



IoD ISLE OF MAN

Policy Voice survey results

May 2025



Contents

Background	3
Periodic economic monitoring: data	4
Economic monitoring: trends	5
Understanding of the business environment	6
Sectoral engagement by government	8
Factors impacting organisations	10
The Economy and the Budget	11
The Machinery of Government	14

Policy Voice survey results May 2025

Number of respondents: 48

Survey dates: 29 April 2025 - 10 June 2025

Background

This is IoD Isle of Man's third Policy Voice survey, this time seeking our members' views on the latest Tynwald Budget and the machinery of Government, as well as gauging sentiment in respect of their business confidence for the next 12 months (2025/26).

We continue to focus on key business-critical issues such as taxation and regulation, transport and connectivity, education and skills for business, digital innovation and the machinery of Government. Pleasingly, this third Policy Voice attracted a very broad cross section of industries, including retail, hospitality and charities, as well as a core from financial and professional services.

Our continued thanks go to the members who have taken time again to complete the survey and provide their views and experiences so we can better represent them in discussion with Government and departmental policy makers.

When considered alongside the previous two surveys, the results of this third survey produced a meaningful trend of business confidence of our members.

Optimism in the Isle of Man economy's prospects has fallen from October's results, with a strengthening pessimism (66% May 2025; 51% Oct 2024) and an overall reduction in the net score: -49 May 2025; -27 Oct 2024; -43.5 May 2024.

The Island's economy is easily affected by both local economic policy, and also by international economic winds which have been erratic in the first six months of Trump's presidency.

Throughout the three Policy Voice surveys undertaken, our members have had a more positive outlook on their own businesses performance compared with the Island's economy, highlighting the international, off-Island focus of many of our members' organisations.

During the finalisation of the accompanying report to the Policy Voice results, Treasury issued the Isle of Man Government's Draft Management Accounts for the year ended 31 March 2025. While that indicates an improvement in taxation revenue, they also set out continued increases in employment costs. With the trajectory of costs continuing to rise through the 2025/26 Budget, achievement of the Government's plan to save £10 million each year over the next five years looks less achievable. It is vital for maintaining the health of the Government's accounts, minimising transfers from reserves, and the expenditure deficits, that all Departments engage in robust cost control and service scope reviews in the coming years.

This survey sought views on the 2025/26 Budget, the Machinery of Government including its cost effectiveness, the mechanism of both central and local government, and on the manner of administration of Tynwald elections.

The IoD wishes to see a detailed review of electoral reform take place early in the next Tynwald administration post the September 2026 election.

It is clear that there is significant support across the membership for a review of the mechanism for general elections to perhaps consider an Island-wide format, allowing all registered voters to cast a vote for a number of candidates.

For example all-Island votes could be aggregated and then candidates ranked in order of popularity. The result could increase voter engagement across the Island, given the stronger influence each vote has in the constituency of Tynwald. Also, such a framework should create an environment in which candidates focus on full Island and international issues rather than more parochial matters, which should be left to local councils and commissioners to resolve.

Similar election frameworks have recently been seen in practice in Guernsey. It is apparent to all that in an environment of geopolitical instability and international regulatory challenges, Tynwald must come together to address Island-wide and international matters effectively and swiftly to ensure the Isle of Man remains internationally competitive and attractive for inward investment and controlled net immigration.

In conjunction with the call for electoral reform, the IoD's membership also recorded through the survey the wish to see local government reform. An island of approximately 84,000 residents and only 221 square miles is objectively recognised to be over locally governed with 21 districts and is 'ripe' for reform, consolidation and rationalisation, at the least to reduce the overall cost of governance to the Island.

The IoD will maintain pressure through engagement and discussion with Government throughout the final period of this Tynwald and the new Government to ensure that such electoral matters are high on the issues agenda.

We will be seeking members' views later in the autumn in our next Policy Voice survey which will have a different focus from those that have gone before.

We will be looking for the views and opinions from our members on matters that we can raise and discuss with all the 2026 General Election election candidates for Tynwald. The next Survey will be the basis of our 2026 Election Manifesto.

These surveys are an important source of insight into the business confidence and issue experiences that help us open up constructive meaningful discussion with Government to ensure we have a vibrant Island society and national economy.

Periodic economic monitoring: data

The following data contributes to our Director's Economic Confidence Index, which we send into the heart of Government each time.

The Isle of Man is not immune to business confidence levels in our neighbouring economies, especially the United Kingdom and to a lesser extent Ireland (and other EU economies) and the Channel Islands.

This latest survey disappointingly records a significantly more pessimistic view of the Isle of Man's prospects in the next 12 months, with nearly two thirds of the respondents feeling pessimistic and only one sixth feeling somewhat optimistic. There is however some optimism in the future performance of the respondents' own business performance, with half of the respondents feeling optimistic and only one fifth feeling pessimistic.

Compared to the UK's net score of -53 in June, the Isle of Man's net score from the survey is a similar pessimistic score of -49.

Given the close relationship between the Island's and the UK's economic prospects, the comparative result is not surprising.

However, we believe that the Isle of Man Government should be seeking economic policies that can create 'blue sky' between the two economies to attract new business and inward investment. The Isle of Man Treasury must remain acutely aware of the differentiating domestic policy levers available while the UK considers policies that may stimulate stubborn growth.

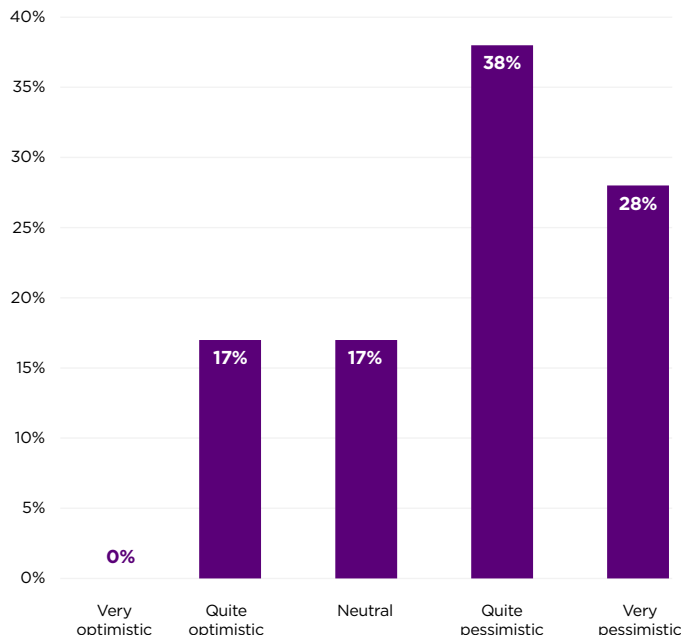
The latest IoD UK Director's Economic Confidence Index measuring business leader optimism in the UK economy fell back to -53 in June, losing half the gains the measure made since November 2024. Measures from the Autumn Budget such as changes to national insurance rates and inheritance tax reliefs as well as increasing global uncertainty all impacted the UK's industrial strategy ambition to place the UK at the centre for inward investment.

What is clear, for both the Island and the UK, is the fragility of business confidence and that achieving economic growth requires greater ambition in considering de-regulation and establishing and implementing a meaningful industrial strategy.

