



BUDGET SPEECH 2017/18

Mr Speaker, I beg to present a Bill for an Ordinance to provide for public services for the financial year 1 April 2017 to 31 March 2018.

Mr Speaker, this is my first Budget Speech and it gives me great pleasure today to outline plans for the year ahead. We are at an important crossroad in the Island's history, we have an opportunity to change the outcomes for all on the Island and pave the way for St Helena to be in control of its own destiny. For 81 years St Helenians have been listening to the idea of an airport, it's been a long hard road and for many the last year has been the toughest. We are now on the cusp of that vision coming to a reality and everyone in SHG and ESH have been working together to ensure that we protect what is precious, while ensuring that the Island grows in a sustainable way for the benefit of all on St Helena. Whilst we all felt the disappointment of the delayed start to scheduled air services in 2016/17, 2017/18 brings a new hope with scheduled air services expected to commence later this year on completion of the current tender process. **Mr Speaker, I believe the Island is more equipped now to respond to air access as a result of the delay.**

Mr Speaker, this budget today outlines some of the key successes of the Island over the past 12 months and looks ahead to what can be expected in 2017/18 - a period where we hope that all on the Island can start to reap the benefits of commercial air services.

Mr Speaker, it is easy for us all to dwell and focus on what has not gone well, especially over the past few months with the drought, the breakdown of the RMS St Helena, having a number of our people stranded in Cape Town and the UK which was compounded by the problems experienced with the runway on Ascension. However there have been so many significant achievements over the past 12 months, these include:

- The successful homecoming by air for those stranded off-Island - what a huge success and boost to morale on the Island
- The completion and open-ended Certification of the Airport
- Arrival of charter air services and medevac flights and the lives that have been saved as a result
- The completion of the new jetty in Rupert's and the new sea rescue building
- The successful trip of the RMS to the UK
- The declaration of our Marine Protected Area
- The upgrade of the hospital to include modern diagnostic equipment
- The introduction of a bigger and more experienced mental health team
- The launch of the Community College
- A complete revamp of the Jamestown Market
- Upgrading of 26 Government Landlord homes to name a few

It is important to recognise all of the hard work that has gone into this.

10 YEAR PLAN

Mr Speaker, Executive Council and all members of Legislative Council have recently endorsed the 10 Year Plan for St Helena which will replace the Sustainable Development Plan and form the foundations of Island planning for the foreseeable future. This plan, although ambitious, outlines the vision for St Helena, **and it is the people's vision**. We have often suffered from short-term thinking and planning across the Island, we have had people, with different ideas as to how the Island should work, come and go, changes that have been made without understanding how these contribute to the long-term goals for the Island and its people. This 10 Year Plan will serve as a foundation of change, it will however be reviewed regularly to determine whether adjustments are needed to these activities to be able to achieve the long-term vision for the Island.

HOUSING - ST HELENA'S DREAM OF OWNING ONE'S OWN HOME

Mr Speaker, if you were to ask the economically active St Helenians what is their number one goal, most of them will probably say that they want to be able to own their own home. This has been the key driver for a great number of people over the years and that is why St Helena has one of the highest home ownership rates in the world at 72%.

Mr Speaker, last year we saw the introduction of the new Lands & buildings Disposal Policy which seeks to make more affordable land available; with the value of private land sales on the increase, the availability of affordable Crown land cannot be underestimated. Additionally, one of our tax principles going forward is to stimulate supply of land, housing and infrastructure, and more work will be done on this over the coming year.

The new policy allows up to 50% discount on Crown land, depending on income levels, **in addition Council has recently supported the request to have annual rents for Crown land to be offset against the final sale price - this is good news indeed**. A review of the Land Development Control Plan has also commenced and it is hoped that additional land will be made available for house building and economic development.

