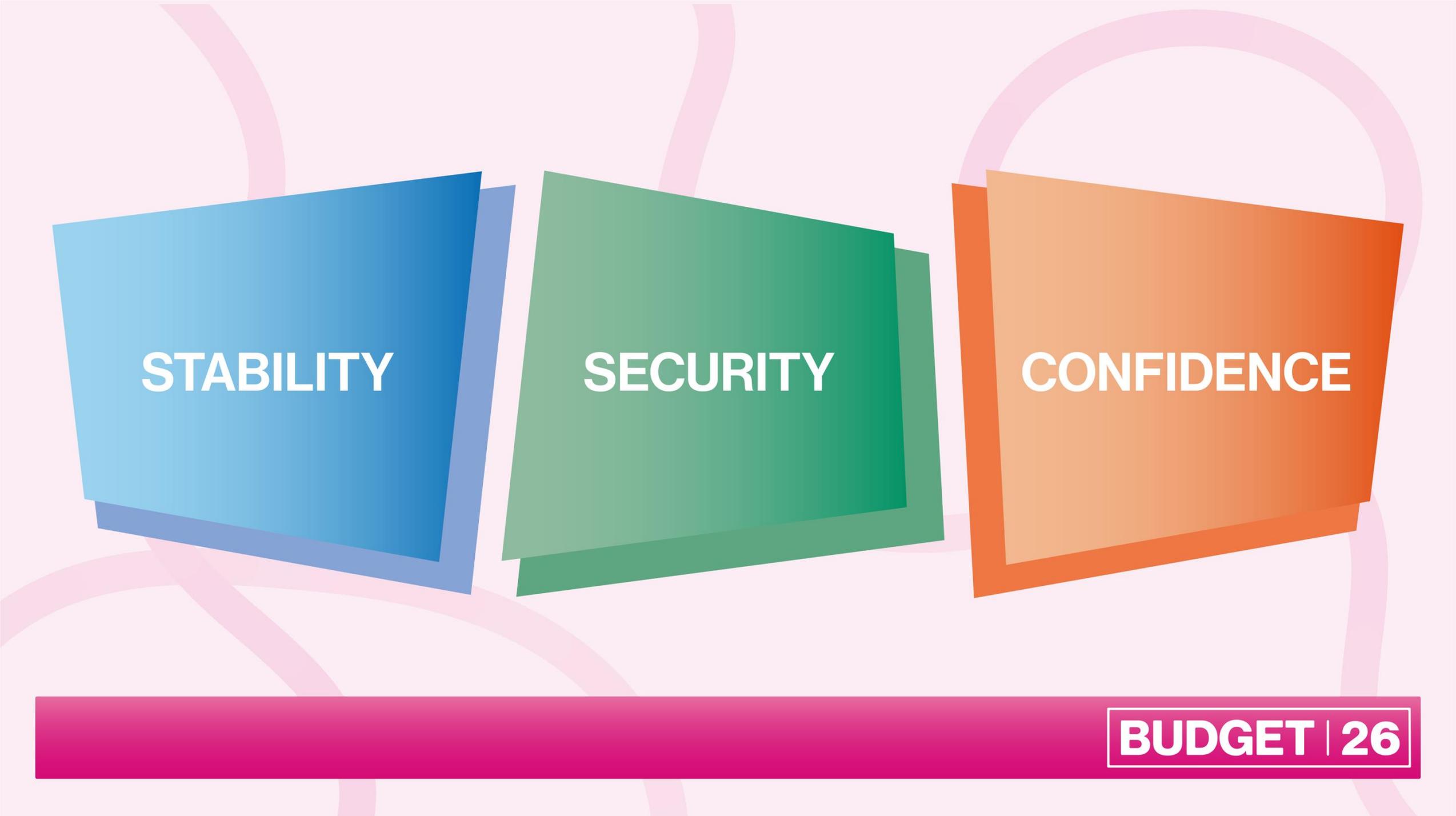


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STABILITY. SECURITY. CONFIDENCE.

