations 2013.

5.5 Matters on Which we are Required to Report by Exception

In accordance with Section 6 of the Audit Act 2006, we are required to include a statement in our audit report providing particulars of any payments or transactions identified which we believe are contrary to law. As stated in Note 7.22.2 of the financial statements, a legal opinion received by the Government's Acting Attorney General in June 2014 concluded that it was more likely than not that two loans totalling £1.75 million made to the Sefton Group plc under the Enterprise Act 2008 were ultra vires. We note that following further legal opinion, these two loans were replaced with a new loan made by Treasury under the provisions of the Financial Provisions and Currency Act 2011 in order to rectify the position. We also understand that, following a subsequent review by the Department of Economic Development of all outstanding loans made under the Enterprise Act 2008, steps were taken to rectify an additional facility of £60,000 made to another party.

KPMG Audit LLC

KPMG Audit LLC

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man IM99 1HN

24 September 2014

6 Statement of Accounts

6.1 Income and Expenditure Account – Summary

A	Original Net Expenditure B £000's	Adjustments				Revised As Adjusted G £000's
		Fixed Assets C £000's	Pensions D £000's	Other E £000's	Consolidation F £000's	
Treasury Department						
Customs and Excise	312,000	-	-	(640)	-	311,360
Income Tax	196,116	-	-	(853)	-	195,263
Other Treasury Income	13,264	-	-	(1,981)	-	11,283
Treasury Reserves Income	-	-	-	75,236	-	75,236
Treasury Gross Expenditure	(28,765)	5,773	(2,985)	(277)	8,214	(18,040)
Total Treasury	492,615	5,773	(2,985)	71,485	8,214	575,102
Other Departments						
Community, Culture & Leisure	(15,689)	(3,379)	(2,986)	-	-	(22,054)
Economic Development	(10,747)	(662)	(2,127)	-	-	(13,536)
Education & Children	(94,235)	(17,456)	(13,535)	-	-	(125,226)
Environment, Food & Agriculture	(14,303)	(2,414)	(1,413)	-	-	(18,130)
Health	(139,725)	(8,621)	(19,641)	-	-	(167,987)
Home Affairs	(29,823)	(1,036)	(7,705)	-	-	(38,564)
Infrastructure	(36,059)	(50,479)	(6,654)	3,404	-	(89,788)
Social Care	(125,477)	(7,548)	(6,211)	224	-	(139,012)
	(466,058)	(91,595)	(60,272)	3,628	-	(614,297)
Other bodies						
Executive Government	(37,147)	-	73,340	-	-	36,193
Manx National Heritage	(3,717)	58	(683)	-	-	(4,342)
Road Transport Licensing Committee	(76)	-	(18)	-	-	(94)
Statutory Boards (Revenue Funded)	1,889	-	(1,485)	-	-	404
	(39,051)	58	71,154	-	-	32,161
Expenses of the Legislature	(4,358)	340	(898)	-	-	(4,916)
	(4,358)	340	(898)	-	-	(4,916)
Net Voted (Expenditure)/Income	(16,852)	(85,424)	7,000	75,113	8,214	(11,950)
Statutory Boards (Non-Revenue Funded)						
Isle of Man Post Office	-	-	-	-	1,242	1,242
Isle of Man Water & Sewerage Authority	-	-	-	-	1,155	1,155
Manx Electricity Authority	-	-	-	-	3,076	3,076
	-	-	-	-	5,473	5,473
Owned Companies						
Laxey Glen Mills Limited	-	-	-	-	(8)	(8)
Radio Manx Limited	-	-	-	-	(859)	(859)
	-	-	-	-	(867)	(867)
Interest payable and similar charges	-	-	(97,000)	-	(20,368)	(117,368)
Interest and investment income	-	-	-	-	2,643	2,643
Total	(16,852)	(85,424)	(90,000)	75,113	(4,905)	(122,069)
Statement of Total Movement in General Revenue Account Balance						
Depreciation and impairment of fixed assets	-	103,953	-	-	-	103,953
Net (gain) or loss on disposal of fixed assets	-	(2,991)	-	-	-	(2,991)
Net charges made for retirement benefits in accordance with FRS17	-	-	90,000	-	-	90,000
Other adjustments	-	-	-	(942)	-	(942)
Loan Charges for Capital Financing	-	43,855	-	-	-	43,855
Net Capital Expenditure charge in-year to the General Revenue Adjustment Account	-	(59,390)	-	-	-	(59,390)
Net transfer to earmarked reserves	-	-	-	(50,571)	4,905	(45,666)
(Decrease)/Increase in General Revenue Account	(16,852)	3	-	23,600	-	6,750

All results derive from continuing activities. The Notes on pages 24 to 57 form part of these Accounts.

Notes:

- i. Column B shows the amounts originally reported on page 15 of the Detailed Government Accounts (GD 0036/14) in June 2014, showing 'Surplus transferred to Net General Revenue Account' of a deficit of £16.85 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 United Kingdom Accounting Standards. 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 (eg. the grant paid by the Department of Infrastructure to the Isle of Man Water & Sewerage Authority), 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 19.
- 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 19 of the audited Government Accounts, to result in the 'Increase/(decrease) in General Revenue Account balance', the resultant deficit, for the year of £16.85 million.

6.2 Income and Expenditure Account – Group

	<i>Note</i>	Group			
		2013-14		2012-13	
		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Net Expenditure £000's
Treasury Department					
Customs and Excise	7.2.1	-	311,360	311,360	293,087
Income Tax	7.2.2	-	195,263	195,263	187,680
Other Treasury Income	7.2.3	-	11,283	11,283	13,979
Treasury Reserves Income	7.2.4	-	75,236	75,236	64,829
Treasury Gross Expenditure	7.3.2	(18,040)	-	(18,040)	(19,284)
Total Treasury		(18,040)	593,142	575,102	540,291
Other Departments					
Community, Culture & Leisure	7.3.2	(26,454)	4,400	(22,054)	(30,806)
Economic Development	7.3.2	(35,573)	22,037	(13,536)	(15,104)
Education & Children	7.3.2	(126,985)	1,759	(125,226)	(127,330)
Environment, Food & Agriculture	7.3.2	(19,830)	1,700	(18,130)	(18,645)
Health	7.3.2	(208,878)	40,891	(167,987)	(130,680)
Home Affairs	7.3.2	(39,608)	1,044	(38,564)	(39,578)
Infrastructure	7.3.2	(141,739)	51,951	(89,788)	(87,550)
Social Care	7.3.2	(338,576)	199,564	(139,012)	(163,193)
		(937,643)	323,346	(614,297)	(612,886)
Other bodies					
Executive Government	7.3.2	(4,727)	40,920	36,193	11,135
Manx National Heritage	7.3.2	(5,170)	828	(4,342)	(4,247)
Road Transport Licensing Committee	7.3.2	(143)	49	(94)	(76)
Statutory Boards (Revenue Funded)	7.3.2	(8,441)	8,845	404	(2,032)
		(18,481)	50,642	32,161	4,780
Expenses of the Legislature	7.3.2	(5,146)	230	(4,916)	(5,082)
		(5,146)	230	(4,916)	(5,082)
Net Voted Income		(979,310)	967,360	(11,950)	(72,897)
Statutory Boards (Non-Revenue Funded)					
Isle of Man Post Office		1,242	-	1,242	2,248
Isle of Man Water & Sewerage Authority		1,155	-	1,155	(120)
Manx Electricity Authority		3,076	-	3,076	5,538
		5,473	-	5,473	7,666
Owned Companies					
Isle of Man Film Limited		-	-	-	-
Isle of Man Limited		-	-	-	-
Isle of Man National Transport Limited		-	-	-	-
Laxey Glen Mills Limited		(8)	-	(8)	(33)
Radio Manx Limited		(859)	-	(859)	(844)
		(867)	-	(867)	(877)
Surplus before Interest		(974,704)	967,360	(7,344)	(66,108)
Interest payable and similar charges		(117,368)	-	(117,368)	(107,506)
Interest and investment income		-	2,643	2,643	2,388
(Deficit) for the year	7.3.1	(1,092,072)	970,003	(122,069)	(171,226)

All results derive from continuing activities. The Notes on pages 24 to 57 form part of these Accounts.

6.3 Income and Expenditure Account – Central Government

Central Government					
2013-14					
2012-13					
Note	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Net Expenditure £000's	
Treasury Department					
Customs and Excise	7.2.1	-	311,360	311,360	293,087
Income Tax	7.2.2	-	195,263	195,263	187,680
Other Treasury Income	7.2.3	-	13,283	13,283	15,979
Treasury Reserves Income	7.2.4	-	75,236	75,236	64,829
Treasury Gross Expenditure	7.3.2	(26,254)	-	(26,254)	(20,134)
Total Treasury		(26,254)	595,142	568,888	541,441
Other Departments					
Community, Culture & Leisure	7.3.2	(26,454)	4,400	(22,054)	(30,806)
Economic Development	7.3.2	(35,573)	22,037	(13,536)	(15,104)
Education & Children	7.3.2	(126,985)	1,759	(125,226)	(127,330)
Environment, Food & Agriculture	7.3.2	(19,830)	1,700	(18,130)	(18,645)
Health	7.3.2	(208,878)	40,891	(167,987)	(130,680)
Home Affairs	7.3.2	(39,608)	1,044	(38,564)	(39,578)
Infrastructure	7.3.2	(141,739)	51,951	(89,788)	(96,568)
Social Care	7.3.2	(338,576)	199,564	(139,012)	(163,193)
		(937,643)	323,346	(614,297)	(621,904)
Other bodies					
Executive Government	7.3.2	(4,727)	40,920	36,193	11,135
Manx National Heritage	7.3.2	(5,170)	828	(4,342)	(4,247)
Road Transport Licensing Committee	7.3.2	(143)	49	(94)	(76)
Statutory Boards (Revenue Funded)	7.3.2	(8,441)	8,845	404	(2,032)
		(18,481)	50,642	32,161	4,780
Expenses of the Legislature	7.3.2	(5,146)	230	(4,916)	(5,082)
		(5,146)	230	(4,916)	(5,082)
Net Voted Income		(987,524)	969,360	(18,164)	(80,765)
Surplus before Interest		(987,524)	969,360	(18,164)	(80,765)
Interest payable and similar charges		(99,055)	-	(99,055)	(87,134)
Interest and investment income		-	-	-	-
(Deficit) for the year	7.3.1	(1,086,579)	969,360	(117,219)	(167,899)

All results derive from continuing activities. The Notes on pages 24 to 57 form part of these Accounts.

6.4 Statement of Total Movement on the General Revenue Account Balance

		Group		Central Government	
	Note	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
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 amortisation of fixed assets		103,953	106,233	103,953	106,233
Net (gain) on disposal of fixed assets		(2,991)	(2,536)	(2,991)	(2,536)
Net charges made for retirement benefits in accordance with FRS17	7.20	90,000	92,000	90,000	92,000
Other adjustments		(942)	(6,919)	(942)	(6,919)
		190,020	188,778	190,020	188,778
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		43,855	38,632	43,855	38,632
Net Capital Expenditure charge in-year to the General Revenue Adjustment Account		(59,390)	(35,661)	(59,390)	(35,661)
		(15,535)	2,971	(15,535)	2,971
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 earmarked reserves		(45,666)	(42,652)	(50,516)	(45,979)
		(45,666)	(42,652)	(50,516)	(45,979)
Net additional amount required to be credited to the General Revenue Account balance					
		128,819	149,097	123,969	145,770
(Deficit) for the year on the Income and Expenditure Account					
	6.2,6.3	(122,069)	(171,226)	(117,219)	(167,899)
Increase/(decrease) in General Revenue Account balance for the year					
		6,750	(22,129)	6,750	(22,129)
General Revenue Account balance brought forward	7.19.1	34,531	56,660	34,531	56,660
General Revenue Account balance carried forward					
	7.19.1	41,281	34,531	41,281	34,531

The Notes on pages 24 to 57 form part of these Accounts.