We still face challenges. Mr Speaker, presently as a family you can only borrow up to three times the salary of the highest earner in the family and half of the salary of the second highest earner, this means that for a family on the average income of £7,500 they would only have access to around £26,000 through a loan from the Bank of St Helena. For those who have built a house or an extension in recent years you will know that £26,000 will not buy a lot when you take into consideration the cost of the land. This often means that these people take up offshore employment to supplement this funding to complete the build or to buy a home, we lose so many of the economically active people on the Island because of this issue **and we need to make the conditions right to encourage these people to remain on-Island and continue contributing to our economy whilst still allowing them to achieve their dream** - not through remittances but with a thriving economy, people should be able to have the opportunity to make sufficient money here on-Island which will contribute to an inclusive family life.

MTEF APPROACH AND SUPPORT OF COUNCILLORS

Mr Speaker, in setting the budget we follow the Medium-Term Expenditure Framework (MTEF) and as part of this process, Directorates were asked to take into account the agreed guidelines:

- Improving efficiency and productivity with regard to the divestment opportunities, Systems/Process Reviews and better use of SHG resources
- Streamlining and restructuring the Public Sector
- Improving joined up approach to business delivery between different sectors, and
- Increasing revenue where it is deemed appropriate

SHG aims to allocate resources to the five key goals as set out in the new 10 Year Plan which are: *Altogether Safer, Altogether Healthier, Altogether Wealthier, Altogether Greener and Altogether Better for Children and Young People.*

This year's funding envelope conveyed formally last week by the UK Government is for a one-year programme. Further discussions will be held during the year ahead to be able to get to a three-year settlement and provide additional certainty for the Island. The contribution provided to us by UK taxpayers is crucial in helping us to achieve self-sustainability, and timely investment sooner will accelerate a reduction in our reliance on the UK Government in the future.

The delay in receiving confirmation of the financial aid settlement has meant that a balanced budget could not be agreed in readiness for the start of the financial year. A Rollover Budget, which is effectively to carry forward the previous year's budget for four months, was approved by Legislative Council on 30 March 2017 to ensure that public services continue to be delivered during this period. This Appropriation Bill ensures that public services and spending can continue pass the four-month rollover period for the rest of the financial year.

ECONOMIC OUTLOOK - INCLUDING BREXIT - INCREASING EXPORTS & REDUCING IMPORTS

Mr Speaker, two of the biggest impacts on the economic backdrop for this budget is changes in exchange rates and inflation.

Exchange Rate

St Helena is a net importer, and fluctuations in exchange rates have significant effects on pricing in St Helena. Since the decision for the UK to leave the EU was taken, the value of the Pound fell 17% against the Dollar, 12% against the Euro and 25% against the Rand¹, which has caused imported goods and services to be more expensive.

¹ Between 23 June and 14 March

Inflation

Inflation based on St Helena's Retail Price Index increased by 4.7% in 2016, the largest annual increase since 2012².

The price of food continues to be the major pressure on the overall rate of inflation in St Helena with price increases contributing 60% towards the headline rate of inflation. This reflects the increased costs of imported goods because of the weakened Pound and as a result of the drought in South Africa.

The second largest pressure on inflation has been fuel, contributing 15% to the headline 4.7% inflation rate. The cost of electricity on St Helena is high, owing to the high price in diesel and that's why we have launched an Energy Strategy which will significantly increase the amount of energy sourced from renewables in order to reduce the cost of energy to households and business.

At the end of 2016, the number of people on St Helena, residents plus visitors, stood at 4,640 with an average over Quarter 4 of 2016 of 4,550 - a 2.5 % decrease over the previous 12 months. In general, we tend to see the highest population numbers within the Q1 and Q4 months of each year, coinciding with many St Helenians working abroad returning home to visit friends and family. However, Q4 of 2016 has seen the lowest population numbers for that period since 2013.

We need to work on improving our records of national accounts so that we report in a more timely manner on key national statistics such as Gross Domestic Product (GDP), Gross National Product (GNP) and Gross National Income (GNI). That is why from 1 April 2017 we are digitising the Income Tax forms so that we can access business income information more quickly and produce more timely estimates of GDP.