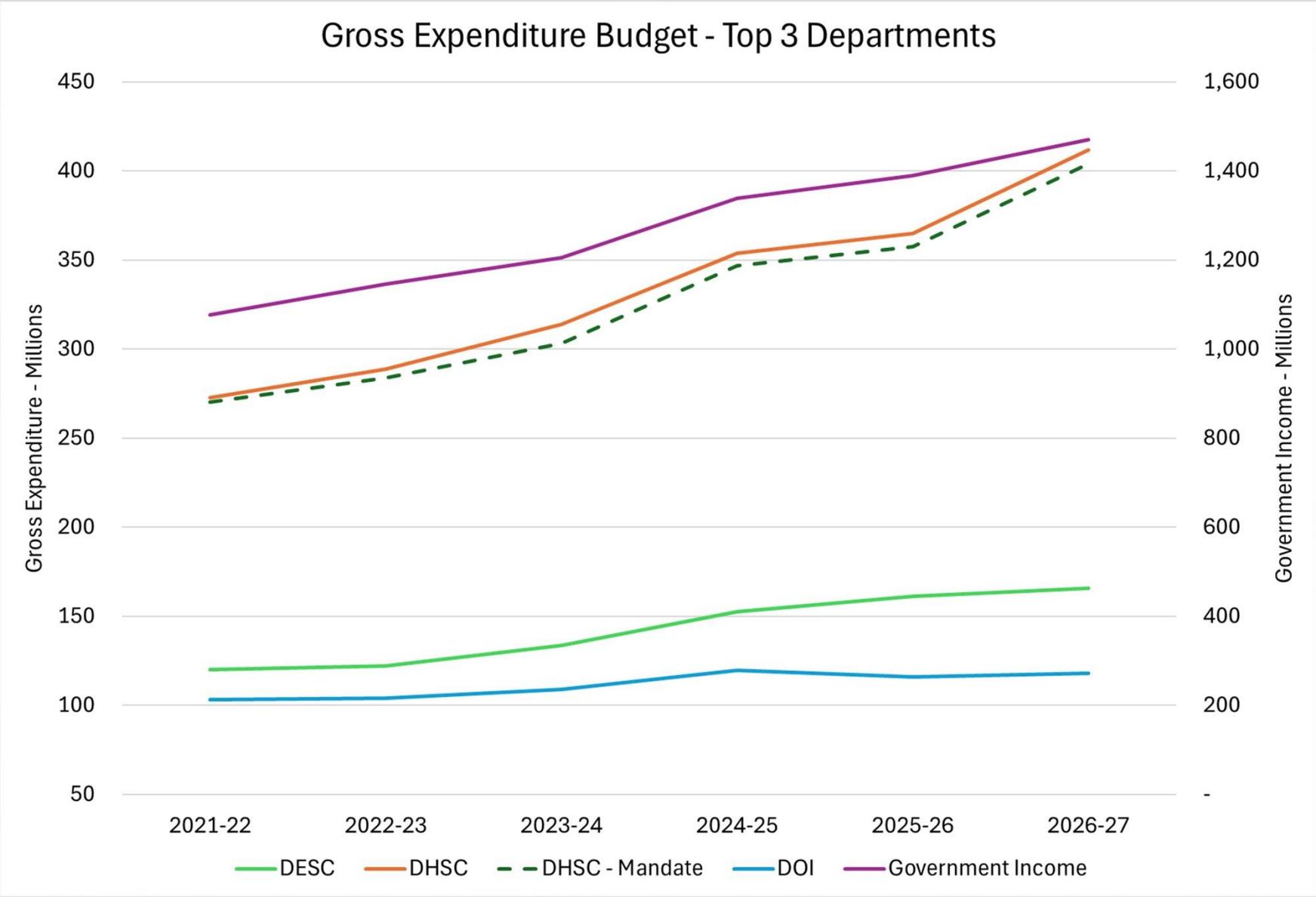


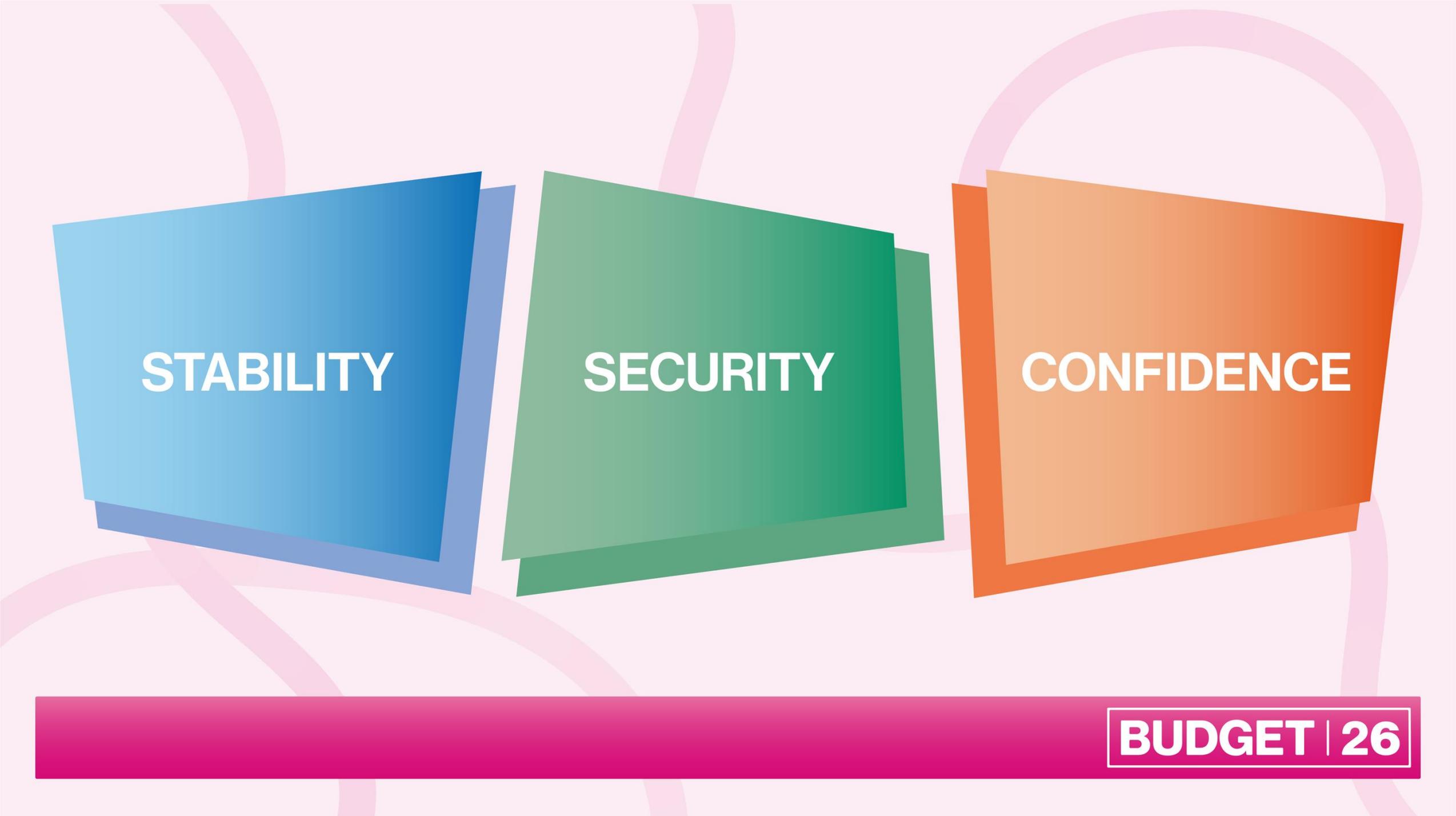
STABILITY

SECURITY

CONFIDENCE

Gross Expenditure Budget - Top 3 Departments



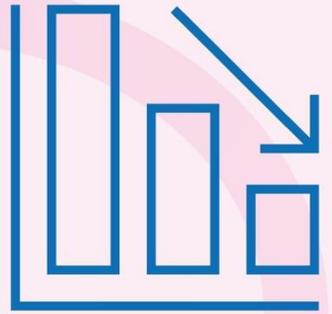


STABILITY

SECURITY

CONFIDENCE

Structural Deficit



- ❑ Budgeted to reduce over the 5-year plan
- ❑ **Moody's** reaffirmed Aa3 rating (same as UK) in November 2025 – *“We consider the Isle of