6.5 Statement of Total Recognised Gains and Losses

		Group		Central Government	
	Note	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Increase/(decrease) in General Revenue Account balance for the year	6.4	6,750	(22,129)	6,750	(22,129)
Unrealised (loss)/gain on long term investments	7.9.3	(11,207)	49,756	(11,207)	49,756
Surplus on revaluation of fixed assets	7.7.4	(18,849)	3,023	(18,849)	3,023
Actuarial gains/(losses) on pension fund assets and liabilities	7.20.8	77,727	(238,191)	81,000	(237,000)
Total recognised gains/(losses) for the year		54,421	(207,541)	57,694	(206,350)

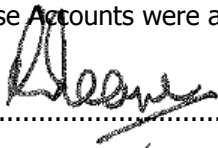
The Notes on pages 24 to 57 form part of these Accounts.


6.6 Balance Sheet

		Group		Central Government	
	Note	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Long Term Assets					
Fixed Assets	7.7	2,778,380	2,945,884	2,263,165	2,422,811
Long Term Investments	7.9	1,156,107	1,241,964	1,156,107	1,241,964
Long Term Debtors	7.11	19,492	20,481	536,157	499,794
		3,953,979	4,208,329	3,955,429	4,164,569
Current Assets					
Stocks and Work in Progress	7.12	10,804	10,732	4,085	4,133
Debtors and Prepayments	7.13	139,884	69,760	139,563	66,284
Short Term Deposits	7.14	230,488	367,651	198,034	339,263
Cash at Bank and in Hand	7.15	289,420	250,729	243,231	201,252
		670,596	698,872	584,913	610,932
Current Liabilities					
Creditors	7.16.1	(79,447)	(132,941)	(61,725)	(112,552)
Bank Overdrafts and Loans Payable	7.15	(8,394)	(42,158)	(8,297)	(6,946)
		(87,841)	(175,099)	(70,022)	(119,498)
Net Current Assets		582,755	523,773	514,891	491,434
Long Term Liabilities					
Loans Payable	7.17	(263,035)	(263,165)	(260,000)	(260,000)
Pension Scheme Liability	7.20.3	(2,319,941)	(2,296,234)	(2,318,000)	(2,291,000)
Other Creditors	7.16.2	(83,039)	(89,198)	(32,301)	(33,733)
		(2,666,015)	(2,648,597)	(2,610,301)	(2,584,733)
Total Net Assets		1,870,719	2,083,505	1,860,019	2,071,270
Represented by					
Net General Revenue Account	7.19.1	41,281	34,531	41,281	34,531
General Revenue Adjustments Account	7.19.2	286,630	438,923	284,709	437,028
Hospital Estates Development Fund	7.9.3	44,339	46,271	44,339	46,271
Manx Currency Account	7.9.3	76,366	77,301	76,366	77,301
Media Development Fund	7.9.3	34,466	40,003	34,466	40,003
National Insurance Fund	7.9.3	727,207	705,875	727,207	705,875
Public Service Employees Pension Reserve	7.9.3	237,316	250,766	237,316	250,766
Reserve Fund	7.9.3	334,481	386,505	334,481	386,505
Internal Funds and Reserves	7.19.5	88,633	103,330	79,854	92,990
		1,870,719	2,083,505	1,860,019	2,071,270

The Notes on pages 24 to 57 form part of these Accounts.

These Accounts were approved by the Treasury on 24 September 2014 and signed on its behalf by:





Hon. W E Teare ACIB, MHK, Minister for the Treasury

M Couch PhD, Chief Financial Officer

6.7 Cash Flow Statement

		Group		Central Government	
	Note	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Net Cash (Outflow) from Operating Activities	7.24	(145,603)	(36,350)	(182,804)	(69,832)
Returns on investments and servicing of finance					
Interest received		1,980	2,305	14,187	14,529
Interest paid		(18,339)	(19,918)	(14,163)	(14,163)
Investment income		80,759	75,176	80,759	75,176
		64,400	57,563	80,783	75,542
Capital expenditure					
Payments to acquire tangible fixed assets		(52,978)	(58,636)	(32,503)	(41,069)
Repayments		(15,273)	(4,251)	(15,473)	(4,491)
Income from disposal of tangible fixed assets		11,527	22,896	11,431	21,200
Deferred income received - customers' contributions		721	359	-	-
		(56,003)	(39,632)	(36,545)	(24,360)
Management of liquid resources					
Net purchases of investments		72,965	(38,466)	72,965	(38,466)
		72,965	(38,466)	72,965	(38,466)
Financing					
Repayment of loan		(74,550)	-	(35,000)	-
New loan finance arranged		38,635	7,754	-	-
Repayment of lease finance		(3,289)	(3,071)	-	-
		(39,204)	4,683	(35,000)	-
(Decrease) in cash	7.25	(103,445)	(52,202)	(100,601)	(57,116)

The Notes on pages 24 to 57 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 under the historical cost convention and in accordance with United Kingdom Accounting Standards, unless otherwise stated.

The Accounts have been drawn up in accordance with the Isle of Man Statement of Recommended Practice 2007, *Accounting for entities subject to the Audit Act 2006*, issued by Treasury. This SORP is recognised under the Audit Act 2006 and the Accounts and Audit Regulations 2013 as representing proper accounting practices.

7.1.2 Restatement

There have been no significant changes to the accounting policies for 2013-14. Further details of the amendments and presentational changes have been included in Note 7.28.

7.1.3 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.

Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land. 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:

	Years
Land and Buildings	
Land (freehold)	None
Buildings (freehold)	10-50 years
Land and Buildings (leasehold)	Over period of lease
Vehicles, Plant and Equipment	
Vehicles	4-7 years
Plant – short term	5-10 years
Plant – long term	20-25 years
Infrastructure Assets	
Coastal Defences	60 years
Distribution networks	40-60 years
Highways	20-30 years
Railway Permanent Way	20-40 years

Assets during the course of construction are not depreciated until commissioned.

Revaluation

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 General Revenue Adjustments Account. 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, on a five year cycle such that each department's fixed assets are revalued every five years.

Depreciation is calculated from the date of valuation based on the remaining economic useful life of the asset.

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 (such as physical damage), the impairment loss is recognised in the Income and Expenditure Account.

Disposals

Income from the disposal of fixed assets is accounted for on an accruals basis. The difference between the sale proceeds and current carrying value of the asset disposed (ie. the gain or loss on disposal) is applied to the Income and Expenditure Account.

7.1.4 Intangible Fixed Assets

Recognition

Expenditure on 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 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 intangible fixed assets that does not materially add to the value of those assets is written off to the Income and Expenditure Account.

Amortisation

Amortisation is provided on all assets with a finite useful life. Where amortisation is provided for, assets are amortised by applying the straight line method to Balance Sheet values over periods reflecting their estimated useful lives.

The following estimated useful lives are applied:

	Years
Software	3 years
Licences	3 years, or period of licence

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.

7.1.5 Leases

Finance 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.

Assets acquired under finance leases are capitalised and included in the Balance Sheet except for leases that are in secondary rental periods, where there are no future obligations of material significance. Assets acquired under finance leases are depreciated over the lease period if this is shorter than their estimated useful life.

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 and transactions are disclosed as a Note to the Accounts.

7.1.6 Investments

Long term investments held comprise assets managed by external investment managers in respect of specific Government reserve funds and are stated at market value. The market values of listed investments comprise mid-market prices; the market value of unlisted investments is determined by Treasury's investment managers.

Investment interest is recognised on a time proportion basis in the year that it is earned. Unrealised gains and losses on investments are applied to the specific reserves the assets relate to and are not included within the Income and Expenditure Account.

Investments in companies (registered either in the Isle of Man or in the United Kingdom) are held at the lower of cost and net realisable value.

7.1.7 Accruals of Income and Expenditure

The Accounts of Government are maintained on an accruals basis; activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Direct and indirect taxes 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;
- Employee costs are charged as expenditure when they are due rather than paid;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks in the Balance Sheet.
- Capital works are charged as expenditure or capitalised as tangible fixed assets, as appropriate, when they are completed, before which they are carried as works in progress in the Balance Sheet.
- Interest receivable is accounted for in the year to which it relates, on a basis that reflects the overall effect on the investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Income and Expenditure Account for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant account, unless they properly represent capital receipts or capital expenditure. These accruals are largely based on known commitments and can be assessed accurately. Where estimates are made, they are based on historical records, precedence and officers' knowledge and experience. In all cases the Government adopts a prudent approach to avoid overstating its resources.

Income and expenditure amounts for a year are credited or charged to the Income and Expenditure Account. The surplus of income over expenditure for a year, or deficit where expenditure exceeds income, where income and expenditure is calculated using the same basis as used by the Government Budget is credited or charged to Net General Revenue Account. Net income and expenditure adjustments arising from the requirements of United Kingdom Accounting Standards are credited or charged to the General Revenue Adjustment Account.

7.1.8 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.

7.1.9 Stock and Work in Progress

Stocks and work in progress have been valued at the lower of cost and net realisable value.

7.1.10 Cash and Liquid Resources

Cash balances comprise balances in Government bank accounts, short term deposits and cash instruments, whether held directly by Treasury or by external investment managers.

Liquid resources include investments held by external investment managers and include equities, fixed interest securities and other traded financial instruments. These assets are generally held for long term investment purposes.

7.1.11 Foreign currency Translation

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. Where a transaction is to be settled at a contracted rate, the contract rate is used. 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.

7.1.12 Pension Costs

Government operates a number of defined benefit schemes. In accordance with Financial Reporting Standard 17, "Retirement Benefits", the full service cost for the year, adjusted for any changes to the scheme, is charged to the Income and Expenditure Account. A charge equal to the expected increase in the present value of the scheme liabilities as a result of the scheme liabilities being one year closer to settlement and a credit reflecting the long term expected return on assets based on the market value of the scheme assets at the beginning of the year, are included in the Income and Expenditure Account.

The Balance Sheet records, as an asset or liability (as appropriate), the difference between the market value of the scheme assets and the present value of the accrued scheme liabilities. The difference between the expected return on assets and that actually achieved in the period is recognised in the Statement of Total Recognised Gains and Losses.

Actuarial valuations of the Central Government pension schemes have been obtained for the years ended 31 March 2013 and 31 March 2014 in order to provide an estimate of scheme liabilities for the Balance Sheet. Income and expenditure for 2012-13 and 2013-14 has been calculated based on these scheme valuations.

7.1.13 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.

7.1.14 Provisions

The Government maintains provisions for bad and doubtful debts, which are held against its arrears of major income sources.

7.1.15 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. Material adjustments arising from changes in accounting policies or fundamental errors are accounted for by restating preceding year comparative figures and opening balances on reserves. Appropriate disclosures are made where relevant.

7.1.16 Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the Accounts. Material contingent assets are disclosed in notes to the Accounts if the inflow of a receipt or economic benefit is probable. Material contingent liabilities are disclosed in Notes if there is a possible obligation which may require a payment or a transfer of economic benefits. The nature and estimated financial effect of each item are disclosed.

No provision for threatened or pending legal actions outstanding against the Isle of Man Government is made in these Accounts as the likelihood of these actions giving rise to material liabilities is considered remote.

7.1.17 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 Vote is approved.

7.1.18 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 2013. This comprises all Government Departments, the revenue funded Statutory Boards (being the Office of Fair Trading, the Financial Supervision Commission, the Gambling Supervision Commission, the Insurance and Pensions Authority and the Communications Commission), Offices of Government and the Legislature, the Road Transport Licensing Committee and Manx National Heritage.

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.