Although work continues on the recently re-named Haul Road which links Rupert's Bay and the Airport, and the Bulk Fuel Installation, we have already seen a significant reduction in Basil Read expatriate workers on St Helena and a 50% reduction in the total project workforce since April 2016. Owners of rental accommodation, retailers, bars and restaurants have benefited from spending by project staff, but this benefit shall continue to reduce over the next year as the immigrant workforce continues to decrease. However we do see this being mitigated through Tourism and commercial air services.

Recorded unemployment remains low as those previously employed with Basil Read have been absorbed back into the private sector with some staff transferring directly onto the Hotel Project in Main Street. At the end of April there were 18 registered as unemployed compared with 10 people in February 2016 according to the Census. This indicates that the labour market continues to be tight, and unemployment is low.

² To give this some perspective, the UK's Consumer Prices Index (CPI) rose by 1.6% in the year to December 2016 and the annual consumer price inflation in South Africa was 6.8%. But as the baskets of good differ in the 3 measures, these aren't directly comparable (comparing apples with pears).

A weaker Pound can present an opportunity for St Helena's export industries. We benefit from significant natural resources; sashimi grade tuna, some of the world's most expensive and sought after coffee, and an ecosystem which supports a third of all the endemic species in the British territories and attracts tourists. But we can do more to benefit from this wealth. Ensuring a sustainable future for St Helena means sustainably increasing exports and reducing reliance on imports. **This is how we can have greater control over our own destiny.**

PERFORMANCE FOR 2016/17 - EACH DIRECTORATE AND FINANCIAL OUT TURN INCLUDING ESH

Local revenue collected for 2016/17 is £12.9m with £4.7m coming from Taxes compared to the original budget of £5.1m and £5.4m coming from Customs duties compared to the original budget of £6.0m.

Tax revenues from business and corporation tax are down by approximately £0.6m largely due to the impacts of businesses taking advantage of the Investment Tax Credit. This has however seen over £3.5m invested by businesses on-Island in 2014/15 and 2015/16 - this is a good news story for business investment on the Island.

2016/17 has been a challenging year from a budget perspective, with the delayed start to scheduled air services the extension of the RMS St Helena schedule was so important to maintain access to the Island. This extension however has required a significant level of additional resources and has put significant pressure on the finances of SHG. It is estimated that the total cost of shipping for 2016/17 is in the region of £2.2m and this has been funded through under spends in the aero-medical evacuation budget of £0.5m and a withdrawal from the consolidated fund of the surplus from the 2015/16 financial year amounting £0.8m.

While the cost of shipping has broadly been covered, SHG has significantly overspent on overseas medical referrals - we have spent £1.9m on overseas medical referrals in 2016/17 in comparison to the original approved budget of £1.0m. As a result of the short fall in revenues and overspend on medical referrals we are projecting a **significant deficit for the 2016/17 financial year of £1.6m**. This will leave the consolidated fund at the end of March 2017 with a projected balance of £1.5m.

Mr Speaker, turning now to some of the key successes for 2016/17

Enterprise St Helena

Key projects include:

- The opening of the Jamestown Market offering 13 business units
- A Business Support Initiative in partnership with SHG and the Bank of St Helena, offering technical and financial assistance to businesses affected by the delayed start to scheduled air services
- The opening of Bertrand's Cottage Ltd as a Hospitality Upskilling Centre

23 students completing accredited training courses in Hospitality, Construction and the Built Environment.

St Helena Tourism attended a number of International Travel Shows including PURE and the World Travel Market.

In the coming weeks, the Tourism team will roll out best practice for transport and accommodation providers and continue to explore support mechanism for insurance.

The Hotel in 1,2,3 Main Street continues to progress well with the opening scheduled for September or October this year.

While concerns have been raised over the hotel competing with other accommodation establishments, once open, having a recognised international brand on the Island will have positive spin offs for the whole economy. Mr Speaker, I can confirm that **there will be no SHG subsidy for hotel operations and it will need to stand on its own two feet and service its debt requirements.**

But SHG should not be in the hotel business, and has only intervened because the market has failed to provide the magnitude and type of accommodation demanded by increased visitor numbers. As was agreed when SHG took the decision to intervene - an exit strategy is being developed to ensure SHG withdraws from this non-core activity – this will be discussed with Executive Council next week which will include options for local ownership.