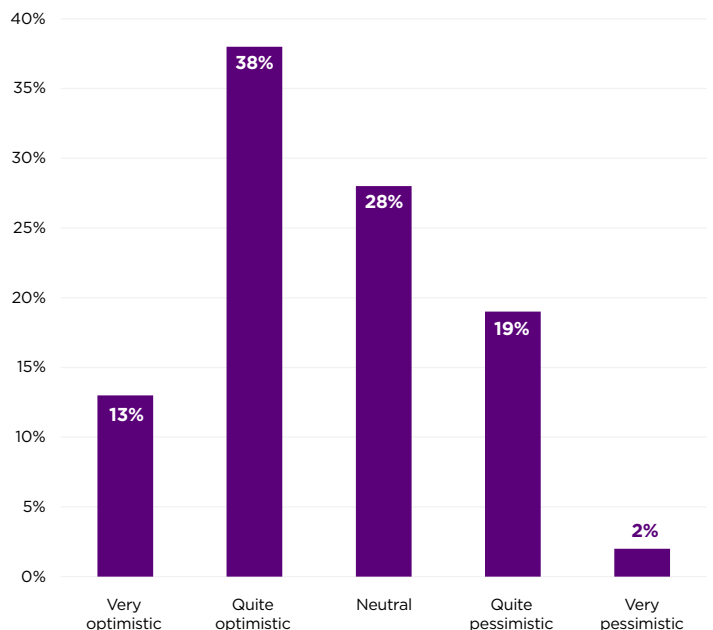
This Policy Voice was issued not long after the UK Government published its UK Modern Industrial Strategy which seeks to implement strategies such as reduction of regulatory burden to speed innovation, enhance skills and capitalise on the value of public and private sector data.

The Strategy sets out how the UK will track measures such as the Gross Value Added, productivity growth and employment to demonstrate its effectiveness. The UK has set out its focus on supporting tech adoption and AI implementation in the professional and business services sector, maintaining its strength in financial services through regulation and 'cutting red tape' for fintechs and establishing the UK as a clean energy centre of excellence.

How optimistic are you about the Isle of Man's economy over the next 12 months?



Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:



Economic monitoring: trends

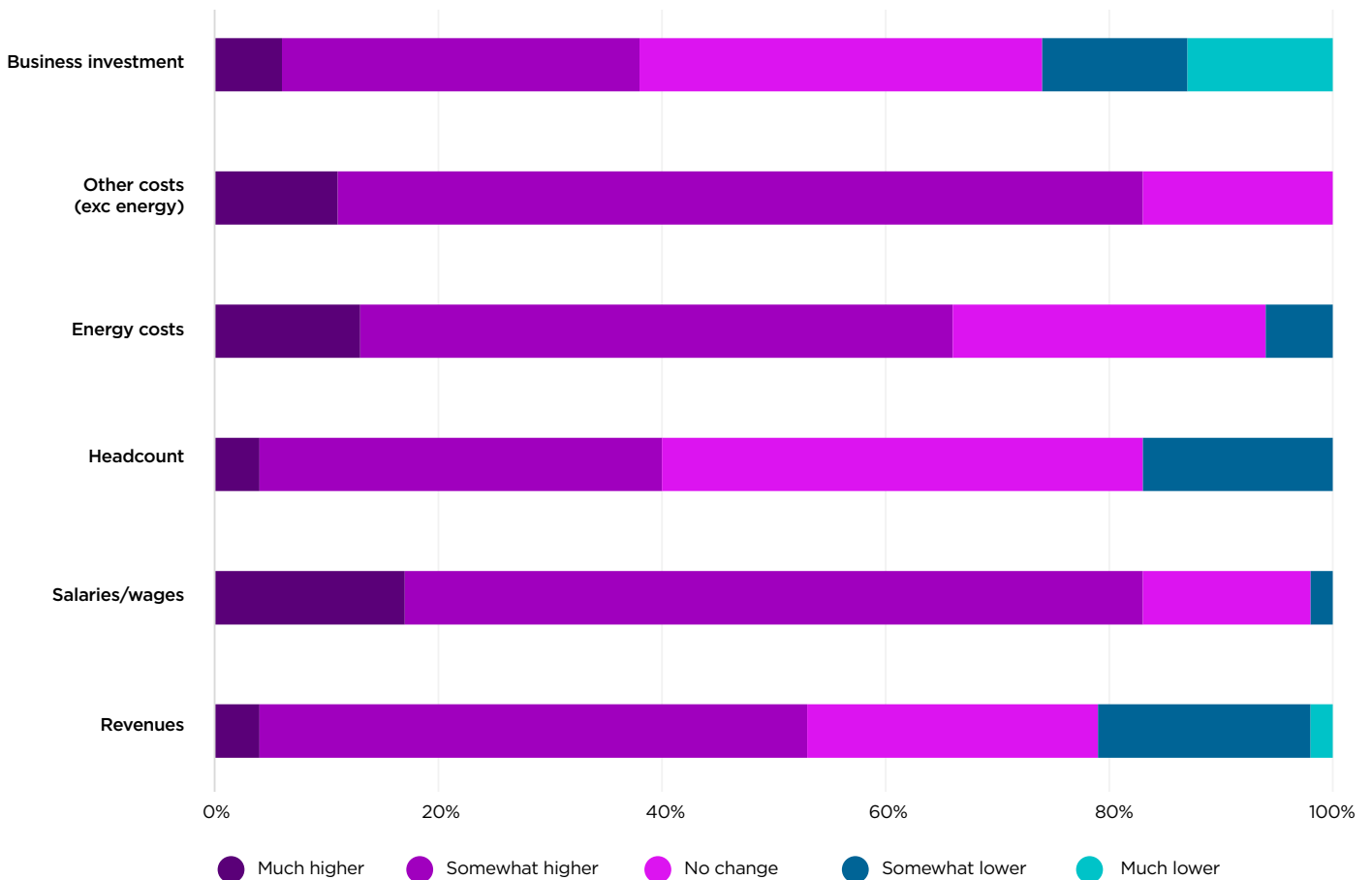
Across the board, the majority of respondents indicated they expect higher costs in their businesses over the next 12 months, notwithstanding the majority do not see any increase in overall headcount. This is offset to an extent by 1 in every 2 of members forecasting increased revenues. Worryingly, but not unexpectedly, there continues to be significantly lower expectations of respondents of business investment, which would include implementation of productivity enhancing technology.

There may be the need for incentives to be provided for increased investment that supports an environment for increased productivity, perhaps through increases in specific technology-based capital allowances. It is recognised that current technological advances may contribute to increased productivity

in service based industries, but potentially at the cost of a reduced headcount. There continue to be calls from the private sector for the public sector to deliver increased productivity through technological investment, addressing the ongoing increase in civil servant headcount and controlling the associated ongoing and future costs.

The Island Plan seeks as a core objective, the increase in both the overall Island population and those that are economically active. But with a fiscal strategy that is skewed towards revenues generated from employment and personal consumption, there is little fiscal benefit from technological investment allowances that may trickle through to employee remuneration, more likely the majority remain in retained corporate profits.

Comparing the next 12 months with the past 12 months what do you believe the outlook is for your organisation in the following areas.



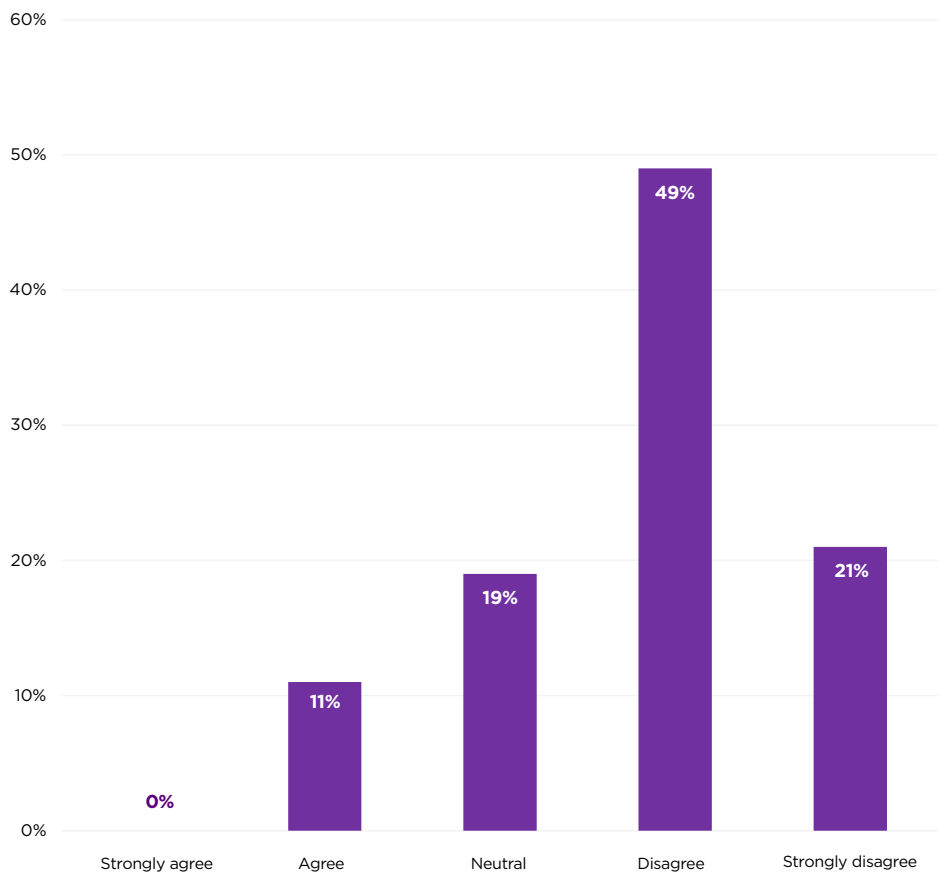
Understanding of the business environment