Group Accounts

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

- Isle of Man Post Office;
- Isle of Man Water and Sewerage Authority; and
- Manx Electricity 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.

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 2013. The Accounts for the Isle of Man Post Office are completed each year on the basis of working weeks. No adjustment is made to the transactions and balances for Isle of Man Post Office on the basis the difference in year end is only a few days and the impact of the different dates used is not 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 three Statutory Boards and owned companies;
- Year end debtor and creditor balances between Central Government and Isle of Man Film Limited and Laxey Glen Mills Limited;
- Transactions relating to the contribution to Government from the Isle of Man Post Office;
- Transactions relating to interest on the Bonds issued by Treasury on behalf of the Isle of Man Water and Sewerage Authority and the Manx Electricity 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.

7.2 Analysis of Treasury Income

Treasury income comprises four main areas – income from Income Tax, income from Customs duties, Other Treasury Income and Treasury Reserves Income. Further details of this income are set out below:

7.2.1 Customs and Excise

	Group		Central Government	
	2013-14 £'000s	2012-13 £'000s	2013-14 £'000s	2012-13 £'000s
Duties In Common With The UK				
Beer	626	600	626	600
Spirits	11	16	11	16
Wine	40	41	40	41
Tobacco	442	500	442	500
Hydrocarbon Oils	30,266	30,591	30,266	30,591
Miscellaneous Road Fuels	5	5	5	5
	31,390	31,753	31,390	31,753
Consumer Taxes				
Value Added Tax	364,686	598,036	364,686	598,036
Customs Duties	-	(30)	-	(30)
	364,686	598,006	364,686	598,006
Isle Of Man Duties				
Betting Duty	626	23	626	23
On Line Gambling	4,164	3,718	4,164	3,718
Air Passenger Duties	4,491	4,157	4,491	4,157
	9,281	7,898	9,281	7,898
Customs Receipts From UK				
Customs Receipts From UK	(224,501)	(323,512)	(224,501)	(323,512)
Credit/(Provision) For Repayment Back From/(To) UK HMRC	129,970	(21,738)	129,970	(21,738)
	(94,531)	(345,250)	(94,531)	(345,250)
Other Receipts				
Other Receipts	534	680	534	680
	534	680	534	680
Total	311,360	293,087	311,360	293,087

Notes:

- Income reported in the Detailed Government Accounts (GD 0036/14) was £312.0 million (2012-13 : £296.0 million). The differences between these figures and those above arise from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Customs income.

7.2.2 Income Tax

	Group		Central Government	
	2013-14	2012-13	2013-14	2012-13
	£'000s	£'000s	£'000s	£'000s
Resident Tax	54,242	56,667	54,242	56,667
Company Tax	17,199	10,807	17,199	10,807
Non Resident Tax	2,902	5,217	2,902	5,217
ITIP	118,077	111,634	118,077	111,634
Sub Contractors	2,739	3,064	2,739	3,064
EU Savings Directive	106	284	106	284
Other	(2)	7	(2)	7
Total	195,263	187,680	195,263	187,680

Notes:

- Income reported in the Detailed Government Accounts (GD 0036/14) was £196.1 million (2012-13 : £186.0 million). The differences between these figures and those above arise from movements on debtor balances not included within the Detailed Government Accounts, which are prepared on a cash basis for Income Tax income.

7.2.3 Other Treasury Income

	Group		Central Government	
	2013-14	2012-13	2013-14	2012-13
	£'000s	£'000s	£'000s	£'000s
Philatelic Profits Contribution	-	-	2,000	2,000
Fines and Fixed Penalties	603	913	603	913
Interest on Investments	10,070	12,153	10,070	12,153
Miscellaneous income	610	913	610	913
Total	11,283	13,979	13,283	15,979

Notes:

- Central Government income reported in the Detailed Government Accounts (GD 0036/14) was £13.3 million (2012-13 : £15.2 million). The differences between these figures and those above arise from accounting for the contribution from the Isle of Man Post Office on an accruals basis (whereas in the Detailed Government Accounts this is recorded on a cash basis) and Interest on Investments above has been reduced by the 1.4% provision (2012-13 : 2.1%) against the KSFIOML general revenue cash deposit of £2.7 million (as described in Note 7.14).

7.2.4 Treasury Reserves Income

	Group		Central Government	
	2013-14 £'000s	2012-13 £'000s	2013-14 £'000s	2012-13 £'000s
Investment Income	32,315	34,127	32,315	34,127
Net Profit on Sale of Investments	38,010	28,744	38,010	28,744
Sales of Properties	3,691	1,916	3,691	1,916
Other Receipts	1,220	42	1,220	42
Total	75,236	64,829	75,236	64,829

Notes:

- i. 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.
- ii. The impairment charge in respect of amounts advanced to the Depositors' Compensation Scheme for Kaupthing Singer & Friedlander (Isle of Man) Limited has been applied against Treasury Reserves Income (see Note 7.13.1).

7.3 Deficit for the Year**7.3.1 Deficit for the Year**

The deficit for the year is arrived at after charging:

	Note	Group		Central Government	
		2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Auditors' remuneration	7.6	156	167	96	120
Depreciation	7.7	125,123	125,747	103,862	106,160
Amortisation	7.7	91	73	91	73
Pension costs	7.20	167,917	144,330	167,000	143,000
Gain on disposal of fixed assets	7.7	2,991	2,536	2,991	2,536
Rentals payable under leases		10,430	9,431	6,509	6,509

Notes:

- i. Auditors' remuneration excludes amounts paid in respect of Depositors' Compensation Schemes and other entities outside the scope of the group consolidation.

7.3.2 Department Expenditure

An analysis of Department Expenditure is included at Section 8. The analysis has been extracted from the Detailed Government Accounts (GD 0036/14). The following adjustments have been applied to reflect different basis of preparation:

	Group		Central Government	
	2013-14 £'000s	2012-13 £'000s	2013-14 £'000s	2012-13 £'000s
Total Revenue Expenditure, per Section 8	(538,232)	(534,319)	(538,232)	(534,319)
<u>UK Accounting Standards Adjustments</u>				
Fixed Assets Adjustments	(85,424)	(106,667)	(85,424)	(106,667)
Pension Adjustments	6,999	(7,000)	6,999	(7,000)
Other	3,351	5,646	3,351	5,646
<u>Consolidation Adjustments</u>				
Treasury/DOI - Grant to IOMWSA	7,364	9,018	-	-
Treasury - Manx Radio Subvention	850	850	-	-
Net Voted Expenditure	(605,092)	(632,472)	(613,306)	(642,340)
Treasury Income	7.2 593,142	559,575	595,142	561,575
Net Voted Income	(11,950)	(72,897)	(18,164)	(80,765)

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 Social Care and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).

7.4 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:

Remuneration Band	Group		Central Government	
	2013-14	2012-13	2013-14	2012-13
£325,000 to £349,999	1	-	1	
£250,000 to £274,999	2	3	2	3
£225,000 to £249,999	3	-	3	-
£200,000 to £224,999	11	8	11	8
£175,000 to £199,999	19	22	19	22
£150,000 to £174,999	23	18	23	18
£125,000 to £149,999	26	21	25	20
£100,000 to £124,999	37	42	35	40
£75,000 to £99,999	112	100	105	90
£50,000 to £74,999	672	641	610	586

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).
- 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.

7.5 Financial Commitments

7.5.1 Operating Leases

	Group		Central Government	
	2013-14 £'000s	2012-13 £'000s	2013-14 £'000s	2012-13 £'000s
<1 year	5,784	6,396	5,683	6,254
1 to 2 years	5,603	5,749	5,543	5,683
2 to 5 years	15,626	16,523	15,446	16,457
After 5 years	37,718	42,250	37,718	42,250

7.5.2 Other Financial Commitments

The charges paid by the Manx Electricity Authority in respect of the Gas Interconnector and the Spur Pipeline are invoiced in Euros. During the year the Manx Electricity Authority entered into forward contracts to purchase Euros, at exchange rates of Sterling to Euro, in a predefined range between 1.23 and 1.38 in order to hedge the foreign currency exchange exposure until April 2015. The total value of this commitment at 31 March 2014 was €10.8 million (2013 : €21.6 million) which equates to a maximum commitment of £8.8 million (2013 : £17.5 million).

During the year the Authority entered into a number of contracts to purchase gas at a pre-determined price for delivery between April 2014 and March 2017 (2013 : between April 2013 and April 2016), in order to hedge against gas price volatility. At 31 March 2014 the amount of these commitments was £33.9 million (2013 : £28.5 million).

7.6 External Audit Fees

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Fees payable with regard to external audit services carried out by the appointed auditors	156	167	96	120
Fees payable with regard to other services carried out by the appointed auditors	294	294	294	294

Following a tender process, the External Auditor (KPMG Audit LLC) was appointed for a 3-year term commencing 1 April 2010, with an option for a further extension for a further two years. The figures above relate solely to KPMG Audit LLC. KPMG Audit LLC was the incumbent external auditor immediately prior to the tender process.

An associated company, KPMG LLC, is appointed as Scheme Agent of the Banking Business (Compensation of Depositors) Regulations 1991 and the Compensation of Depositors Regulations 2008 by the Financial Supervision Commission. The above figures with regard to other services include payments made to KPMG LLC in respect of these Regulations. The transactions and balances of the depositors' compensation schemes, including the fees above, are not consolidated into these Accounts.

As part of a separate tender process another firm, Grant Thornton Limited (previous firms, including PKF (Isle of Man) LLC), were appointed auditors of Local Authority and related accounts. Grant Thornton Limited is also the appointed external auditor of Laxey Glen Mills Limited and PricewaterhouseCoopers LLC is the appointed external auditor of Radio Manx Limited.

7.7 Fixed Assets

	<i>Note</i>	Group		Central Government	
		2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Tangible Fixed Assets	7.7.1	2,778,324	2,945,749	2,263,109	2,422,676
Intangible Fixed Assets	7.7.2	56	135	56	135
Total		2,778,380	2,945,884	2,263,165	2,422,811

7.7.1 Tangible Fixed Assets – Group

	Group			
	Freehold Land & Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infra- structure assets £'000s	Total £'000s
Cost or Valuation				
As at 1 April 2013	1,352,178	415,020	1,862,906	3,630,104
Additions	7,520	14,571	15,071	37,162
Revaluations	(46,883)	6,181	(33,677)	(74,379)
Disposals	(892)	(9,430)	-	(10,322)
As at 31 March 2014	1,311,923	426,342	1,844,300	3,582,565
Accumulated Depreciation				
As at 1 April 2013	170,342	216,578	297,435	684,355
Charge for year	47,866	22,674	54,583	125,123
Revaluations	6,593	2,121	(6,542)	2,172
Disposals	(184)	(7,225)	-	(7,409)
As at 31 March 2014	224,617	234,148	345,476	804,241
Net Book Value				
As at 31 March 2014	1,087,306	192,194	1,498,824	2,778,324
As at 1 April 2013	1,181,836	198,442	1,565,471	2,945,749

Included within tangible fixed assets at 31 March 2014 is freehold land amounting to £55.5 million (2013 : £55.5 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £71.5 million (2013 : £74.9 million). Depreciation of £2.6 million (2012-13 : £2.6 million) was charged in the year on these assets.