Man's fiscal policies to be forward-looking and prudent, exemplified by the large fiscal buffers that were accumulated over many years”*
- ❑ Fiscal Strength is assessed at "aaa", with *"a high level of overall reserves, which totalled around 26% of 2023 GDP"*
- ❑ Challenges identified in bringing down the structural deficit include requirements for capital spending, health and social care costs, and pension costs

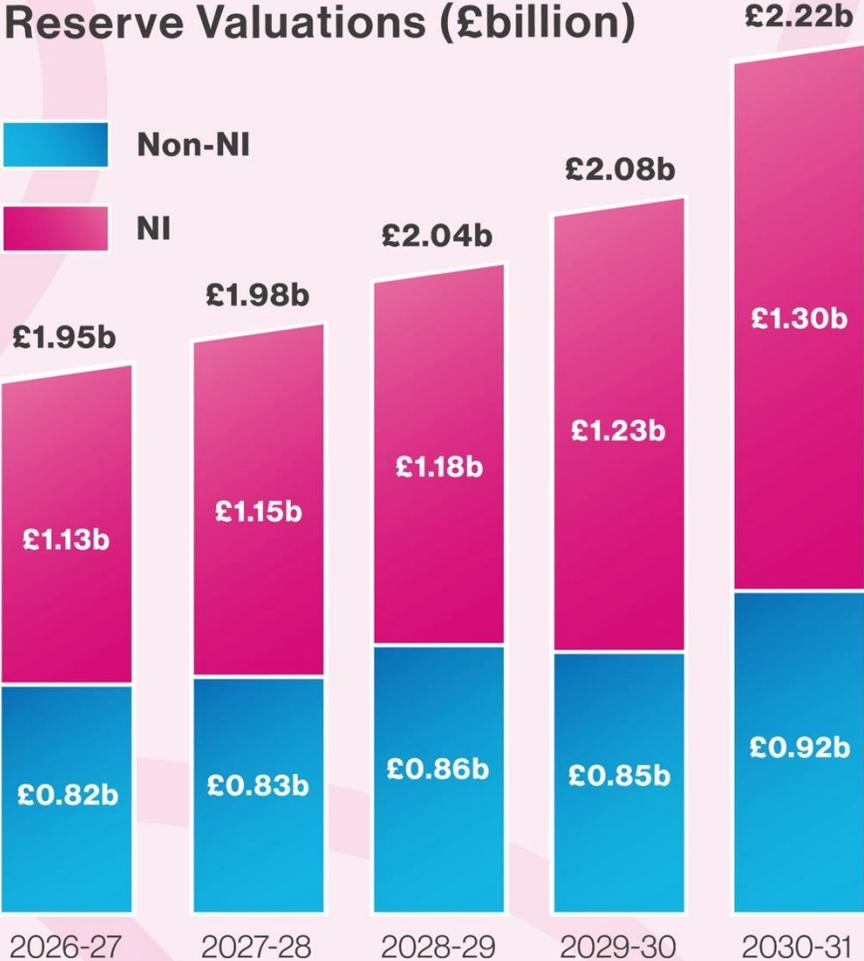
Reserves - Current Position

30/01/2026	Market Value	% of AUM
National Insurance Investment Account	1,171,062,693	58.67%
Reserve Fund - General	537,251,244	26.92%
Reserve Fund - Bond	82,541,699	4.14%
Sinking Fund	54,750,491	2.74%
Manx Utilities Bond Repayment Fund	114,339,761	5.73%
Manx Currency Fund	35,917,164	1.80%
Total AUM	1,995,863,052	100.00%