Education

- 2016/17 saw seven young people begin their tertiary studies in the UK - the largest scholarship number in our history
- The St Helena Community College began operations and to the end of March 426 individuals have registered for 515 courses, including 9 on Degree courses
- An expanded Apprenticeship Scheme saw as many as 52 apprentices in October 2016
- Schools developed individual School Improvement Plans, but shared a focus on improving literacy and numeracy skills
- 2017/18 will focus on improving Information Computer Technology access for Education, especially for primary schools as this supports learning across all domains and helps prepare St Helena's young people to compete globally
- Inclusion - making sure that all children get the support they need to learn - is also a key focus for 2017/18, and the new resident Educational Psychologist offers a long awaited support to the Inclusion team

Health

- 2016/17 saw the completion of the Hospital Redevelopment Project which includes a new CT scanner, a new operating theatre and a mammography unit - thanks to St Helena Cancer Support & Awareness Charity and the League of Friends for their kind donations

- The new equipment has increased local self-sufficiency and reduced the need to refer certain cases overseas for diagnosis
- The Nursing Staff competencies framework and up-skilling programme is progressing well with six nurses working towards Nursing Degrees
- There have been a number of key appointments which I'm sure all will agree has made a significant difference to members of the community. Of particular mention is the Orthopaedic Surgeon, a second Physiotherapist and a second Radiographer
- 2016/17 saw the completion of the procurement exercise for aero-medical evacuations (Medevacs), and the provision of specialised secondary/tertiary healthcare services through ER24 and Medical Services Organisation International (MSO) respectively who are on the verge of signing a contract.

Other key outcomes include:

- The reopening of most country clinics
- Relocation of the Pharmacy to the ground floor allowing easier access for the elderly and disabled
- The introduction of a third dental surgery
- The expansion of the mental health team

Mr Speaker, what is particularly important to highlight is the additional priority that has been given to training and development across the directorate and the uptake of staff across the different disciplines.

Environment & Natural Resources

- 2016/17 saw the introduction of a Marine Protected Area for St Helena's 200 mile Exclusive Economic Zone
- A Fisheries Strategy has recently been endorsed by the Economic Development Committee. The strategy serves to underpin the development of an economically and sustainable fishing sector for the Island
- Over £100k was spent on the refurbishment of Government Landlord Houses.
- The commencement of the development of the agriculture infrastructure in the Longwood dairy area
- Work on invasive plant species will continue this year, including the implementation of a national weeds strategy which will be supported by funding from the Darwin Plus programme

Safeguarding

- In 2016/17 there were 300 referrals to Children's Services
- There are 58 (47 in Older Persons Service (OPS), 11 Learning Disability) in residential care including 14 in supported accommodation
- A new scheme of service for social care workers came into effect from 1 April 2017

- A new employability scheme is to be rolled out which will focus on getting more disabled people and vulnerable adults into employment
- The introduction of the Better Life Allowance has seen those with the most complex of needs benefit financially
- SHG in partnership with the United Nations has opened a Safe Haven and now has a dedicated team working in the community with survivors of domestic abuse

The 2016 Census demonstrates an aged and ageing population with 21% of the population over 65 years of age. This poses some significant challenges for the Island in terms of providing care for elderly people, this will create huge pressures on the budget for future years and we must do all we can to help keep people in their homes because we know our elderly are more comfortable living in their own environment. **We will be investing to help with adaption and aids to allow our elderly to stay and live comfortably in their homes for as long as possible.**

Corporate Services

- In 2016/17 we saw the development of an expanded Public Transport Service which has seen a 19% increase in ticket sales over the year
- Increase use of Plantation House for tours generating additional revenue of £10k
- Greater use of Social Media as a communications channel through the introduction of Twitter and Facebook accounts by the Press Office (with over 4000 followers)

Non Government Organisations (NGOs)

NGOs play such an important role in our community and SHG is committed to supporting organisations who improve the lives of many on the Island. Through youth activities, community groups and support for vulnerable people, SHG is proud to work with such dedicated organisations.