7.7.2 Tangible Fixed Assets – Central Government

Central Government				
	Freehold Land & Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infra- structure assets £'000s	Total £'000s
Cost or Valuation				
As at 1 April 2013	1,284,416	157,728	1,418,084	2,860,228
Additions	7,370	12,690	110	20,170
Revaluations	(46,647)	4,772	(30,624)	(72,499)
Disposals	(753)	(2,745)	-	(3,498)
As at 31 March 2014	<u>1,244,386</u>	<u>172,445</u>	<u>1,387,570</u>	<u>2,804,401</u>
Accumulated Depreciation				
As at 1 April 2013	151,366	101,220	184,966	437,552
Charge for year	46,296	13,367	44,199	103,862
Revaluations	5,548	712	(4,089)	2,171
Disposals	(45)	(2,248)	-	(2,293)
As at 31 March 2014	<u>203,165</u>	<u>113,051</u>	<u>225,076</u>	<u>541,292</u>
Net Book Value				
As at 31 March 2014	<u>1,041,221</u>	<u>59,394</u>	<u>1,162,494</u>	<u>2,263,109</u>
As at 1 April 2013	<u>1,133,050</u>	<u>56,508</u>	<u>1,233,118</u>	<u>2,422,676</u>

Included within tangible fixed assets at 31 March 2014 is freehold land amounting to £53.1 million (2013 : £53.2 million) which has not been depreciated.

The net book value of fixed assets held under finance leases and hire purchase contracts was £21.7 million (2013 : £24.0 million). Depreciation of £2.3 million (2012-13 : £2.3 million) was charged in the year on these assets.

As at 31 March 2014, tangible fixed assets with a net book value of £250.8 million (2013 : £257.5 million) had been revalued.

7.7.3 Intangible Fixed Assets

	Group	Central Government
	Intangible Assets £'000s	Intangible Assets £'000s
Cost or Valuation		
As at 1 April 2013	325	325
Additions	14	14
Disposals	(23)	(23)
As at 31 March 2014	316	316
Accumulated Amortisation		
As at 1 April 2013	190	190
Charge for year	91	91
Disposals	(21)	(21)
As at 31 March 2014	260	260
Net Book Value		
As at 31 March 2014	56	56
As at 1 April 2013	135	135

7.7.4 Valuations

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 by qualified valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by the Treasury's Valuation Office. Many of the group's infrastructure assets have been revalued during the last three years on the basis of existing use by appropriate experts.

Any surpluses that arise are credited to the General Revenue Adjustment Account. Any impairment in value is charged to the General Revenue Adjustment Account where it reflects the reversal of a previous valuation gain. Where no such gain exists, impairment losses are charged to the Net General Revenue Account.

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

7.8 Capital Commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into, as at 31 March 2014 was £8.6 million (2013 : £9.9 million) for the Group and £14.3 million (2013 : £7.1 million) for Central Government. 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 2014-15 (GD 0001/14).

7.9 Long Term Investments

7.9.1 Investments

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

	Market Value	Book Value	Market Value	Book Value
	31 March 2014	31 March 2014	31 March 2013	31 March 2013
	£'000s	£'000s	£'000s	£'000s
Property	890	408	1,100	408
Investment in Films	15,488	15,488	15,517	15,517
United Kingdom Fixed Interest	275,430	261,490	306,491	275,504
United Kingdom Equities	379,868	329,068	457,168	407,465
Overseas Fixed Interest	109,008	99,500	91,257	85,399
Overseas Equities	299,194	267,915	280,324	248,801
Other Investments	76,229	77,485	90,107	91,226
Total	1,156,107	1,051,354	1,241,964	1,124,320

7.9.2 Balances on Externally Managed Funds

The investments relate to six 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:

	Market Value	Book Value	Market Value	Book Value
	31 March 2014	31 March 2014	31 March 2013	31 March 2013
	£'000s	£'000s	£'000s	£'000s
Long Term Investments	1,156,107	1,051,354	1,241,964	1,124,320
Cash & Cash Instruments	237,710	233,574	195,773	193,380
Cash funds held by Treasury	63,082	63,080	73,271	73,271
Total	1,456,899	1,348,008	1,511,008	1,390,971

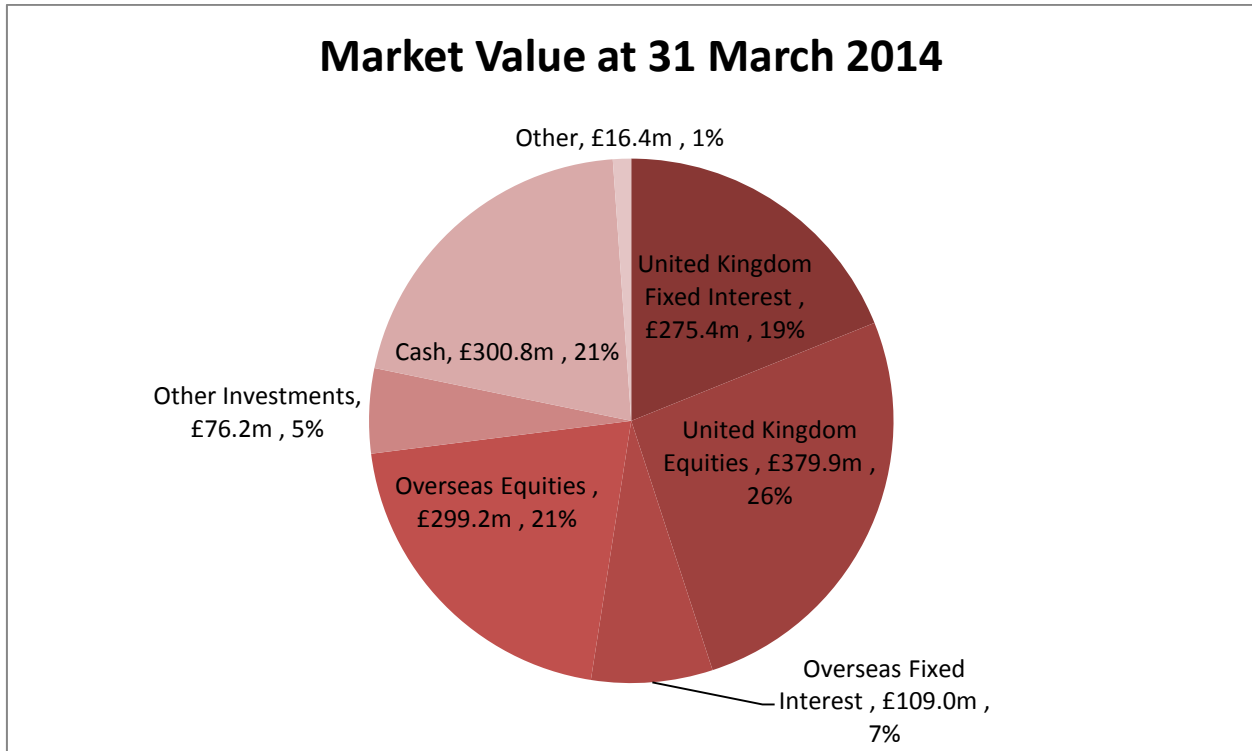
Included within 'Cash & Cash Instruments' above are deposits totalling £8.0 million which were placed with Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOML"). KSFIOML is in liquidation, further details of which are given at Note 7.13.1. A provision of 1.4% (2013 : 2.1%) is recognised at 31 March 2014 against the £8.0 million of reserve fund deposits.

The deposits of £8.0 million relate to the following reserve funds:

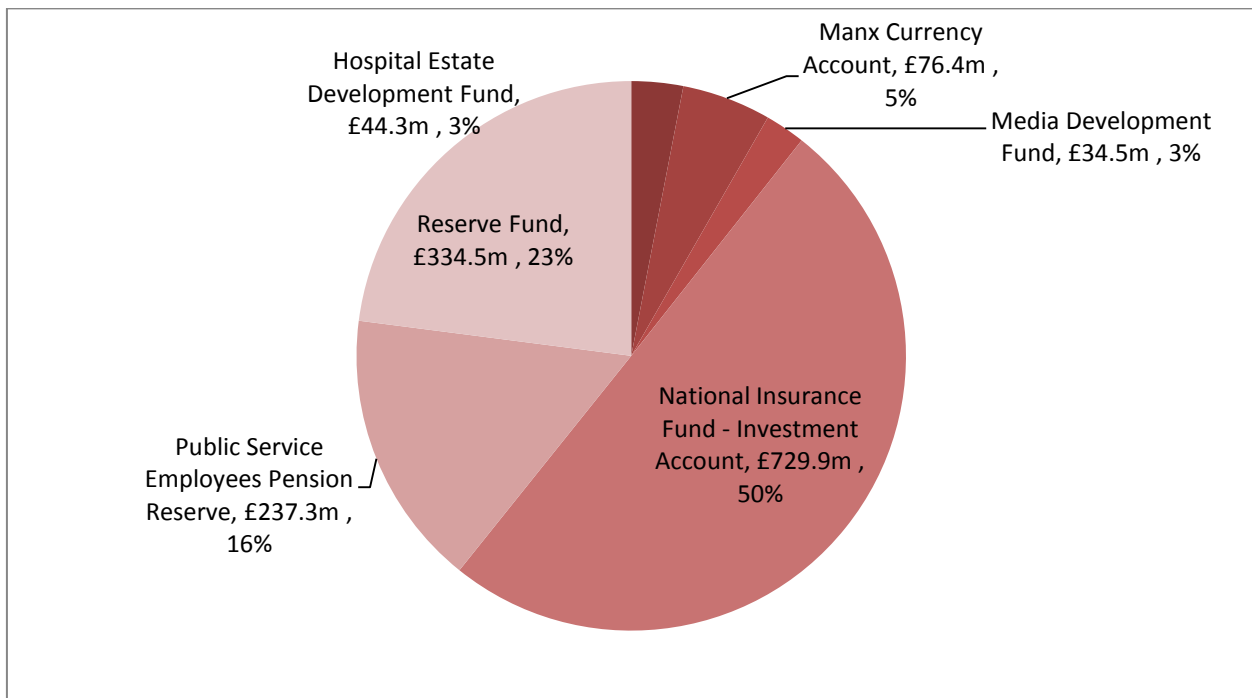
Reserve or Fund	Deposit Outstanding	Provision Recognised at	Provision Recognised at
	£000's	31 March 2014	31 March 2013
		£000's	£000's
Reserve Fund	5,000	70	105
Public Service Employees' Pension Reserve	2,000	28	42
Hospital Estate Development Fund	1,000	14	21
Total	8,000	112	168

In addition to the £8.0 million deposited, a further £2.7 million was deposited in respect of Treasury cash balances (see Note 7.14).

The total market value of externally managed reserve fund assets held at 31 March 2014 can be shown by asset type as follows:



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



7.9.3 Movements on Externally Managed Funds

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

Invested Fund	Balances Brought Forward 1 April 2013 £'000s	Income			Unrealised gain/(loss) on Investments £'000s	Expenditure Expenses, Transfers to Internal Accounts £'000s	Balances Carried Forward 31 March 2014 £'000s
		Contributions Seizures & Other £'000s	Investment Income £'000s	Net Profit on Sale of Investments £'000s			
Hospital Estate Development Fund	46,271	-	973	1,092	(1,660)	2,337	44,339
Manx Currency Account	77,300	(274)	1,102	643	(1,206)	1,199	76,366
Media Development Fund	40,003	112	3	-	(1)	5,651	34,466
National Insurance Fund - Investment Account	710,162	-	14,379	23,027	(4,029)	13,608	729,931
Public Service Employees Pension Reserve	250,767	-	5,520	12,059	(5,658)	25,372	237,316
Reserve Fund	386,505	-	9,926	10,408	1,347	73,705	334,481
Total	1,511,008	(162)	31,903	47,229	(11,207)	121,872	1,456,899

Notes:

- i. The market values and book cost of each of the externally managed funds as at 31 March 2014 is shown below:

	Market Value 31 March 2014 £'000s	Book Value 31 March 2014 £'000s	Market Value 31 March 2013 £'000s	Book Value 31 March 2013 £'000s
Hospital Estate Development Fund	44,339	43,419	46,271	43,697
Manx Currency Account	76,366	75,513	77,301	75,243
Media Development Fund	34,466	34,466	40,003	40,003
National Insurance Fund - Investment Account	729,931	674,407	710,162	650,610
Public Service Employees Pension Reserve	237,316	217,170	250,766	224,979
Reserve Fund	334,481	303,033	386,505	356,439
Total	1,456,899	1,348,008	1,511,008	1,390,971

- 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:

	31 March 2014 £'000s	31 March 2013 £'000s
Operating Account	(2,724)	(4,287)
Investment Account	729,931	710,162
Total	727,207	705,875

- iii. The face value of the Manx Currency in circulation at 31 March 2014 was £72.3 million (2013 : £72.7 million). At this date the Currency Account Surplus, being the amount by which the Manx Account (above) exceeds the face value of Manx Currency in circulation, was £3.2 million (2013 : £2.6 million).