As with our other Policy Voice surveys, we look for our members to provide feedback on how well they feel the IoM Government understands the overall business environment. There continues to be a strong feeling that Government lacks understanding of the business environment and how its policies truly impact, growing to 70% considering a lack of understanding, up from 60%. One in ten of respondents do feel that there is an understanding, helped by the outreach by Department of Enterprise agencies.

Important in fully judging our members' views are the comments from respondents. This helps us assess the strength of linkage between Government and the business community.

Each of the Government's agencies within the Department for Enterprise have boards made up of representatives of key sectors of the Island's industrial landscape, whose role includes the ability to be communication channels for industry issues and for proposals of policy initiatives to both address current issues and establish frameworks that are conducive to economic growth.

How far do you agree with the following statement? The Isle of Man Government understands the business environment in the Isle of Man.



"The government demonstrates a reasonable understanding of the... business and economy.. However the Financial Services Authority recently issued a major data request...the exercise unnecessarily burdensome and error prone...no effective mechanism... to challenge or provide feedback. The FSA..remains largely unchecked and shows little real understanding of the businesses it regulates."

"They understand our biggest problem for many years is recruitment of suitable people at reasonable cost."

"IoM Government is out of touch with the needs of business. No growth initiatives. DofE has a strange approach toward industry, focussed on initiatives that don't seem aligned to what businesses actually need and no meaningful KPIs to measure success."

"Growing feeling there is too much focus on attracting higher risk business sectors to the island and (U)HNW individuals who monopolise the private housing market and drive expenses up. Ahead of Moneyval, higher risk business focus is not a wise strategy...Further, we are not retaining our youth - they leave to go to university and dont come back - because there is nothing to attract them back. The government wish to grow the headcount on the island to almost match Jersey. This is a pointless strategy if we cannot get the basics right like healthcare and education...The government need to focus on fixing the core areas and look at what business we actually do want to attract to the island."

"Attitude to regulation oversight and global macro environmental changes such as Pillar 2 tax."

"The current Government comes across as rudderless mess..the reputation of the Island is dropping."

"The Financial Regulator is, understandably, concentrating on preparation for MONEYVAL, however, we feel this is prejudicing the encouragement/promotion of new business."

"The scale (too big) of the IoM Government means that it is not nimble enough to fully understand or keep pace with the rapidly changing needs of the business environment on the Isle of Man."

"Ineffective marketing/promotion of our businesses on the Island and lack of accountability for those currently tasked with doing it. The initiatives it has are not working or benefit a select few."

"Lack of notable engagement with industry."

"It doesn't seem to understand what its own function should be."

"There are many business environments on the Island and some of the Government probably have a good handle on. Others less so. Many departments are unnecessarily large and too bureaucratic. This either stymies innovation and efficiency within or massively slows down business engaging with the departments in a meaningful way...I am sure there must be some successes. The department of enterprise is where many non-enterprising people go to retire."

"I think there is a lack of energy and strategic thinking in the government."

"I believe that the IoM Government have a long term understanding of the environment, but are unable or unwilling wit look at the short term headwinds that are hitting industry all of the time."

"They are bad at supporting new ventures and have little understanding of the challenges faced by start-up companies/businesses."

"The Isle of Man Government continue to be inwardly focussed on themselves. Its a talking shop and no actions are taken to improve the facilities on Island or retain those who live her never mind grow the population."

"Lack of interaction. Lack of understanding of key drivers and barriers. Lack of engagement with industry. All demonstrate in actions - or lack of. Filtered view of the local business environment reached by speaking to few and a lack of real data to drive decision making."

"They do not seem to listen to what industry people are telling them and can appear bombastic and officious."

"The policies that get presented are a long way removed from the issues that I see in our business and industry. I have received no outreach from Gov to discuss anything industry or business in general over the last 12 months. They do not seem to be connected to the private sector."

"Whilst there are some good policies I don't think IoM government necessarily do sufficient ground work before implementing change and there is still a lack of transparency in the process."

"The adversarial regulatory environment that now exists on the Isle of Man, with Civil Penalties and a very aggressive FSA, along with the current National Risk Assessment review and risk appetite downgrade ahead of the FATF review next year is having a materially negative impact on the economic prospects for the Islands financial and professional services industry. What plans does the government have to address this significant erosion of business activity and how will it replace the lost GDP over the next five to ten years?"

"On MoneyVal, this is a critical point for the island with huge financial consequences if it does not go to plan. The island will have had 10 years to get ready for the next MoneyVal inspection and get things right, but it feels like (from the public viewpoint) some areas have only started focusing on it in what feels like a mad panic 4-5 years ahead, with overwhelming pressures now being put on regulated businesses. This will have an impact when firms decide that it is too much and are either forced to cease trading or parent groups decide to leave the island."

The majority of the comments made by our members demonstrates continued frustration with the understanding of the economy the Government demonstrates, as well as the ongoing unquestioned Island Plan implementation and the overall size of the Government, which has grown throughout the last 12 months.

Sectoral engagement by government

There are in place a number of industry representative groups as well as the key Department for Enterprise's Agencies that have industry representatives on the Boards to aid the flow of issues, policies and initiatives across business and Government. During the first half of 2025 we met with the Chief Executives of each of the DfE's executive agencies, and also with the interim Chief Executive of the Department. This has allowed for a deeper awareness and understanding of matters and consequentially the framing of our feedback to Government.

Less than one in ten of our respondents felt that the Government engaged well with industry sectors, while two thirds disagreed.

This response rate has worsened since the last Policy Voice survey (52.5%). The Agencies have all issued their Plans for 2025/26 which set out what they see as their key strategic priorities for this coming year.