We must also pay tribute to those who volunteer in our community who enrich so many lives on a daily basis. This budget again sees financial support for a wide range of NGOs who are part of the fabric of St Helena.

Corporate Finance

2016/17 also saw the introduction of ASYCUDA, the new data capturing and processing system for Customs, and whilst there have been teething problems at the start, things have settled down and business users are now getting use to the declaration process. More work will be done to streamline the process and make it easier for users to complete their declarations - the recent connectivity upgrade for example has made a significant difference to external users who can now remotely access the system on a consistent basis.

BACK LOG OF FINANCIAL STATEMENTS

Mr Speaker, I am pleased to stand here today and report that SHG have cleared the backlog of Financial Statements and are now back on track with the reporting timelines.

It has been a challenging couple of years for both the SHG Corporate Finance team and the St Helena Audit Service team to be able to get to the point where we are now up to date. Mr Speaker, I would like to extend my thanks to both teams for the immense amount of work completed especially over this last Financial Year where three sets of Financial Statements have been produced and audited along with numerous other pieces of financial reporting on the various funding programmes. Mr Speaker, this is no time to be complacent, we must ensure we continue to produce and audit our statements in a timely fashion and above all make sure we do not find ourselves in this position again. The Financial Statements are an integral part of our Governance Structure and it is vital that the public service can be held accountable for the spending of public funds in the most efficient, effective and economical way possible. Strengthening Governance and accountability will continue to be a focus for SHG and the Public Accounts Committee throughout 2017/18.

CAPITAL PROGRAMME

Last year, SHG's Capital Programme was under special measures as a result of poor performance in previous years, this resulted in SHG undergoing a Programme Improvement Plan (PIP) between May 2016 and October 2016. SHG undertook a number of reforms to improve governance and accountability to aid the delivery of our key projects. SHG passed the PIP and progressed with the plans to implementing a number of key projects in 2017/18.

In total, the funding received from the UK Government for 2016/17 was just over £4m together with a pre payment from the previous year making the total budget available for the year of £5.1m, total expenditure for 2016/17 is estimated at £4.9m with the balance of £200k being carried over to pay for expenditure in 2017/18 which has been delayed largely down to the problems of access to the Island as a result of the cancellation of voyages 255 and 256.

The highlights in terms of expenditure include:

- £1.1m on the equipment and designs for the operationalisation of the container handling facilities in Rupert's
- £0.6m on the hospital refurbishment project
- £0.4m on the electrical distribution system to connect Blue Hill and Sandy Bay
- £315K on the Hutts Gate reservoir
- Over £500K on sewerage network upgrades in HTH and Rupert's
- Over £500K on water transfer systems and deep bore hole exploration in relation to the drought crisis
- Just under £300k on the HTH Comprehensive Development Area to put in services

2017/18 however is not what we had hoped, with the UK Government providing a 6-month extension to the existing business case to the value of £1.4m up until September 2017. This has somewhat limited our projected progress on some of the key projects needed to be progressed this year to compliment the projected start of commercial air

services. Projects such as Rupert's development including Side Path and Field Roads, the prison and rock fall protection will have to be developed in slower time.

This highlights the risks to SHG of depending on a small number of major donors, we must and will do more to find alternative sources of funding to progress these projects and reduce our reliance on UK Government funding sources. **We must continue to invest in our infrastructure to support the development of the Island and enable the community to achieve the goals set out in the 10 Year Plan.** But this is only half the battle, good maintenance structures are so critical to our development and more work is needed in developing and financing such programmes.

DROUGHT

Mr Speaker, 2016/17 was also a challenging year with everyone being asked to restrict water usage during the drought period, fortunately the rains came in February and reservoirs are now full to capacity. However Mr Speaker, if the drought had continued we might have found ourselves in a very difficult position. We must therefore build our resilience as these irregular weather patterns are likely to become the norm in the future with the implications of climate change.