7.10 Government Owned Companies

7.10.1 Central Government

The Isle of Man Government hold all the shares in the following six companies, the accounts of which have been consolidated with the Government's Group Accounts in accordance with the Accounts and Audit Regulations 2013:

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%

The Accounts of all six of the Companies are required to be laid before Tynwald annually. Further details of the companies' activities during the year are set out below:

Isle of Man Film Ltd ("IOMFL")

IOMFL 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 and makes investments in a film production on behalf of IOMFL and is a subsidiary of IOMFL.

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 International Business School (Dissolved, "IOMIBS")

IOMIBS was Registered Charity that had not traded since 2005 and had no assets or liabilities. The company was dissolved on 18 July 2013 following the merger of the International Business School with the Isle of Man College of Further and Higher Education.

7.10.2 Group Accounts

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

Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Manx Cable Company Limited	Electricity cable link	Isle of Man	100%
PGT Limited	Dormant	Isle of Man	100%
e-Ilan Communications Limited	Wholesale telecom services	Isle of Man	100%

The Isle of Man Post Office hold shares in the following company, the accounts of which have not been consolidated with the Government's Group Accounts, on the basis that its transactions and balances are not material:

Company	Principal activity	Country of Incorporation	Proportion of voting rights and shares held
Isle of Man Business Park (No4) Management Company Limited	Property management	Isle of Man	40%

7.11 Long Term Debtors

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

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Loan Schemes				
Agricultural Holdings Scheme 1978	321	398	321	398
Agricultural Holdings Scheme 2000	644	676	644	676
Agricultural Credits Acts 1924-66	40	45	40	45
Fishing Industry	273	317	273	317
Building By Private Enterprise Schemes 1968/74	3	5	3	5
House Purchase Assistance Schemes	19,477	19,253	19,477	19,253
House Purchase Schemes	95	148	95	148
House Purchase & Refurbishment Scheme 1991	1,235	1,409	1,235	1,409
Royal British Legion Housing Association	343	355	343	355
Sports Club Improvement Scheme	1	3	1	3
Local Authorities	1,992	2,112	1,992	2,112
	24,424	24,721	24,424	24,721
Loans to Statutory Boards				
Manx Electricity Authority	-	-	360,059	325,934
Isle of Man Water & Sewerage Authority	-	-	167,405	164,973
e-Ilan Loan (MEA)	-	-	200	240
Total Loans Outstanding	24,424	24,721	552,088	515,868
Due within 12 months	(4,932)	(4,239)	(15,931)	(16,073)
Total	19,492	20,482	536,157	499,795

7.12 Stocks and Work in Progress

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Raw Materials and Consumables	8,327	8,045	1,739	1,619
Work in Progress	1,463	1,627	1,463	1,627
Goods for Resale	1,014	1,060	883	887
Total	10,804	10,732	4,085	4,133

7.13 Debtors and Prepayments

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Trade Debtors and Prepayments	23,771	32,676	14,037	18,822
Taxation Debtors	26,375	27,868	26,375	27,868
Loan Schemes	7.11 4,932	4,239	15,931	16,073
Other Debtors	84,806	4,977	83,220	3,521
Total	139,884	69,760	139,563	66,284

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.

Other Debtors for 2013-14 include an amount of £65.2 million payable by the United Kingdom's HM Revenue & Customs ("HMRC"). As at 31 March 2013 the Isle of Man Government owed HMRC £64.7 million. The difference in the balance arises from a change in the value of local collections in the Isle of Man.

7.13.1 Kaupthing Singer & Friedlander (Isle of Man) Limited

Included within Trade Debtors and Prepayments for both the Group and Central Government is an amount of £2.8 million (2013 : £4.1 million) in respect of the Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOML") Early Payment Schemes and Depositors' Compensation Schemes. A provision of £1.1 million (2013 : £3.9 million) has been applied against this balance to give a net balance of £1.7 million (2013 : £0.2 million).

On 9 October 2008 the Isle of Man Court made a Provisional Liquidation Order in relation to KSFIOML. On 27 May 2009 a Winding Up Order was passed by the Isle of Man High Court. The company's affairs are being wound up on the basis it could not repay its debts as they fall due. In February 2014 the Joint Liquidators of KSFIOML provided an update on the status of the liquidation and estimated total dividends to ordinary unsecured creditors will be between 98.6 pence in the pound and 99.2 pence in the pound (98.6%-99.2%; estimate at the time of the 2012-13 Accounts were prepared was 97.9%-99.0%).

Where balances within these Accounts are exposed to KSFIOML, provisions have been applied based on an outcome of 98.6 pence in the pound (1.4% provision required) (2013 : 97.9 pence in the pound, provision of 2.1%).

In May 2009 the Depositors' Compensation Scheme was activated in respect of KSFIOML. The Compensation of Depositors Regulations 2008 were approved by Tynwald in October 2008 and provided for compensation up to a maximum of £50,000 per individual depositor, per deposit taker, and up to £20,000 for certain other depositors, such as companies and trusts. The compensation is funded from distributions from the liquidation of KSFIOML, annual levies charged to other Isle of Man deposit takers and a contribution from the Isle of Man Government, Treasury Department.

In July 2009 Tynwald authorised Treasury to expend a maximum of £193 million during 2009-10 and 2010-11 to provide funding to the Depositors' Compensation Scheme so that compensation could be paid out in full to depositors prior to the scheme receiving liquidation distributions and levies. A transfer from the Reserve Fund not exceeding £193 million was also approved to meet the anticipated expenditure of the scheme.

Previously (in January 2009 and February 2009) Tynwald had approved two Early Payment Schemes and authorised the advancing of certain payments to depositors. The activation of the Depositors' Compensation Scheme effectively replaced the Early Payment Schemes, with amounts advanced by Treasury under the Early Payments Schemes becoming amounts due to Treasury from the Depositors' Compensation Scheme. By 31 March 2014 the total amount advanced by Treasury under all KSFIOML schemes was £214.4 million (2013 : £214.4 million) with £211.6 million (2013 : £210.3 million) having been repaid to give an outstanding balance of £2.8 million at 31 March 2014 (2013 : £4.1 million).

The eventual cost to Government under the regulations will be the cost of compensation paid against deposits in excess of £20,000 (up to the maximum of £50,000) less liquidation distributions against these deposits. This cost is currently estimated at £1.1 million (2013 : £3.9 million) based on an estimated final distribution of 98.6 pence in the pound and this is currently applied against General Revenue. During 2010-11 an amount of £3.9 million was transferred from the Reserve Fund to General Revenue to meet the cost of the provision with £2.7 million being released back to the Reserve Fund in 2013-14.

7.14 Short Term Deposits

Short term deposits comprise fixed term cash deposits placed by Treasury and Statutory Boards on wholesale money markets through local banks and deposits in short notice local bank accounts.

Included within these short term deposits (Group and Central Government) are deposits totalling £2.7 million which were placed at Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOML"). KSFIOML is in liquidation, further details of which are given at Note 7.13.1. A provision of £0.1 million (1.4%; 2013 : £0.1 million, 2.1%) has been recognised at 31 March 2014 against the £2.7 million of general revenue deposit placed.

In addition to the £2.7 million deposited, a further £8.0 million was deposited in respect of externally managed reserve funds (see Note 7.9.2).

7.15 Cash

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Cash re: external funds	299,955	262,338	299,955	262,338
Cash re: loans fund	50,623	52,155	50,623	52,155
Other cash balances	(61,158)	(63,764)	(107,347)	(113,241)
Cash at Bank and in Hand	289,420	250,729	243,231	201,252
Bank Overdrafts and Loans Payable	(8,394)	(42,158)	(8,297)	(6,946)
Total	281,026	208,571	234,934	194,306

The above represents cash held in Government bank accounts and cash held by the Government's External Investment Managers (see Note 7.9 Long Term Investments). In addition, Treasury also places short term cash deposits on wholesale money markets (see Note 7.14).

Cash balances in respect of the Consolidated Loans Fund (Capital cash balance) is 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.

Bank Overdrafts and Loans Payable includes £nil (2013 : £35 million) due to Barclays Private Clients International Limited by the Manx Cable Company Limited, a wholly owned subsidiary of the Manx Electricity Authority. The loan was repaid in July 2013, and was at an interest rate of 6.11%, which was fixed for the period of the loan.

The Treasury reviews its banking arrangements annually and currently has operational overdraft facilities in place with the Isle of Man Bank Limited to an aggregate value of £10.0 million (2013 : £10.0 million).

7.16 Creditors and Third Party Funds

7.16.1 Current Liabilities

		Group		Central Government	
	Note	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Trade creditors		32,411	29,493	23,679	20,236
Finance debt	7.18	4,956	4,647	1,432	1,349
Accruals		30,048	23,057	26,365	17,855
Provision for repayment to UK HMRC		-	64,725	-	64,725
Other creditors		12,032	11,019	10,249	8,387
Total		79,447	132,941	61,725	112,552

7.16.2 Long Term Liabilities

		Group		Central Government	
	Note	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Deferred income		12,022	11,771	-	-
Trade creditors		288	628	-	-
Provisions		1,150	1,250	-	-
Finance debt	7.18	69,579	75,549	32,301	33,733
Total		83,039	89,198	32,301	33,733

7.17 Loans Payable

7.17.1 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 (2013 : £260 million) in respect of loans issued from the Consolidated Loans Fund to the Manx Electricity Authority (£185 million, 2013 : £185 million) and the Isle of Man Water and Sewerage Authority (£75 million, 2013 : £75 million). These amounts relate to amounts raised by Treasury through a Bond Issue on behalf of these two Statutory Boards, the proceeds of which were then loaned to the Statutory Boards.

The Bonds have the following details:

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

7.17.2 Group Accounts

Loans payable includes £3.2 million (2013 : £3.2 million) due to three local authorities (2013 : three) by the Isle of Man Water and Sewerage Authority. The loans were transferred from the Department of Transport to the Isle of Man Water and Sewerage Authority as part of the Government restructuring referred to in Note 7.22.1. The three loans (2013 : eight loans) have various maturity dates, the longest being in 2037, and are at fixed interest rates of between 4.68% and 6.36%.

7.18 Finance Debt

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Falling due within 1 year	4,956	4,647	1,432	1,349
Falling due after 1 year	69,579	75,549	32,301	33,733
Total	74,535	80,196	33,733	35,082

7.18.1 Central Government

At 31 March 2014 there was one material finance lease in existence in respect of the Energy from Waste ("EfW") Plant in Braddan, which was the subject of a sale and lease back agreement. During the year to 31 March 2014 the annual rental of £3.4 million (2012-13 : £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.

7.18.2 Group Accounts

In 2002, the Manx Electricity Authority entered into contractual arrangements to obtain capacity on the natural gas inter-connector between the United Kingdom 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 Manx Electricity Authority in order to bring natural gas to the Isle of Man to supply the Manx Electricity 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 Electricity 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 5.5% per annum. This amount has been included in fixed assets and is depreciated over 60 years. Operating and maintenance charges also arise under the spur inter-connector Agreement and are charged to the profit and loss account.