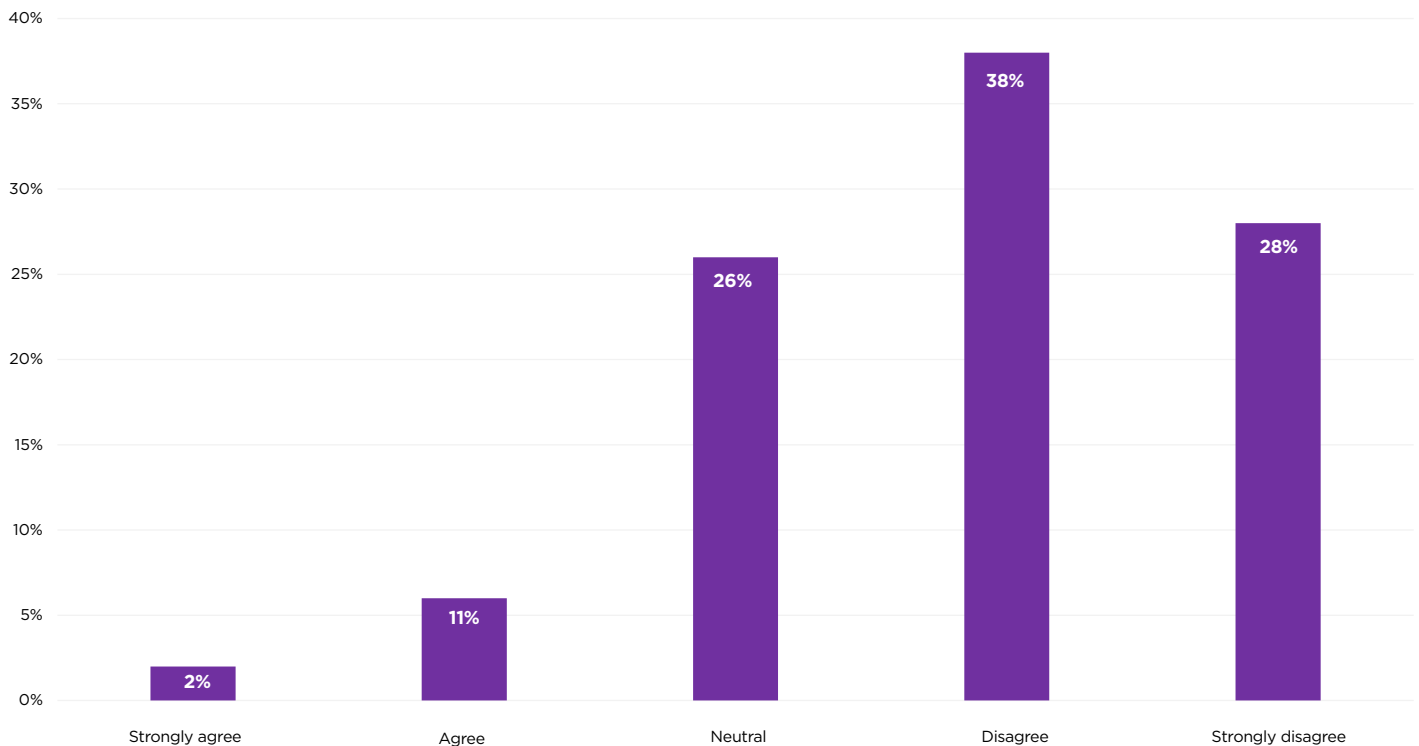
These are all supported by the Department for Enterprise's 2025/26 Plan and the Cabinet Office's 2025/26 Plan.

We strongly encourage our members to ensure they maintain contact with their respective agencies and to be an active participant in all consultations issued by the Department, the regulators and where relevant, the wider Government consultations.

The Department for Enterprise's agencies are established, each with a board of non-executive members which are expected to be appointed to enhance communication between the Agency and its linked industry/(ies). That requires the appointed board members to outreach to industries or associations that they 'represent', to stimulate discussion and feedback in ways that assist in the development of future policy to create the best environment for inward investment and economic growth.

The IoD calls for the agencies' Board members to actively engage with industry in support and to address our members' concerns of the lack of purposeful outreach by the Agencies. The Isle of Man branch committee is always there to speak on behalf of its members, collectively and individually and we continue to engage with Treasury, Cabinet Office and the Department for Enterprise.

The Isle of Man Government engages well with my sector if it is considering policies that would affect it.



We collected comments from survey respondents to seek to better understand their issues to allow us to share these back to Government to action, where applicable.

"Government engages when they want to but not always when needed. Their fear for the public opinion is greater than their need to understand businesses. I think the FSA is not always engage on matters that is important for the finance sector. They are great at engaging with things that matters to them."

"We have had very limited interaction with regards our organisation."

"Consultations do take place however they don't always seem to be listened to. Take the short notice recently received re the Moneyval inspection and information required."

"Consultations often worded in a misleading way and frequently very little time given to respond, Also no consideration given to the "weight" of the body providing the response - just appears to be based on numbers."

"They don't understand the sector whatsoever. The hospitality sector is on its knees and other than a meeting last year, nothing has happened."

"It has been asleep at the wheel, expecting that repetition and more of the same will continue to reap rewards. Never really addressing the fact that the global landscape is making the Isle of Man less relevant."

"My experience as a trustee, current and recent past, of three Manx charities, is that the Government is only interest in ways in which charities can help shoulder some of the challenges it faces."

"(The) regulator also doesn't seem to enable growth in its own industry."

"I work in several sectors and whereas I see 'consultation documents', they always feel like a fait accompli (sic). The FSA becoming a 'paid by industry model' is a good example and is a recipe for increasing cost and bureaucracy. Any consultation there was largely ineffective from what I hear from my larger peers. On the maritime side of my business, the civil servant tasked with bringing together this industry on the island has never yet contacted our business to gather our views."

"The government's focus is on employment numbers and not economic wellbeing."

Which of the following factors are having a negative impact on your organisation?

For this and future Policy Voice surveys, we have added this question asking respondents which 'top five' current issues most affect their business. We consider it important that there is ongoing trend analysis of these factors to track the relative 'importance' of each of them. We will look to explore in later surveys in more depth the specifics within the factors that rank the highest amongst our members.

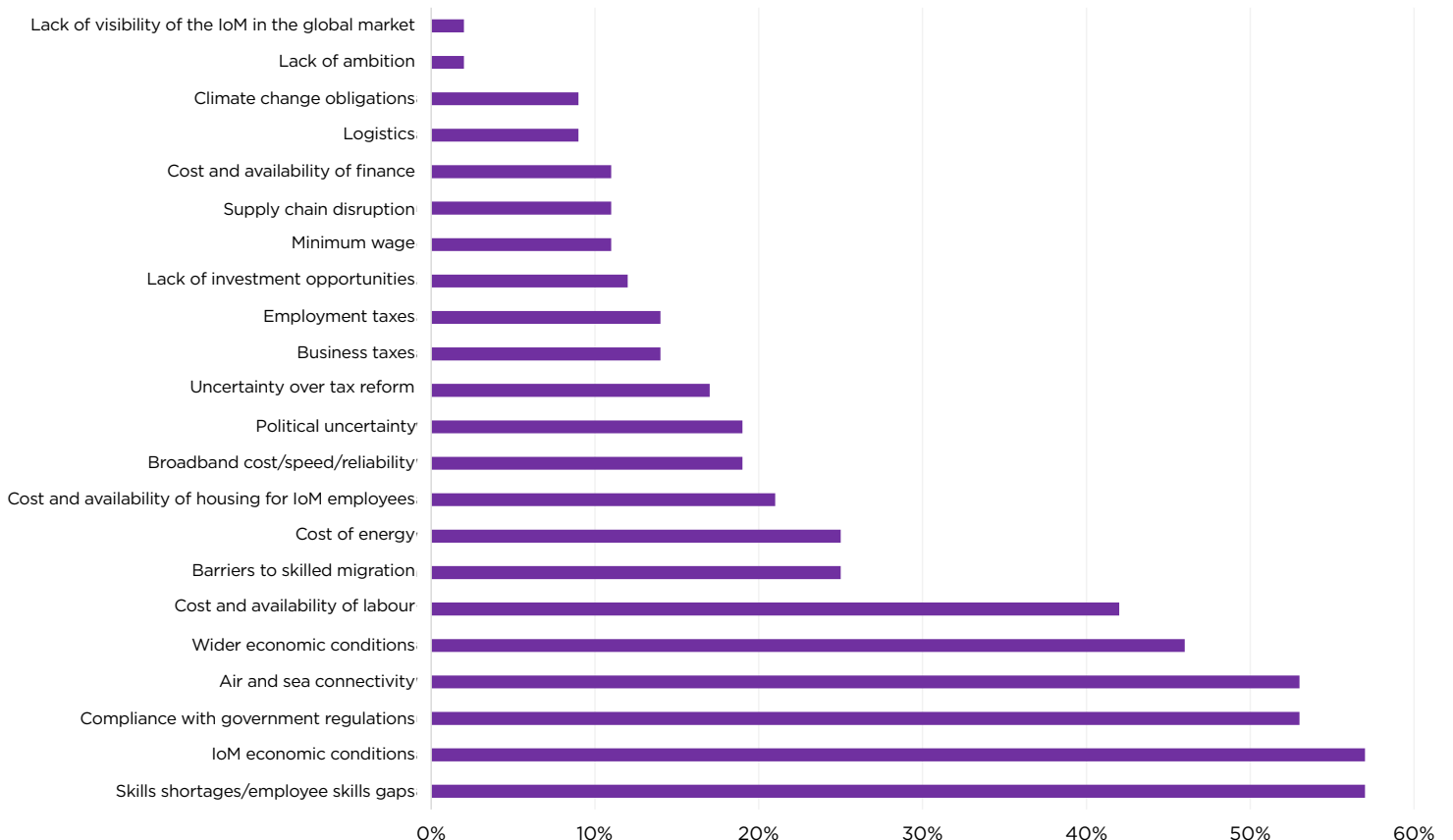
For this first opportunity to record how these factors rank for our members, the two common most factors are shortages in employee skills and the overall Isle of Man economic conditions - both accumulating 57% of all responses. The issue of air and sea connectivity of the Island is the next most 'popular' negative factor for respondents, along with regulatory compliance.