- ❑ These do not include internally managed cash deposits and balances, which currently sit at circa **£100m**
- ❑ The estimated value of the Reserve Fund as at 31 March 2026, is forecast to be **£567.8m** as per Table 6
- ❑ The current unaudited value as at 30 January 2026 is **£619.8m**

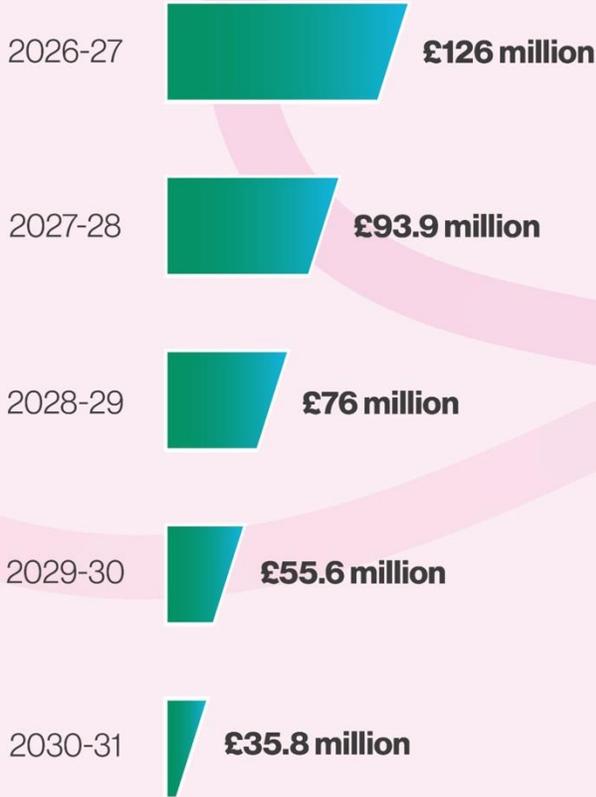
Reserves – 2026-27 Pink Book

Reserve Valuations (£billion)



Withdrawals from Reserve

(Excluding return on investments)



Income Tax & VAT Update

- ❑ No plans to implement capital gains, inheritance or wealth taxes
- ❑ Pillar 2 legislation approved by Tynwald in November 2024 - in operation for fiscal years commencing on or after 1 January 2025
- ❑ Potential grant regimes that will look to further incentivise the maintenance and growth of employment in the key sector of Life Insurance
- ❑ Corporate income tax regime – necessary amendments in respect of the renewable energy sector under consideration
- ❑ Regulations implementing the Crypto Asset Reporting Framework and updates to the Common Reporting Standard were approved by Tynwald in December 2025 – in operation from 1 January 2026
- ❑ Hydrocarbon Oil and Air Passenger Duties collections remain strong in 2025-26 and are currently expected to exceed amounts collected in 2024-25
- ❑ The Island's share of VAT under the 1979 Customs & Excise Agreement and the FERSA, was updated and agreed on 11 April 2025 - the budgeted figure for 2026-27 is **£403m**

Investment Strategy

- ❑ The investment manager tender for the new investment strategy was completed and awarded at the end of September 2024
- ❑ Target portfolios were successfully delivered to the new managers in May 2025
- ❑ The legacy strategy employed 5 investment managers, running 9 balanced portfolios and the Manx Currency Fund
- ❑ The new strategy now employs 10 best in class investment managers, across 7 asset classes and the Manx Currency Fund
- ❑ Environment, Social & Governance, was a key consideration in the new strategy with all appointed investment managers now adhering to Treasury's responsible investment policy – “AA” overall MSCI ESG rating

Investment in Public Services



Enterprise: +£3.2m to assist with MONEYVAL initiatives and Motorsport



Education, Sport and Culture: +£4.4m to provide the Childcare Strategy and VTAS/Apprenticeships



Environment, Food and Agriculture: +£400k including Fisheries and Marine Conservation



Health and Social Care: +£45m to support the provision of front-line services



Home Affairs: +£5.8m to invest in Island Security



Infrastructure: +£2.8m to continue provision of vital services including connectivity