The amounts due under this agreement are payable in Euros (€). The future commitment in Euros has been translated at the year end exchange rate resulting in an unrealised exchange loss of £1.0 million (2013 : £0.7 million).

7.19 Movements on Reserves

7.19.1 Net General Revenue Account

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

7.19.2 General Revenue Adjustments Account

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Balance brought forward	438,923	815,407	437,028	813,576
Fixed assets adjustments	(123,792)	(32,847)	(123,792)	(32,847)
Pensions adjustments	(27,000)	(343,000)	(27,000)	(343,000)
Other	(1,501)	(637)	(1,527)	(701)
Total	286,630	438,923	284,709	437,028

Adjustments which are required to comply with United Kingdom Accounting Standards and are applied to the Income and Expenditure Account but not included in the Government's budget are applied to the General Revenue Adjustments Account and not the Net General Revenue Account. Further details of the adjustments are given in Note 7.2 and Note 7.3.

7.19.3 External Funds and Reserves

The Government has six 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 7.9.

7.19.4 Internal Funds – Central Government

Internal Revenue Fund or Reserve	Balances Brought Forward 1 April 2013 £'000s				Expenses, Other Expenses £'000s	Balances Carried Forward 31 March 2014 £'000s
		Contributions Seizures & Other £'000s	Investment Income £'000s	Transfers to Other Funds £'000s		
Agricultural Development Fund	4,384	1,700	19	-	1,790	4,313
Economic Development Fund	16,926	-	157	3,000	-	14,083
Government Energy Initiatives Capital Fund	2,360	57	9	-	128	2,298
Government Marketing Initiatives Fund	6,053	-	26	-	966	5,113
Health Inspection Fund	-	2,100	-	-	-	2,100
Housing Reserve Fund	11,532	6,691	48	-	6,133	12,138
ICT Fund	6,482	683	27	-	3,653	3,539
Insurance Fund	2,626	2,500	9	-	2,675	2,460
Land & Property Acquisition Reserve	11,404	459	45	-	9,850	2,058
Legal Costs Reserve	7,529	3,700	31	-	3,395	7,865
Medical Indemnity Fund	6,640	650	27	-	595	6,722
Restructuring Fund	9,765	500	40	-	1,619	8,686
Seized Assets Fund	1,109	1,220	8	-	36	2,301
Town & Village Centre Regeneration Fund	6,180	3,000	25	-	3,027	6,178
Total	92,990	23,260	471	3,000	33,867	79,854

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 4 of the Detailed Government Accounts (GD 0036/14).

7.19.5 Internal Funds – Group Accounts

	Balances Brought Forward 1 April 2013 £'000s	Income		Expenditure	Balances Carried Forward 31 March 2014 £'000s
		Contributions Seizures & Other £'000s	Realised and Unrealised Income £'000s	Internal Transfers and Other Expenses £'000s	
Treasury funds					
Internally managed funds	92,990	23,260	471	(36,867)	79,854
Other funds					
<u>Isle of Man Post Office</u>					
Fixed Asset Reserve	9,767	-	-	(203)	9,564
Revenue and general reserve	1,000	(30)	-	30	1,000
Development Reserve	3,568	-	-	3,446	7,014
<u>Isle of Man Water & Sewerage Authority</u>					
Capital and retained reserves	64,757	6,193	-	-	70,950
<u>Manx Electricity Authority</u>					
Reserves	(69,664)	(10,993)	-	-	(80,657)
<u>Owned Companies</u>					
Reserves	912	(4)	-	-	908
Total	103,330	18,426	471	(33,594)	88,633

7.20 Pensions**7.20.1 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 administered by the Pensions Division of the Office of Human Resources.

Two of these schemes, the Civil Service and Whitely Council schemes, also apply to the Isle of Man Water and Sewerage Authority and the Manx Electricity Authority. The transactions and balances in respect of these schemes, including those relating to the Isle of Man Water and Sewerage Authority and the Manx Electricity Authority, 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
- *Electricity Board (Officers of Boards) 1960 (closed scheme)*
- *Electricity Board Manual Workers Scheme 1976 (closed scheme)*
- *Judicial Pension Scheme 1992 (closed scheme)*
- Judicial Pension Scheme 2004
- *Manx Electricity Authority Local Government Scheme Optants (closed scheme)*
- *Police Pension Regulations 1991 (closed scheme)*
- Police Pension Regulations 2010
- *Superannuation Manual Workers (No 1) Pension Scheme 1973 (closed scheme)*
- *Superannuation Manual Workers (No 2) Pension Scheme (closed scheme)*
- *Superannuation (Traffic Wardens) Scheme 1989 (closed scheme)*
- Teachers Superannuation Order 2007
- Tynwald Members Pension Schemes 1985 and 1995

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.

7.20.2 Assumptions Used

The financial assumptions used to calculate scheme liabilities under Financial Reporting Standard number 17 issued by the United Kingdom Accounting Standards Board ("FRS 17") are as follows:

	Group		Central Government	
	2013-14	2012-13	2013-14	2012-13
Discount rate	4.31%	4.41%	4.30%	4.40%
Salary increase rate	4.16%	4.70%	4.20%	4.50%
Rate of revaluation in deferment	2.25%	3.70%	n/a	n/a
Pension increase rate	2.19%	2.15%	2.20%	2.05%
Expected return on scheme assets	6.00%	7.35%	n/a	n/a
Price inflation rate - Consumer Price Index (CPI)	2.20%	2.50%	2.20%	1.85%

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 which, due to the timescale covered, may not necessarily be borne out in practice.

7.20.3 Amounts Recognised in the Balance Sheet

The fair value of the scheme's 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 Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were as follows:

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Equities	41,808	40,273	-	-
Property	8,763	8,305	-	-
Bonds	10,119	10,495	-	-
Other	3,496	3,433	-	-
Fair value of scheme assets	64,186	62,506	-	-
Present value of funded liabilities	(2,384,127)	(2,358,740)	(2,318,000)	(2,291,000)
Net pension liability	(2,319,941)	(2,296,234)	(2,318,000)	(2,291,000)

The schemes do not invest in the sponsor's own financial instruments, including property or other assets owned by the sponsor.

7.20.4 Changes in Present Value of the Funded Liabilities

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
At beginning of period	2,358,740	2,007,831	2,291,000	1,948,000
Current service cost	71,601	59,330	70,000	58,000
Employee contributions	18,479	14,461	18,000	14,000
Interest cost	100,221	88,089	97,000	85,000
Actuarial (gains)/losses	(85,430)	241,994	(81,000)	237,000
Benefits paid	(79,484)	(52,965)	(77,000)	(51,000)
At end of period	2,384,127	2,358,740	2,318,000	2,291,000

7.20.5 Changes in Fair Value of the Scheme Assets

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
At beginning of period	62,507	55,727	-	-
Expected return on assets	3,904	3,575	-	-
Sponsor contributions	937	905	-	-
Employee contributions	479	461	-	-
Actuarial (gains)/losses	(1,148)	3,803	-	-
Benefits paid	(2,484)	(1,965)	-	-
At end of period	64,195	62,506	-	-

7.20.6 Amounts Recognised in the Income and Expenditure Account

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Current service cost	71,601	59,330	70,000	58,000
Interest on scheme liabilities	100,221	88,089	97,000	85,000
Expected return on scheme assets	(3,905)	(3,575)	-	-
Total expense	167,917	143,844	167,000	143,000

7.20.7 Effect of FRS17 on Net Expenditure

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Total income as reported	970,003	908,349	970,003	908,349
Total expenditure as reported	(1,092,072)	(1,077,561)	(1,086,579)	(1,073,846)
Less FRS17 charge	70,664	58,425	70,000	58,000
Restated expenditure pre FRS17	(1,021,408)	(1,019,136)	(1,016,579)	(1,015,846)
Restated operating surplus pre FRS17	(51,405)	(110,787)	(46,576)	(107,497)
Interest earned	2,643	2,388	-	-
Less FRS17 adjustment	96,316	84,514	97,000	85,000
Restated interest income pre FRS17	98,959	86,902	97,000	85,000
Restated surplus/(deficit) pre FRS17	47,554	(23,885)	50,424	(22,497)

7.20.8 Amounts Recognised in the Statement of Total Recognised Gains and Losses

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Actual return less expected return on scheme assets	(1,157)	3,803	-	-
Experience gains and losses arising on scheme liabilities	(174,104)	60,976	(175,000)	61,000
Change in assumptions underlying present value of scheme liabilities	97,534	171,030	94,000	176,000
Net actuarial gains recognised in the period	(77,727)	235,809	(81,000)	237,000

7.20.9 Cumulative Net Actuarial Gains Recognised in the Statement of Total Recognised Gains and Losses

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
At beginning of period	578,532	342,723	578,000	341,000
Actuarial gain/(loss) on pension scheme	(77,727)	235,809	(81,000)	237,000
At end of period	500,805	578,532	497,000	578,000

Cumulative net actuarial gains/(losses) for Central Government have been determined as the amounts recognised in the statement of total recognised gains and losses 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 total recognised gains and losses since the period ended 31 March 2004, based on FRS17 applicable during those years.

The net actuarial gain for Central Government for 2013-14 comprises an experience gain of £175 million reduced by £94 million for changes in assumptions underlying the present value of scheme liabilities. The experience gain broadly reflects a gain from salary increases over the year from 31 March 2013 to 31 March 2014 of around £50 million and a further gain of around £125 million resulting from using updated membership data.

7.20.10 Historical Information

	Group				
	2014	2013	2012	2011	2010
	£'000s	£'000s	£'000s	£'000s	£'000s
Present value of scheme Liabilities	(2,384,127)	(2,358,740)	(2,007,831)	(1,859,606)	(2,033,286)
Fair value of scheme assets	64,186	62,506	55,727	52,462	49,369
Net scheme deficit	(2,319,941)	(2,296,234)	(1,952,104)	(1,807,144)	(1,983,917)
Experience adjustments on scheme liabilities	(174,104)	60,976	56,270	37,392	808
Experience adjustments on scheme assets	(1,157)	3,803	477	329	10,806

	Central Government				
	2014	2013	2012	2011	2010
	£'000s	£'000s	£'000s	£'000s	£'000s
Present value of scheme Liabilities	(2,318,000)	(2,291,000)	(1,948,000)	(1,807,000)	(1,980,000)
Fair value of scheme assets	-	-	-	-	-
Net scheme deficit	(2,318,000)	(2,291,000)	(1,948,000)	(1,807,000)	(1,980,000)
Experience adjustments on scheme liabilities	(175,000)	61,000	56,000	37,000	-
Experience adjustments on scheme assets	-	-	-	-	-

Further information in respect of the experience gain for 2013-14 is included at Note 7.20.9.

7.21 Contingent Liabilities

Specific guarantees or potential liabilities at 31 March 2014 totalled £219.9 million (2013 : £210.5 million), as set out below:

	Group		Central Government	
	2013-14	2012-13	2013-14	2012-13
	£'000s	£'000s	£'000s	£'000s
Local Authority Borrowing	207,987	197,511	207,987	197,511
Medical Indemnity Fund	8,792	10,130	8,792	10,130
Insurance Fund	2,474	2,432	2,474	2,432
Economic Development Fund	410	310	410	310
Student Loans	284	134	284	134
Total	219,947	210,517	219,947	210,517

- i. This statement records Government's identified potential liabilities and specific guarantees, and references the sums available to meet those potential claims.
- ii. Local Authority Borrowing relates to Letters of Comfort issued by Treasury to Bankers in relation to authorised Local Authority borrowing to a value of £256.2 million at 31 March 2014 (2013 : £240.3 million).
- iii. The Medical Indemnity Fund and Insurance Fund amounts relate to notified insurance claims. The amounts represent the maximum 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.
- iv. The Economic Development Fund amounts relate to guarantees issued from the Economic Development Fund.
- v. The Department of Education and Children and the Treasury have signed an agreement with the Isle of Man Bank Limited to indemnify the bank for losses in respect of graduate loans issued by the bank. The maximum amount guaranteed under this facility is £10.0 million (2013 : £10.0 million).