In the latter part of 2024, Tynwald approved the Skills Board's first Skills Strategy¹, recognising skills shortages as amongst the highest priority for the Government to effect the Island Plan objective to fill 5,000 new jobs across current and new sectors. Also in 2024, the Department for Enterprise published its Strategic Air Services Policy to look at an Open Skies vs Regulated model, continuing to choose the former with limited intervention where necessary.

With the upcoming mutual evaluation of the Island by Moneyval, there will naturally continue to be a focus on regulatory compliance across financial services, DNFPBs and eGaming businesses.

However there must be recognition of the cost to business of the increasing scope of regulation and, in the light of the UK's strategy to reduce burdensome regulation to stimulate growth, a recognition of maintaining a proportionate regulatory landscape for the Island's businesses.

Of much lower significance to respondents are matters such as taxes and fiscal uncertainty, the minimum wage (which was identified significant by only 11%) and climate change obligations.



1 <https://www.tynwald.org.im/index.php/spfile?file=/business/opqp/sittings/20212026/2024-GD-0034.pdf>

The Economy and the Budget

The 2025/26 Budget published in February this year forecast revenue shortfalls for the next five years, requiring continued but decreasing transfers from reserves to meet the Governments expenditure commitments. Revenues are derived from personal and corporate income tax, Value added taxes and national insurance. The Pink Book² forecasts total revenues to increase by £200 million by 2030.

As well as the annual Budget, Treasury issued a 2024-26 Tax Strategy paper, which sought to address the Island's challenges that affect the tax system in the future. The Strategy was written within the broader objective of a balanced income and expenditure over the medium term. Also the Strategy sets an aspiration for increased revenues by £200 million by 2032.

The Strategy sets out that Treasury:

- will retain the personal tax and National Insurance system;
- will retain the current Customs agreement with the UK;
- will not introduce new wealth or capital taxes;
- will investigate a health service levy;
- will consider broadening the tax base; and
- will investigate policies that promote productivity and increasing the economically active population.

Specifically with regards to corporate income tax, the Treasury committed to:

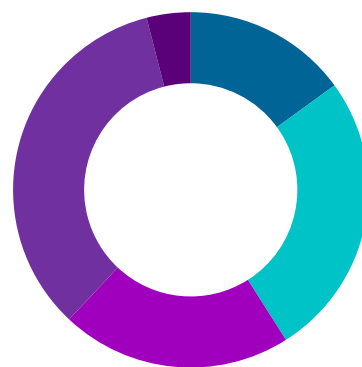
- retaining the existing 0/10;
- extend corporate income tax to encompass Pillar II;
- ensure the Isle of Man remains a competitive jurisdiction; and
- consider extending the scope of corporate income tax including new sectors such as the green economy.

The recently published summary management accounts for the year to 31 March 2025. Key highlights from those accounts are:

- personal income tax receipts for the 2024-25 financial year, indicate a provisional increase of £21.3 million more than budgeted
- NI income is higher than budgeted from increased contributions and from a one off receipt from the UK government. This was partially offset by increased benefits (Manx State Pension payments), indicating higher than budgeted pensioners
- there were employee related overspends in many of the government departments and in Manx Care, but overall offset by savings
- overall, the draft financial results for 2024-25 indicate a significant improvement from budget by £67 million, despite overall costs increased by £50 million.

Currently, the IoM Government raises around 3% of its revenues from corporate tax (exc national insurance).

Should the balance of government revenues continue to be derived significantly from personal and indirect taxes, such as VAT?



Response	%
Strongly agree	15
Agree	26
Neutral	21
Disagree	34
Strongly disagree	4

² https://www.gov.im/media/1387536/pink-book-2025-26-final-v3_compressed.pdf

³ https://www.gov.im/media/1385057/isle-of-man-tax-strategy-2024-2026_compressed.pdf

There is a fairly even split amongst respondents agreeing and disagreeing to shifting the tax burden away from personal and value added tax or maintaining the tax base. With an unchanged tax base, increased revenues would only be derived from either increased rates or from a larger working population. Given the 2024-26 Tax Strategy, the Budget's forecasts indicate a congruence with the Island Plan based on population growth. On announcing the 2025/26 Budget, the Treasury Minister indicated that there was no recognition for Pillar II additional revenues and the detailed analysis of income implies a stronger growth in corporate income tax than personal, albeit from a much smaller base.

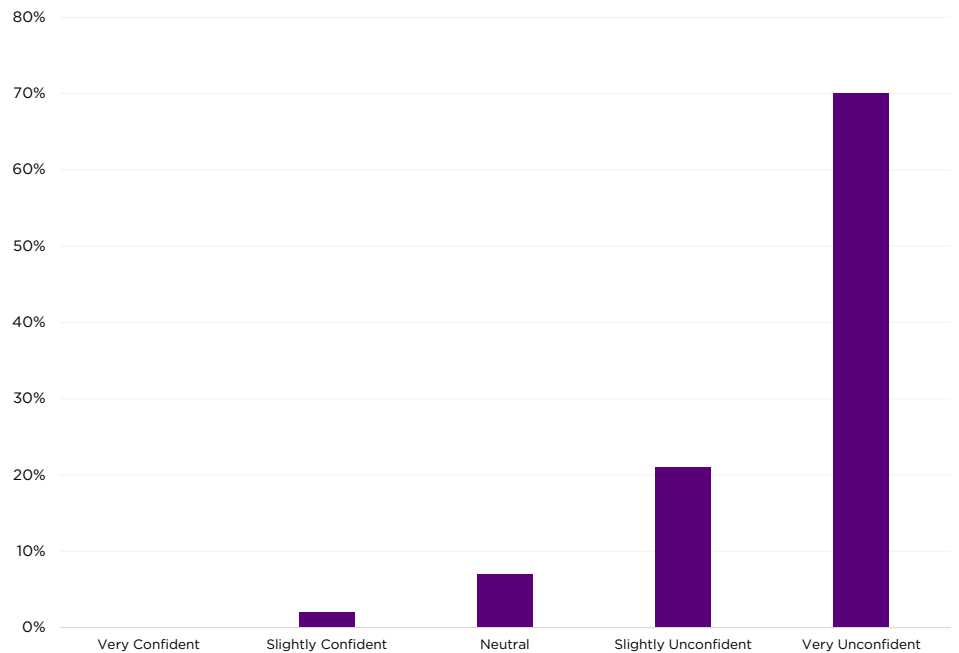
What is clear is that, in the light of the low net economically active population growth and a continued focus on the Island Plan's population target, achieving increased revenues will require exploring alternatives to ensure Government revenues grow, reverse the deficits and stop transfers from reserves.