Treasury: +£5.5m driven by the increase in revenue funded welfare benefits



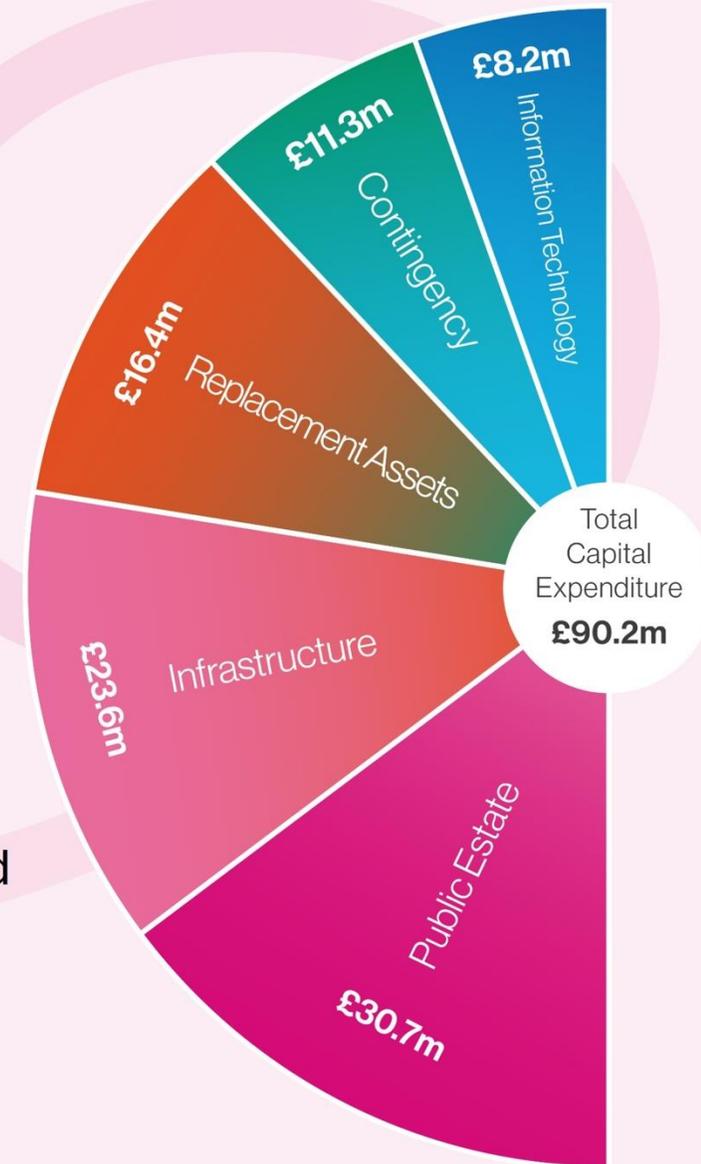
Cabinet Office: +£1.5m included one-off funding for the 2026 General Election and Interim Census

STABILITY

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Capital

- ❑ Full capital programme totalling **£524.7m**
- ❑ **£50m** estimated spend per annum
- ❑ **£250m** over the 5-year plan
- ❑ **£30.8m** of investment in new discrete capital schemes
- ❑ Total phased discrete scheme spend of **£49.8m** for 2026-27
- ❑ **£40.4m** of annual rolling scheme approvals
- ❑ Continued support through the PDF for projects undergoing design and feasibility stage
- ❑ New Consolidated Loan Fund approvals of **£30.6m** for 2026-27



Security Funding



Island: +£5.8m given to the DHA to further invest in Island Security



Travel: +£4m set aside within Treasury Contingency for Island Connectivity initiatives



Energy: £41.4m available through the CLF to support MUA's capital delivery



Economic: +£3.2m given for MONEYVAL related schemes



Borders: +£500k invested in Passports, Immigration and Nationality Services

Welfare Benefits

National Insurance Funded

- ❑ Forecast to be **£302.9m** in 2026-27, an increase of **£24.2m** from the 2025-26 budget position, driven by **£11.1m** of annual uprating and increasing claimant volume
- ❑ The majority of benefits have been uprated by either September 2025 UK CPI (**3.8%**) or IOM CPI (**2.9%**)
- ❑ Basic Retirement and Manx State Pension has been uprated by **4.8%** in line with Triple Lock