7.22 Post Balance Sheet Events

The following Post Balance Sheet Events have been considered when preparing these Accounts. The events are not considered to require any adjustment to be made to the Accounts.

7.22.1 Government Restructuring

In January 2014 a restructuring of Government Departments was approved by Tynwald. Key changes announced were the creation of a Cabinet Office (principally comprising of the Chief Secretary's Office and Office of Human Resources from Executive Government, together with the Information Systems Division of the Department of Economic Development), the merging of the Department of Health and Department of Social Care (with Social Security transferring to the Treasury) and the dissolution of the Department of Community, Culture and Leisure. Furthermore, a further shared service initiative was announced by Government to centralise additional common functions across Government.

In addition, the Isle of Man Water and Sewerage Authority and Manx Electricity Authority have been combined into a single authority, the Manx Utilities Authority.

These changes all take effect from 1 April 2014 and therefore fall outside the scope of these accounts, which have been prepared up until 31 March 2014.

7.22.2 Loan Made to the Sefton Group plc

During 2012 and 2013 the Department of Economic Development advanced two loans to the Sefton Group plc under the Enterprise Act 2008 ("EA2008"). The balances on these two loans were included within debtor balances. In June 2014 a legal opinion was received by the Government's Acting Attorney General in connection with these loans. The legal opinion concluded that the Sefton Group plc was not an eligible business in respect of EA2008 and therefore it was more likely than not that the loans were ultra vires.

In July 2014 agreement was reached with the Sefton Group plc and the outstanding loan balance due to the Department of Economic Development was replaced by a new loan made by the Treasury under the Financial Provisions and Currency Act 2011. No adjustment has been made within these Accounts in respect of this matter, which is now considered to be on an appropriate legal basis.

7.23 Related Party Transactions

The Government is required to disclose 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.

No material transactions or balances were identified for the financial year (2012-13 : none).

The Government has interests in companies and the relevant disclosures can be found in Note 7.10.

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>. In addition, 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.

7.24 Reconciliation of Net Cash Flow from Operating Activities

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Surplus Before Interest	(7,344)	(66,108)	(18,164)	(80,765)
Net transfer to earmarked reserves	(45,666)	(42,652)	(50,516)	(45,979)
Operating (Deficit)	(53,010)	(108,760)	(68,680)	(126,744)
Depreciation and amortisation charges	127,063	127,147	104,719	106,199
Deferred income release	(470)	(461)	-	-
Net transfer to/from external reserves	(88,295)	(86,691)	(83,487)	(83,364)
(Gain)/loss on sale of fixed assets	(3,758)	(3,401)	(3,690)	(2,536)
(Gain)/loss on sale of investments	(904)	689	-	-
Defined benefit scheme - current service cost in excess of contributions	(6,336)	7,425	(7,000)	7,000
Movements in working capital:				
- Decrease/(increase) in stocks	25	383	171	(350)
- (Increase)/decrease in debtors	(69,461)	1,643	(73,927)	2,525
- (Decrease)/increase in creditors	(50,457)	25,676	(50,910)	27,438
Net cash (outflow) from operating activities	(145,603)	(36,350)	(182,804)	(69,832)

7.25 Reconciliation of Movement in Cash and Net Cash

7.25.1 Reconciliation of Net Cash Flow to Movement in Cash

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
(Decrease)/increase in cash in the period	(103,445)	(52,202)	(100,601)	(57,116)
Repayment of bank loans	39,550	3,165	-	-
Loans advanced	(670)	(3,731)	-	-
Repayment of finance lease debt	4,635	4,348	1,349	1,270
Movement in net cash in the period	(59,930)	(48,420)	(99,252)	(55,846)
Unrealised gain/(loss) on currency revaluation	1,013	(676)	-	-
	(58,917)	(49,096)	(99,252)	(55,846)
Opening net cash	232,861	281,957	238,487	294,333
Closing net cash	173,944	232,861	139,235	238,487

7.25.2 Analysis of Net Cash

	Group		Central Government	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Short term deposits	230,488	367,651	198,034	339,263
Cash at bank and in hand	289,420	250,729	243,231	201,252
Total cash	519,908	618,380	441,265	540,515
Bank overdraft	(8,394)	(42,158)	(8,297)	(6,946)
Loans payable	(263,035)	(263,165)	(260,000)	(260,000)
Finance debt	(74,535)	(80,196)	(33,733)	(35,082)
Net cash	173,944	232,861	139,235	238,487

7.26 Analysis of Change in Net Cash

7.26.1 Group Accounts

	Group		
	At 1 April 2013 £000's	Cash flow £000's	At 31 March 2014 £000's
Short term deposits	367,651	(137,163)	230,488
Cash at bank and in hand	250,729	38,691	289,420
Total cash	618,380	(98,472)	519,908
Bank overdraft	(42,158)	33,764	(8,394)
Loans payable	(263,165)	130	(263,035)
Finance debt	(80,196)	5,661	(74,535)
Net cash	232,861	(58,917)	173,944

7.26.2 Central Government

	Central Government		
	At 1 April 2013 £000's	Cash flow £000's	At 31 March 2014 £000's
Short term deposits	339,263	(141,229)	198,034
Cash at bank and in hand	201,252	41,979	243,231
Total cash	540,515	(99,250)	441,265
Bank overdraft	(6,946)	(1,351)	(8,297)
Loans payable	(260,000)	-	(260,000)
Finance debt	(35,082)	1,349	(33,733)
Net cash	238,487	(99,252)	139,235

7.27 Analysis of Change in Liquid Resources

	Group and Central Government			
	At 1 April 2013 £000's	Cash flow £000's	Non-Cash Change £000's	At 31 March 2014 £000's
Long Term Investments	1,241,964	(72,965)	(12,892)	1,156,107

7.28 Comparative Amounts

No changes to comparative amounts (transactions for the year 2012-13 and balances as at 31 March 2013) have been applied to these accounts to match the disclosure and accounting treatment in the current year.

8 Analysis of Expenditure of Department and Other Bodies

8.1 Overview

Detailed information in respect of Central Government income and expenditure is reported in the Detailed Government Accounts (GD 0036/14). 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.

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 table shows net expenditure by Department for 2013-14 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 Social Care and the movement on the value of the strategic oil reserve (which is excluded from the Detailed Government Accounts).

	2013-14				
	As Reported £'000s	Fixed Assets Adjustments £'000s	Pension Adjustments £'000s	Other £'000s	As Adjusted £'000s
Expenditure – Voted Services					
Community, Culture & Leisure	15,689	3,379	2,986	-	22,054
Economic Development	10,747	662	2,127	-	13,536
Education & Children	94,235	17,456	13,535	-	125,226
Environment, Food & Agriculture	14,303	2,414	1,413	-	18,130
Health	139,725	8,621	19,641	-	167,987
Home Affairs	29,823	1,036	7,705	-	38,564
Infrastructure	36,059	50,479	6,654	(3,404)	89,788
Social Care	125,477	7,548	6,211	(224)	139,012
Treasury (Gross Expenditure)	28,765	(5,773)	2,985	277	26,254
	494,823	85,822	63,257	(3,351)	640,551
Other bodies					
Executive Government	37,147	-	(73,340)	-	(36,193)
Manx National Heritage	3,717	(58)	683	-	4,342
Road Transport Licensing Committee	76	-	18	-	94
Statutory Board (Revenue Funded)	(1,889)	-	1,485	-	(404)
	39,051	(58)	(71,154)	-	(32,161)
Expenses of the Legislature	4,358	(340)	898	-	4,916
Total Voted Expenditure	538,232	85,424	(6,999)	(3,351)	613,306

The following table shows net expenditure by Department for 2012-13 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. Similar adjustments have been applied as in the preceding table (for 2013-14).

	2012-13				
	As Reported £'000s	Fixed Assets Adjustments £'000s	Pension Adjustments £'000s	Other £'000s	As Adjusted £'000s
Expenditure – Voted Services					
Community, Culture & Leisure	17,441	10,663	2,702	-	30,806
Economic Development	13,528	(248)	1,824	-	15,104
Education & Children	95,793	20,455	11,082	-	127,330
Environment, Food & Agriculture	14,971	2,478	1,196	-	18,645
Health	124,845	(8,330)	14,165	-	130,680
Home Affairs	30,864	2,013	6,701	-	39,578
Infrastructure	33,038	61,844	5,090	(3,404)	96,568
Social Care	139,683	18,512	7,343	(2,345)	163,193
Treasury (Gross Expenditure)	17,992	(436)	2,475	103	20,134
	488,155	106,951	52,578	(5,646)	642,038
Other bodies					
Executive Government	36,957	3	(48,095)	-	(11,135)
Manx National Heritage	3,694	(41)	594	-	4,247
Road Transport Licensing Committee	63	-	13	-	76
Statutory Board (Revenue Funded)	880	39	1,113	-	2,032
	41,594	1	(46,375)	-	(4,780)
Expenses of the Legislature	4,570	(285)	797	-	5,082
Total Voted Expenditure	534,319	106,667	7,000	(5,646)	642,340

8.3 Department Net Expenditure and Approved Budget

BUDGET		ACTUAL 2013-14			ACTUAL
2013-14					2012-13
Net		Gross	Gross	Net	Net
Expenditure		Expenditure	Income	Expenditure	Expenditure
£'000s		£'000s	£'000s	£'000s	£'000s
DEPARTMENT OF COMMUNITY, CULTURE & LEISURE					
Public Transport Directorate					
8,031	Operations	7,706	-	7,706	8,092
3,578	Engineering	3,873	-	3,873	3,608
(4,967)	Income	-	4,399	(4,399)	(4,469)
1,976	Administration & Commercial	2,036	-	2,036	2,428
8,618	sub-total	13,615	4,399	9,216	9,659
900	Corporate Services	716	-	716	857
900	sub-total	716	-	716	857
Culture and Leisure Directorate					
1,735	Facility Support	1,698	-	1,698	1,832
329	Manx Welcome Centre	310	-	310	286
2,041	Sports And Recreation	1,889	-	1,889	2,442
2,072	Arts And Entertainment	1,860	-	1,860	2,365
6,177	sub-total	5,757	-	5,757	6,925
15,695	Total	20,088	4,399	15,689	17,441
DEPARTMENT OF ECONOMIC DEVELOPMENT					
942	Chief Executive's Office	2,047	1,096	951	900
3,051	Training Employment Skills	3,436	321	3,115	3,083
2,650	Economic Development Group	2,484	96	2,388	2,610
3,500	Financial Assistance Scheme	3,000	(26)	3,026	2,810
(172)	Ship Registry	2,476	3,317	(841)	(498)
(736)	Aircraft Registry	2,423	4,659	(2,236)	(421)
8,326	Information Systems Division	8,394	-	8,394	9,444
5,537	Tourism	7,964	1,989	5,975	5,528
(10,310)	Companies Registry	560	10,585	(10,025)	(9,927)
12,788	Total	32,784	22,037	10,747	13,528
DEPARTMENT OF EDUCATION & CHILDREN					
22,513	Primary Education	22,408	-	22,408	21,727
26,579	Secondary Education	26,734	-	26,734	26,229
9,285	Isle Of Man College	9,155	-	9,155	9,085
13,599	Universities etc. Awards	14,249	13	14,236	11,725
50	Works And Estates	50	-	50	4,456
708	Meals & Milk Service	1,861	1,379	483	637
1,088	Youth And Community Service	965	33	932	1,083
3,707	Educational Improvement Service	3,527	88	3,439	3,578
8,494	Services For Children	8,407	21	8,386	8,427
8,314	Central	8,637	226	8,412	8,846
94,337	Total	95,994	1,760	94,235	95,793