Members stated strongly their lack of confidence in the Government's ability to control expenditure over the medium term and return the running of the public services to a balance or a surplus. There is a significant frustration present in our membership that, were the Isle of Man economy a corporate budget, the continued use of reserves is unsustainable. There has not been any discernible recognition by Treasury, nor recognition by the Government, across all departments, to recognise the need to seek out cost reductions. The 2025/26 Budget did include employment cost forecasts restricted to 2% across all departments (see specific question below).

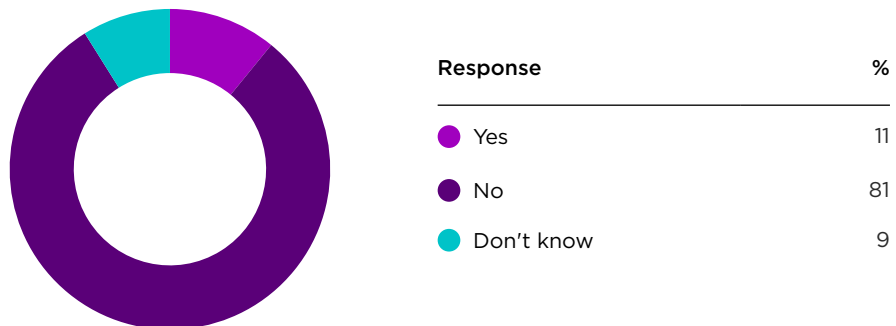
Given the strength of response to the previous question, its not surprising that there is significant disagreement from members that the Isle of Man Government should continue to seek transfers from reserves to balance its books.

There is a strong push from members to see the Government embark on a full-scale efficiency review. In July there have been a couple of announcements from departments within Government, namely the Cabinet Office in its 2025/26 Plan and the Department of Infrastructure driving licence services, of digitalisation and AI implementation programmes, albeit with no specified cost reduction.

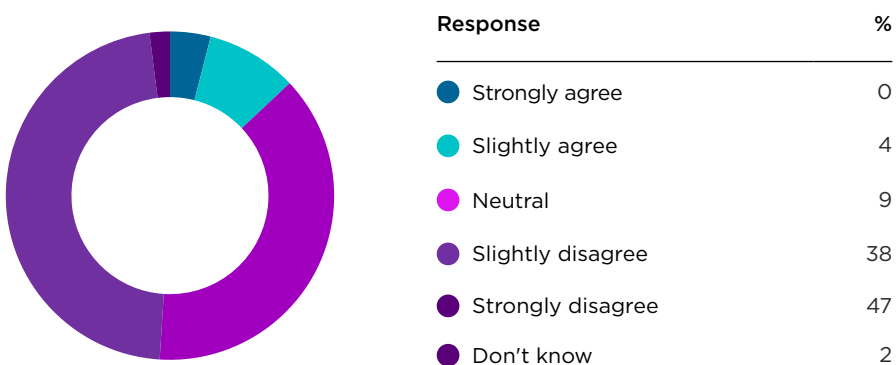
How confident are you that the IoM Government can maintain budgetary control over its costs over the short to medium term to reduce its operating deficits?



How far do you agree with the following statement? It is right for the IoM to continue to utilise its reserves to 'balance the books' rather than engage in a widespread programme considering its efficiency, and its scope of responsibilities.



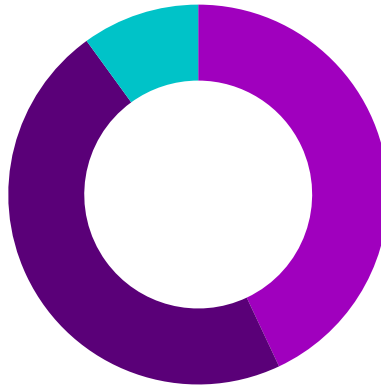
How far do you agree with the following statement? The IoM Government will be able to stick to its budget pledge of a 2% increase in employments costs across all departments for each of the next five years.



In line with members' lack of confidence with overall cost management, the ability of Government departments to manage their budgeted and forecast personnel expenditure is questioned by the majority of respondents (85%). With a 'cap' of 2% increases in total employment costs, where pay settlements are at or above inflation, the expectation would be either a reduction in overall headcount or cuts in other areas of the departmental budgets. The Draft Management Accounts for the year ended 31 March 2025⁴ indicate an increase of 4% in pay award for Public Services Commission employees, 5.5% for teachers and higher for other employees, equating to an overspend against budget of £48.7 million.

The recent Public Services Commission report for the year to 31 March 2025, along with the more recent written response regarding public vs private sector wages, are not encouraging in providing positive support to the landscape for the management of total employment costs for the Government. From the latest 2024 Isle of Man Earnings Survey Report⁵ public sector median earnings are £902 vs private sector £706, a gap of 22.5%, based on average hours of 36 (public) vs 38 (private). The lower private sector median is due to a more significant clustering of earnings around £475 to £625 week. Not only is a public sector median weekly salary being significantly higher than the private sector an issue, but the 'lifetime' costs that come with that statistic (through the current terms of a public sector pension which is unfunded) is very concerning. An indication of the impact of this 'lifetime' cost can be seen in the current cost of maintaining the Government Unified (pension) Scheme in the draft management accounts to 31 March 2025 which shows a shortfall of contributions to awards and payments of £46 million⁶.

How far do you agree with the following statement? The IoM Government fully understands the impact of its budget on the government's net surplus/deficit and on the wider economy.



Response	%
● To a great extent	0
● To some extent	43
● To no extent	47
● Don't know	10

While respondents to this question are relatively evenly split, the strength of opinion of no confidence in the Government's full understanding of the manner in which its budgets impact the economy is marginally stronger than the view that there is some degree of understanding and awareness of the impact of their budget decisions.

"I am pleased to see questions raised on this survey especially those on page 2 which are highly pertinent in highlighting the challenges the IOM faces and how the scope, scale and organisation of central and local is unfit for purpose to address them. Urgent reform is required to not only address the challenges but to enable the IOM to prosper in future and meet its full and very real potential."

"The challenging international macro environment will affect IoM based business in the Finance Sector and growth will not be achieved without significant changes designed to assist IoM businesses as opposed to increasing regulation and costs."

"The Government's performance, both at political and civil service levels, continues to frustrate and disappoint. This is compounded by a seemingly complete lack of self-awareness when it comes their dismal efforts to drive economic growth, and to make essential efficiencies relating to the running of public services. The only growth happening is in overall headcount, with the numbers of civil servants employed and those employed on FTC both going up."

"The Isle of Man is losing momentum when compared to other island jurisdictions. It needs to rein on costs and inefficiency and actively seek for more foreign investment."

"Government is not utilising the private sector enough or realising its estate of assets for best use. There are so many issues to deal with, that when looking at the structure and leadership of Government, departments and local authorities, it is very hard to imagine anything changing. This is the perfect excuse for people to stop trying to improve, be that in Government, business or our personal lives."

4 https://www.gov.im/media/1389518/central-government-management-accounts-year-ended-31-march-2025_compressed.pdf

5 <https://www.gov.im/media/1389027/2024-earnings-survey-report.pdf>

6 https://www.gov.im/media/1389518/central-government-management-accounts-year-ended-31-march-2025_compressed.pdf

The Machinery of Government

From much public commentary regarding the Isle of Man Government, its size in terms of headcount and its efficiency in the delivery of services are critically questioned. The management of responsibilities between central and local government; the structure of local government and its impact on local and central government activities as well as the manner in which officials are elected into positions are areas of concern and interest.

It remains vitally important that pressure on cost management is maintained across all Government departments to ensure that there remains minimal reserve transfers to ensure balanced budgets can be achieved.