General Revenue Funded

- ❑ Forecast to be **£95.7m** in 2026-27, an increase of **£7.8m** from the 2025-26 budget position, driven by **£2.6m** of annual uprating and increasing claimant demand in areas such as Disability Living Allowance and Income Support
- ❑ The majority of benefits have been uprated by IOM CPI (**2.9%**)

Medium Term Financial Strategy

- Driving and supporting a **diverse and successful economy**;
- Delivery and maintenance of **international standards of regulation** for our economy;
- Supporting employment** by ensuring the Island's population has assistance and access to enter work and progress in their employment;
- Delivery of a taxation system that supports the economic aims of the Government and raises sufficient revenues to **support public services**; and
- Controlling public spending and promoting **value for money** with **sustainable public finances** through strong financial governance

Personal Tax

- ❑ The lower rate of income tax remains at **10%** and the higher rate at **21%**
- ❑ Threshold for the lower rate of income tax remains at **£6,500** (**£13,000** for jointly assessed couples)
- ❑ Personal allowance will increase by **+£2,250** from £14,750 to **£17,000** (**£34,000** for jointly assessed couples), which comprises the largest uplift in recent years
- ❑ Higher rate tax therefore becomes payable at income above **£23,500** (for reference a worker on the new minimum wage working up to 35hrs / week would earn a maximum of £23,400)

Supporting our Island Economy



Economic Strategy Fund has over **£89m** available for projects supporting the development of the Island's economy



Ongoing growth of the TT – new film and documentary projects anticipated to boost the event on the international stage



£2.4m to fund schemes to support and revitalise local businesses and communities across the Island



Island Infrastructure Scheme has recently offered support of over **£15m** toward five developments, stimulating nearly **£80m** of private sector investment



Ownership of Steam Packet and development of air routes helping to secure connectivity for our economy



Sessions held with businesses to refocus economic strategy priorities

Existing DfE Schemes

Business Consultancy	Business Start-Up	Island Infrastructure	STEP Programme	Vocational Training Assistance
Business Emissions Saving	Financial Assistance	Local Economy Fund & Town and Village Regeneration	Winter Event	Domestic Event

CONFIDENCE

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Efficient and Effective Public Services

- ❑ Management accounts and scrutiny panels continue to drive service-delivery efficiencies
- ❑ Introduction of priority-based budgeting helps focus spending on key strategic objectives and reduces reliance on reserves
- ❑ The Transformation Fund and Digital Projects Scheme continue to support the efficiency programme
- ❑ Pay and non-pay uplifts represent a real-terms reduction compared with CPI – estimated at circa **£5.6m**
- ❑ Operation Performance and Change Board

Government Bonds

- ❑ Manx Utilities Authority - **£75m** and **£185m** bonds are now both due to mature in the next decade, with the first being due on 29 March 2030
- ❑ Manx Utilities Authority Bond repayment fund is currently valued at circa **£115m**. This fund is ring fenced to facilitate the repayments as they fall due
- ❑ Treasury Sustainable Bond, issued in September 2021 at **£400m**. This is due for repayment on 14 September 2051
- ❑ Externally managed sinking fund is currently valued at circa **£55m**