BUDGET		ACTUAL 2013-14			ACTUAL
2013-14					2012-13
Net		Gross	Gross	Net	Net
Expenditure		Expenditure	Income	Expenditure	Expenditure
£'000s		£'000s	£'000s	£'000s	£'000s
DEPARTMENT OF ENVIRONMENT, FOOD & AGRICULTURE					
1,001	Corporate Services	1,160	175	985	963
8,582	Agriculture	8,776	305	8,471	8,927
892	Fisheries	1,061	186	875	1,084
1,905	Forestry, Amenity	3,019	874	2,145	2,023
1,267	Environmental	1,254	77	1,177	1,236
656	Government Laboratory	733	83	650	738
14,303	Total	16,003	1,700	14,303	14,971
DEPARTMENT OF HEALTH					
-	Core Services				
304	Chief Executive's Office	245	(1)	246	226
3,738	Chief Operating Officer's Office	3,160	179	2,981	2,935
-	Estates Directorate	19	-	19	5,652
4,771	Finance Directorate	2,990	2	2,988	3,811
1,582	Public Health Directorate	1,269	1	1,268	1,218
10,395	sub-total	7,683	181	7,502	13,842
-	Hospital & Specialist Services				
81,187	Noble's Hospital Unit	88,701	2,910	85,791	80,761
4,033	Ramsey & District Community Hospital	4,093	31	4,062	3,926
14,265	UK Referrals And Patient Transport	15,641	-	15,641	14,292
15,463	Mental Health Services	15,652	3	15,649	-
114,948	sub-total	124,087	2,944	121,143	98,979
-	Primary Health Care				
7,904	Primary Health Community Services	8,081	170	7,911	7,558
2,960	Isle Of Man Ambulance Service	3,161	21	3,140	3,010
35,908	Primary Health Practitioner Services	35,924	1,291	34,633	34,405
347	Prison Health Service	395	-	395	372
1,633	Management And Administration	1,286	-	1,286	1,411
48,752	sub-total	48,847	1,482	47,365	46,766
-	NHS Contributions				
(36,285)	Social Security Administration Act 1992	1	36,286	(36,285)	(34,742)
137,810	Total	180,618	40,893	139,725	124,845
DEPARTMENT OF HOME AFFAIRS					
1,066	Chief Executive's Office	1,225	119	1,106	1,058
220	Civil Defence	221	2	219	241
4,837	Fire & Rescue Service	4,974	40	4,934	4,927
8,451	Prison & Probation	8,466	90	8,376	8,513
1,461	Communications	1,945	486	1,459	1,849
13,949	Constabulary	14,035	306	13,729	14,276
29,983	Total	30,866	1,043	29,823	30,864

BUDGET		ACTUAL 2013-14			ACTUAL
2013-14					2012-13
Net		Gross	Gross	Net	Net
Expenditure		Expenditure	Income	Expenditure	Expenditure
£'000s		£'000s	£'000s	£'000s	£'000s
DEPARTMENT OF INFRASTRUCTURE					
17,522	Operations	57,276	39,149	18,127	8,221
6,097	Airport	11,819	4,936	6,883	6,325
(409)	Harbours	4,929	5,497	(568)	(445)
1,002	Highways	14,384	13,502	882	1,739
8,640	Properties And Estates	12,096	3,462	8,634	4,902
674	Planning And Building Control	1,566	1,092	474	598
2,542	Corporate Services	1,664	73	1,591	2,683
-	Water & Sewerage Authority Grant	36	-	36	9,018
-	Inter Divisional Recharges	(15,760)	(15,760)	-	-
36,068	Total	88,010	51,951	36,059	33,038
DEPARTMENT OF SOCIAL CARE					
2,642	Core Services	4,512	2,148	2,364	1,749
-	Social Services Division	-	-	-	-
19,169	Children Service Area	16,390	5	16,385	17,585
25,958	Adult Services Area	28,750	4,718	24,032	23,636
-	Mental Health Services	-	-	-	14,792
47,769	sub-total	49,652	6,871	42,781	57,762
National Insurance Benefits					
(4,054)	National Insurance Operating Account	187,272	187,272	-	(2,871)
4,054	National Insurance Investment Account	-	-	-	2,871
79,720	Non-Contributory Benefits	78,461	-	78,461	77,090
79,720	sub-total	265,733	187,272	78,461	77,090
Housing Division					
(1,002)	Housing Administration	3,400	5,422	(2,022)	(1,212)
6,257	Local Authorities Housing Deficiency	6,257	-	6,257	6,043
5,255	sub-total	9,657	5,422	4,235	4,831
132,744	Total	325,042	199,565	125,477	139,683
TREASURY					
4,271	Corporate Strategy Division	4,410	-	4,410	5,043
2,116	Customs And Excise Division	2,023	-	2,023	2,081
508	Economic Affairs Division	491	-	491	461
4,211	Finance Division	4,196	-	4,196	4,297
4,543	Income Tax Division	4,431	-	4,431	4,416
526	Internal Audit Division	407	-	407	486
11,339	Treasury Grants	11,545	-	11,545	-
1,250	Lottery Distributions	1,262	-	1,262	1,205
28,764	Total	28,765	-	28,765	17,989

BUDGET 2013-14 Net Expenditure £'000s	ACTUAL 2013-14			ACTUAL 2012-13 Net Expenditure £'000s	
	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		
OTHER BODIES					
Executive Government					
5,575	Administration	6,455	1,215	5,240	5,323
6,716	Administration of Justice	11,785	5,130	6,655	7,465
22,850	Pensions	57,427	34,574	22,853	21,769
2,400	Miscellaneous Statutes & Charges	2,400	1	2,399	2,400
<u>37,541</u>	Total	<u>78,067</u>	<u>40,920</u>	<u>37,147</u>	<u>36,957</u>
<u>3,838</u>	Manx Museum & National Trust	<u>4,545</u>	<u>828</u>	<u>3,717</u>	<u>3,694</u>
<u>3,838</u>	Total	<u>4,545</u>	<u>828</u>	<u>3,717</u>	<u>3,694</u>
<u>125</u>	Road Transport Licensing Committee	<u>124</u>	<u>48</u>	<u>76</u>	<u>63</u>
<u>125</u>	Total	<u>124</u>	<u>48</u>	<u>76</u>	<u>63</u>
Statutory Boards (Revenue Funded)					
(344)	Communications Commission	419	1,303	(884)	(526)
-	Financial Supervision Commission	3,464	3,464	-	1,860
(1,622)	Gambling Supervision Commission	648	2,041	(1,393)	(1,388)
-	Insurance And Pensions Authority	1,768	1,979	(211)	242
706	Office Of Fair Trading	657	58	599	692
-	Public Sector Pensions Authority	-	-	-	-
<u>(1,260)</u>	Total	<u>6,956</u>	<u>8,845</u>	<u>(1,889)</u>	<u>880</u>
<u>542,736</u>	Government Total	<u>907,859</u>	<u>373,985</u>	<u>533,874</u>	<u>529,749</u>
<u>5,127</u>	Expenses Of The Legislature	<u>4,589</u>	<u>230</u>	<u>4,358</u>	<u>4,570</u>
<u>547,863</u>	Total Revenue Expenditure	<u>912,448</u>	<u>374,215</u>	<u>538,232</u>	<u>534,319</u>

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 0036/14). 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.

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 Isle of Man Water and Sewerage Authority and the Manx Electricity Authority. Many 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

	Central Government	
	2013-14	2012-13
	£'000s	£'000s
Assets		
Advances to Borrowing Accounts:-		
Fixed Assets - Central Government	1,246,923	1,189,715
Loans to Statutory Boards	491,506	491,506
Long Term Loans	4,947	5,467
Cash at Bank	50,623	52,155
Total	1,793,999	1,738,843
Liabilities		
Loans Outstanding:-		
Bond Issues	260,000	260,000
Capital Fund	858,986	823,962
Capital Discharged	675,013	654,881
Total	1,793,999	1,738,843

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 2013-14 totalled £91.2 million, including £35.0 million advanced to the Manx Electricity Authority to repay an external loan (2012-13 : £57.2 million, no similar advance).
- iii. The Bond issues referred to above were made by the Treasury on behalf of the Manx Electricity Authority (£185 million, 2013 : £185 million) and the Isle of Man Water and Sewerage Authority (£75 million, 2013 : £75 million). These amounts relate to amounts raised by Treasury through a Bond Issue on behalf of these two Statutory Boards, the proceeds of which were then loaned to the Statutory Boards 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.
- v. Net interest of £0.0 million (2012-13 : £0.4 million) was paid to the Capital Fund during the year, at a rate of 0.00% (2012-13 : 0.04%).

- vi. Capital Discharged represents the accumulated payments that have been made out of revenue to pay for capital expenditure, as follows:

	Central Government	
	2013-14	2012-13
	£'000s	£'000s
Advances to Borrowing Accounts:-		
Fixed Assets	1,738,429	1,681,221
Long Term Loans	4,947	5,467
Capital Discharged	(675,013)	(654,881)
Net Advances Outstanding	1,068,363	1,031,807

9.3 Consolidated Loans Fund Interest Transactions

	Central Government	
	2013-14	2012-13
	£'000s	£'000s
Income		
Investment Interest	24	366
Bond Interest recharged to IOMWSA	4,219	4,219
Bond Interest recharged to MEA	9,944	9,944
Total income	14,187	14,529
Expenditure		
Interest on Bond Issues	14,163	14,163
Interest on Capital Fund	24	366
Total expenditure	14,187	14,529
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 2014 at an average rate of 0.00% (2012-13 : 0.00%).
- ii. Interest on the MEA Bond Issue (£9.9 million, 2012-13 : £9.9 million) was charged in full to the MEA during the year (2012-13 : £9.9 million charged to MEA).
- iii. The Bond Issues referred to above were made by the Treasury on behalf of the Manx Electricity Authority and the Isle of Man Water and Sewerage Authority.

9.4 Summary of Capital Advances

DEPARTMENT	Advances Outstanding at 1st April 2013 £'000s	Advances		Repayments			Advances Outstanding at 31st March 2014 £'000s
		Year 2013-14 £'000s	Total to 31st March 2014 £'000s	Advances Repaid 2013-14 £'000s	Capital Receipts etc 2013-14 £'000s	Total Repaid to 31st March 2014 £'000s	
Community, Culture and Leisure	55,645	5,464	100,794	2,647	5	42,337	58,457
Economic Development	2,618	219	31,972	561	200	29,896	2,076
Education and Children	97,431	5,013	171,408	3,920	-	72,884	98,524
Environment, Food and Agriculture	11,419	1,911	32,651	501	677	20,499	12,152
Health	123,224	2,136	211,630	5,322	930	92,522	119,108
Home Affairs	47,783	2,064	77,244	1,432	261	29,090	48,154
Infrastructure	140,349	23,472	357,026	6,977	9,975	210,157	146,869
Social Care	31,068	6,624	187,124	894	6,133	156,459	30,665
Treasury	12,864	1	138,185	774	-	126,094	12,091
Executive Government	-	-	402	-	-	402	-
Manx National Heritage	11,117	557	23,738	739	-	12,803	10,935
Expenses of the Legislature	6,783	-	10,257	341	-	3,815	6,442
<u>Borrowing Authorities</u>							
Isle of Man Post Office	-	-	900	-	-	900	-
Isle of Man Water & Sewerage Auth'ty	165,572	5,081	218,295	2,648	5,173	55,463	162,832
Manx Electricity Authority	325,934	38,635	409,739	4,511	-	49,681	360,058
TOTAL	1,031,807	91,177	1,971,365	31,267	23,354	903,002	1,068,363

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