It is imperative that Government, central and local, is run efficiently, under the microscope of continued cost management and minimisation accompanied with clear positive productivity improvements. False reliance upon revenue surpluses from taxation cannot be allowed to creep in given the continued fragility of certainty of taxation revenues.

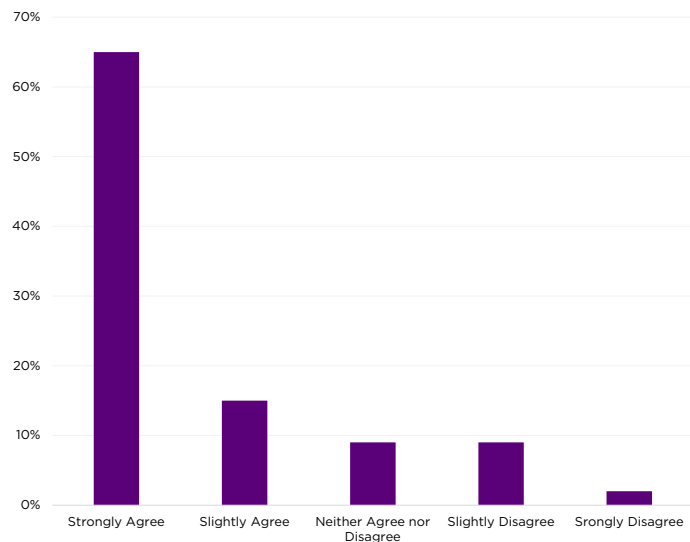
Our survey respondents in the majority agreed that there should be a review of the administration of the election of Tynwald members (MHKs), including consideration for an island-wide voting system. Only one in ten of our respondents were not in agreement with the statement. There are examples of 'island-wide' voting used in Guernsey, including their recent election in June 2025. From an electoral role of just over 27,000, approximately 19,600 ballots were cast to appoint 36 Deputies from a total of 82 candidates.

Voter turnout equated to over 70%, compared to an average 50% turnout in the last Manx general election. Notwithstanding the larger number of elected government members, the existence of an alternative election process is available for consideration and analysis. To assist in candidate comparison, much of the detail of each candidate and their manifestos were held on a specifically created website.

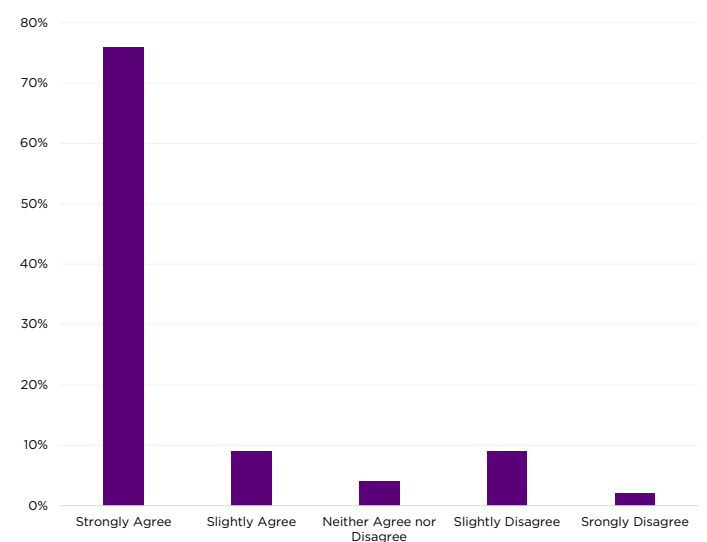
There are often examples of possible alternative practices from comparable jurisdictions that can be assessed and applied where appropriate. A consultation was launched in December 2024 on some amendments to the Manx election process, but not in respect of island wide elections. Amended legislation is expected to be presented to Tynwald in September 2025.

As with the previous question regarding the structure of Tynwald voting, the majority of respondents (85%) agreed with the view that the structure of the Island's local authorities should be considered for reduction to provide efficiencies and potential cost reductions in the delivery of local government services. The 21 local authorities account for 136 seats but in recent elections in July, some of the authorities did not receive sufficient nominations for the vacant seats. This could be a signal that the authorities are ripe for reorganisation and reduction.

To what extent do you agree that there should be a full review of how we elect Tynwald members (MHKs) with a view to considering Island-wide voting?



The Isle of Man currently has 21 local authorities. To what extent do you agree that the Island needs a significant reduction in the number of local authorities?



"There are too many MHKs and we are over represented at all levels. the increase in public services head count is disgraceful and seems to reflect the increasing inability to deliver."

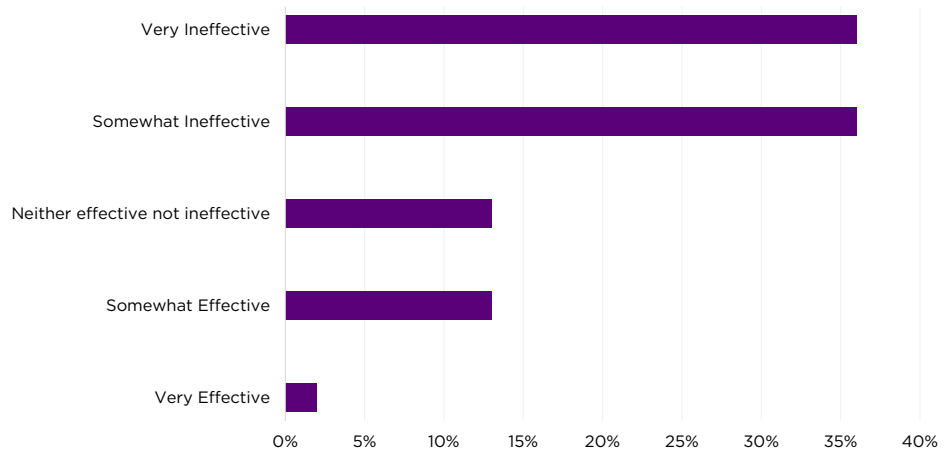
"In the UK the Isle of Man wouldn't be entitled to its own level of local government. Tynwald must stop bowing to the power of the civil service and its unions, scrap commissioners and develop serious budget and cost controls over projects."

The majority of respondents to this question (72%) consider the Government's digital capabilities do not support the Island's marketing message of a location for digital businesses. It is imperative that any successful marketing campaign must be based upon tangible deliverables to ensure new inward investment businesses, entrepreneurs and residents have positive actual experiences that match expectations.

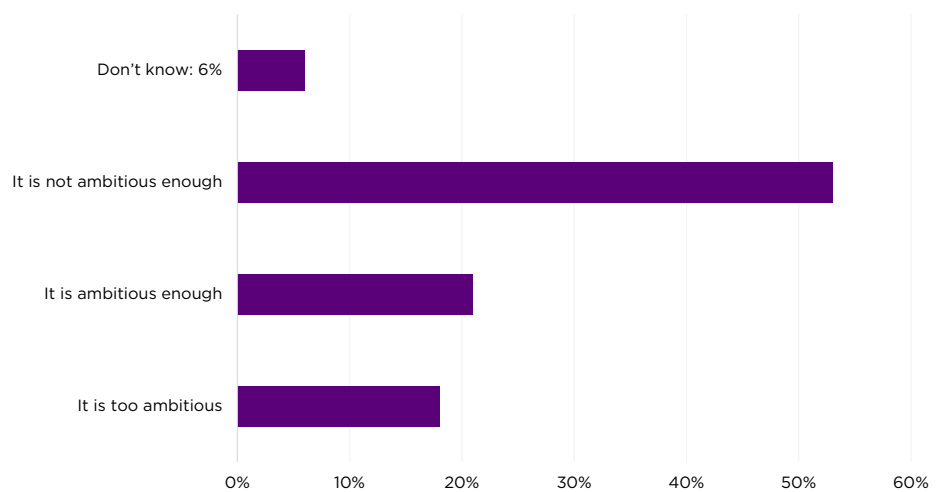
The Department for Enterprise and Cabinet Office have released their departmental plans for 2025/26 and both include specific technology implementation and digitalisation plans, seeking the deployment of artificial intelligence and other software solutions to deliver a better 'customer' service that should be more cost efficient. However, the recent news of the Department of Infrastructure's announcement to digitalise driving licences but with no specified personnel cost reduction is significantly disappointing.