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BEYOND THE BUDGET

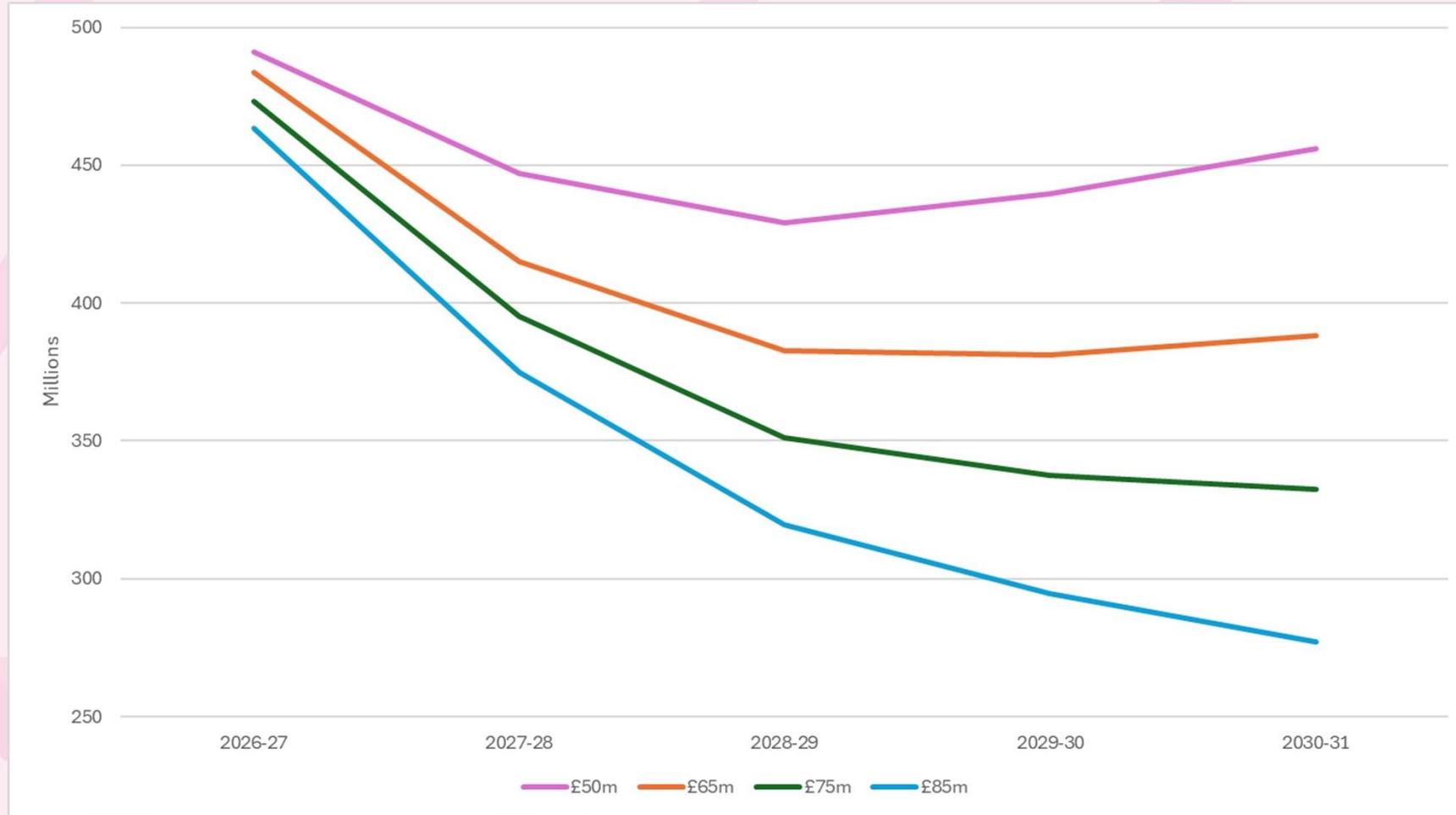
Healthcare Spending

Based on outturn spend vs budget, Manx Care have been running at an average 12% growth rate

£ million	2026-27	2027-28	2028-29	2029-30	2030-31
Manx Care mandate – per 2026-27 Pink Book	404.2	420.9	438.3	456.4	475.2
Table 3A surplus – per 2026-27 Pink Book	1.6	0.8	0.9	1.3	1.7
Manx Care mandate – assuming 12% growth	404.2	454.5	511	574.2	645.1
Table 3A surplus/(deficit) – assuming 12% growth*	1.6	(31)	(67.8)	(110.1)	(158.8)
Income increase needed to return small surplus (%)		+7%	+14%	+23%	+32%

* Assuming no changes to other assumptions within indicative financial plan

Estimated Capital Spend – Reserve Fund Impact



* Total Reserve Fund balance including of bond issue amount held

QUESTIONS