

## Pink Book reveals IOM Government living beyond its means - PART 1

Written by PAG

Thursday, 11 September 2014 20:10

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The annual IOM budget document is commonly referred to as the [Pink Book](#). Politicians see it about a week before it is presented to Tynwald for debate and ultimately approval. The public has access to it after the Treasury Minister's speech and then read or hear comment in the local media.

One PAG supporter decided to take a detailed look at the figures in the 2014-15 Pink Book and using prudent accounting drew some interesting conclusions:

**A.** Government is budgeted to live beyond its means to the tune of about £172million this year.

**B.** Nearly half of that is caused by the deficit, and increase in future liabilities, on public sector pensions.

**C.** A further quarter is accounted for by the amount by which public sector pay exceeds that in the private sector.

**D.** The remainder could be resolved with efficiency savings and making better use of resources.

In detail:

### A. Living beyond it's means

| Page | Description   | £'M        |
|------|---|------------|
| 1    | Deficit on Revenue Account  | 11         |
| 1    | Deficit on Capital Account  | 36         |
| 1    | Transfer from Housing Reserve Fund for current expenditure                  | 7          |
| 4    | Borrowing from Consolidated Loans Fund for current expenditure at 0% and    | 25         |
| 8    | Interest on Reserve Fund & Currency A/c used to support Revenue expenditure | 9          |
| 8    | Increase in future liabilities on public sector pensions not provided for   | 60         |
| 8    | Revenue deficit on public sector pensions taken from reserves               | 22         |
| 9    | Transfer from Media Development Fund to pay legal costs                     | 2          |
|      | <b>Estimated Total</b>  | <b>172</b> |

### **B. Public Sector Pensions**

Page 4 of the Pink Book refers to a strategy of managing the growing liability by 'implementing a revised pension scheme' and of reviewing 'aspects of the Government unified scheme'.

Cross referring to the [Government Actuary's Report](#) identifies generous contribution arrangements for public servants.

The average employer share of pension cost as a percentage of pensionable pay is 26.2% (in the case of of Tynwald Members and firemen it's 47%, and for police and Deemsters about 41%).

Compare that to the standard 5% in private sector schemes when provided - a difference of some 21%!

### **C. Public Sector Pay**

In the 2013 Earnings Survey average weekly earnings in the private sector were £608 and in the public sector £676.

Average weekly hours were 39 and 37 respectively. Both these factors equate to a 17% public sector advantage.

(With manual workers the discrepancy is higher at 21%)

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The estimated pay (17%) and pension premium (21%) equates to about 42% overall - how fair is that to the rest of the Manx working population?

### **D. Efficiency savings & resource use**

We will return to this later, in Part 2 of this article.