"I am not convinced the the public sector Digital leadership skills are in place to digitally transform the government sector. There are too many government civil servants who bring in a UK public sector mentality for such a small island."

The Isle of Man presents itself to the outside world as a location for digital businesses. How effective do you think the Government's digital capabilities are?



The Island Plan commits Isle of Man Government to a Public Service Efficiency and Change Programme that will "accelerate digitisation of services and adoption of AI tools, alongside improvements to procurement and asset management, to achieve at least £50 million of cashable savings over the next five years,' equivalent to £10 million per year on average.



The Draft Management Accounts for the year to 31 March 2025⁷ recently issued by Treasury indicate that while Net Operating Income improved by £67 million compared to the original budget, the results include total costs (including employment costs) incurred at £50 million more than budgeted. A significant element of the 2025 improved results is the accounting entry provision release relating to FERSA. A significant proportion of the 'overspend' to budget is attributable to Manx Care's overspend, with nearly £40 million of additional transfers from reserve fund to maintain total costs closer to budget.

Employment costs have been controlled through the year, coming in at less than 1% below budget, but increased from 2024 by nearly £49 million, or 7.6% growth. What will be a challenge for all Government departments is the restriction of

employment costs to the budgeted 2% uplift for the 2026 year. Treasury must manage the departments' net expenditure to minimise any transfers from reserves and to not continue to expect excess taxation revenues through strong ongoing tight cost management.

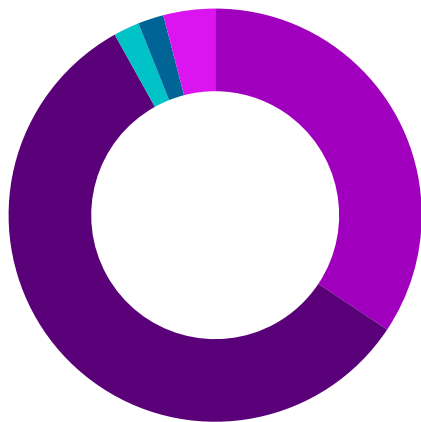
It is extremely disappointing that the 2025/26 budgeted total expenditure has grown to £1.46 billion from £1.39 billion in 2024/25 rather than there be any identified cost reductions.

Of our survey respondents two in five are satisfied that such a plan is ambitious enough or over ambitious, while just over 50% of respondents did not see it as enough of a planned cost saving. However, as the 2025/26 Pink Book⁸ indicates, there is no apparent £10 million annual cost saving as the Island Plan has identified.

"The Government's past achievements have been abysmal and I have no hope of any improvement."

"Eye watering spending in the last few years include the 'Manxman' ferry - lovely boat but completely OTT for what we needed and there are too many ongoing issues with it; the ferry terminal we paid for that isn't sign posted for car passengers and has ongoing issues; Douglas prom which is a total disgrace and looks dreadful in parts after all the time and money spent on it; key roads on the island with pot holes damaging cars and non-existent or very poor pavements (and car tax continues to increase). To name but a few ways the Government has spent exorbitant amounts of taxpayers' money and had a lack of focus on critical areas like healthcare and education. Now the taxpayer has to suffer further to make up for it. If they want to grow the headcount, get the foundations right and get a grip on spending."

Which of the following statements do you agree with the most?



Response	%
● The headcount in the public sector is too big and I would support a reduction across the board, including 'front line' roles in the likes of health and education	34
● The headcount in the public sector is too big and I would support a limited reduction but would retain all 'front line' roles in the likes of health and education	57
● The headcount in the public sector is about right	2
● The headcount in the public sector is too low to enable the effective and efficient delivery of public services within the government's remit	2
● Don't know	4

7 https://www.gov.im/media/1389518/central-government-management-accounts-year-ended-31-march-2025_compressed.pdf

8 https://www.gov.im/media/1387536/pink-book-2025-26-final-v3_compressed.pdf

Throughout this survey, the strength of opinion in the answers provided by the respondents indicates a frustration with the overall management of the Government's workforce and by association with its perceived productivity and output. A significant majority (91%) agreed with a statement of recognition of too large a public sector and of support for a reduction in headcount. Just short of three fifths of respondents believe that any reduction in headcount should seek to protect the front-line services, especially in health and education.

A report was issued in early 2025 by the then Chief Executive Officer of the Government, ("Overview of the Public Sector Workforce"⁹) stating there were 7,798 full time equivalents ('FTE') at 31 December 2024 across all Government departments, Manx Care, Financial Services Authority, Gambling Services Commission and Manx National Heritage but excluding Manx Utilities, IOM Post Office.

Although an exact comparison is not possible, as at 31 December 2024 the States of Jersey employed 8,099 FTE¹⁰ and for the States of Guernsey 5,154 FTE¹¹ and across each of the Crown Dependencies, the per capita (population per FTE) employment statistics are: Isle of Man - 0.92 (10.84); Jersey - 0.078 (12.80); Guernsey - 0.079 (12.57). If the Isle of Man Government employment ratio was similar to its sister Channel Islands, then there would be approximately 6,635 FTEs,

a reduction in full time equivalents of 15% (1,163 FTEs). Such a reduction in headcount could crudely extrapolate to a reduction in total staff costs (as per the draft management accounts for the year to 31 March 2025) of £103.4m.

The Institute of Directors will continue to call upon all departmental Chief Executives and Ministers to promote exceptional cost control through the remainder of 2025/26 and into the next Government after the 2026 general election.

It is vital that there is no loss of sight of that objective when revenues collected are higher than budgeted, notwithstanding any weaknesses in the accuracy of those budgets. There can neither be continued reliance upon transfers from reserves to maintain balanced annual income and expenditure accounts nor expect continued growth in taxation revenues solely from increasing tax rates, wage inflation or unmanaged population growth.

"The caveat regarding front line roles is that I want real front line roles protecting - however the bureaucracy needs to be eradicated in a number of areas."

"There are too many managers in relation to frontline staff. management roles should be reduced. in relation to 15. I honestly think 4 would be enough, north, south east and west."

"The Government needs to review what it does and where, who is doing the work and manage the performance of those who are underperforming. They need to put realistic measures in place and stick to them to reduce the burden of the public sector on the economic purse strings."

"There has been a review of the electoral system. The failure to fund important govt services leads to discontent and moaning. Expectations on govt services remain high even if funding is restricted. Cant have with high expectation and low funding. Population needs to understand this. IOM has mixed levels of wealth in population and wealthier must pay more somehow."

"In order to achieve the results and ambitions/challenges that the questions are geared against, there needs to be suitably qualified people employed that are given the powers and support to restructure certain departments without referring to OHR, who should just deal with the outcomes contractually. Without this being adopted very little will change."

9 https://www.gov.im/media/1387135/overview-of-the-public-service-workforce-october-2024-to-december-2024_compressed.pdf

10 <https://www.gov.im/SiteCollectionDocuments/Government%20and%20administration/Public%20Sector%20Staffing%20Statistics%2031%20March%202025.pdf>

11 <https://gov.gg/CHttpHandler.ashx?id=191251&p=0>



Our Royal Charter sets out a clear purpose. We have a clear vision – The Institute of Directors is the professional institute for responsible directors and leaders.

Our mission is to develop, support and represent skilled, knowledgeable and responsible leaders for the benefit of the economy and society at large. Integrity and Enterprise are our core values.

The objects of the Institute are:

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.

The IoD is an accredited [Good Business Charter](#) organisation.

iod.com