Council is keen to ensure that there is greater political oversight of this precious resource, and a subcommittee is being formed to take forward a review of the current framework. Work however continues to find a sustainable and affordable solution for capturing water resources with the deep bore drilling by the contractors that have recently left the Island. These have and are being financed through the Capital Programme. We look forward to the outcome of this contract.

PROGRESS ON THE PROSPECTUS FOR CHANGE

We must continue public sector reform to ensure the people of St Helena get the public services they deserve, and perhaps more importantly, for the staff in SHG to create the organisation that they want to work in.

A selection of the changes in train are:

- Introduction of the Employee Representative Committee (ERC)
- Partnership Forum - for representatives of the ERC to discuss with management face-to-face matters that directly affect staff
- Pay and Grading Review - the final Pay and Grading report has been submitted and work on the creation of Job Families has also been completed and will be shared with the ERC
- We continue to work at identifying successors to take on the roles of TC Officers. The spate of recent succession plans achieved is a real testament to our local staff that if you are ambitious, dedicated and committed, the opportunity for a rewarding and fulfilling career within SHG is a reality.

IMPROVED COMMUNICATIONS - CABLE AND EDF PROGRAMME

Mr Speaker, there are two very important projects that are being pursued by SHG and its partners which could significantly change the landscape for St Helena.

The first is securing a fibre optic cable to improve internet connectivity on the Island and the second is to achieve 100% energy from renewable sources.

CABLE PROJECT

Mr Speaker, in 2016/17 on the back of the UK's decision to leave the EU, Executive Council agreed that St Helena should pursue a fibre Cable from the EDF 11 programme instead of a new build hospital. There were a number of drivers for this change however securing the funding was of paramount importance and this was considered necessary before article 50 was triggered. In addition, after careful consideration the benefits of the cable outweigh the benefits of the hospital given that most of the improvements in health was predicated on telemedicine which could not be delivered without the capacity on offer with a cable. There are two other key benefits, the first being in education where curriculum and teaching are heavily reliant on better connectivity and the second being the economic development potential which would open up other opportunities for St Helena.

A Digital Strategy has been drafted and endorsed by the Economic Development Committee for public consultation, this is likely to commence over the coming weeks.

RENEWABLE ENERGY

The second key project for the Island comes on the back of the newly adopted Energy Strategy, where SHG in conjunction with Connect Saint Helena Ltd are looking at options to get to 100% renewable energy. An expression of interest was recently launched to understand what interest there is in helping the Island to reach this ambitious target, we were fortunate to get a significant number of responses. The benefits of meeting this target are hugely significant for the people of the Island, not only will there be environmental benefits, there are expected savings to be had in generation costs which will result in a reduction in the cost of electricity to consumers across the board. **This is good news for all given the extremely high cost of energy on the Island. Mr Speaker, it is also pleasing to announce that there will be no increases in the price of electricity in 2017/18.**

OUTLINE OF THE BUDGET 2017/18

Mr Speaker, moving now to the budget outlook for 2017/18, I am pleased to announce that we have received a Financial Aid settlement for the coming financial year of £28.7m, this is a real term increase of £6.2m compared to last year's settlement and we are grateful to the UK Tax payer including our Saint Diaspora, the increase is largely associated with the £4.2m cost of maintaining the RMS in service. However, I'm also pleased to announce increases in other frontline services such as an additional £250K on Health, £270K on Education, £267K on Safeguarding and £100K on social benefits.

This is a good news story for the Island, given the current political climate in the UK. To achieve any real term uplift in expenditure should not be taken lightly, and we thank

Elected Members, government officials, directors and the Financial Aid Mission team for all the hard work which went into the negotiations and provision of supporting documentation.

Total spending for 2017/18 is expected to be £42.1 million. It is estimated that SHG will allocate this budget to the five key goals outlined in the 10 Year Plan as follows:

£8.1m	<i>Altogether Safer</i>
£11.4m	<i>Altogether Healthier</i>
£11.1m	<i>Altogether Wealthier</i>
£5.6m	<i>Altogether Greener</i>
£5.8m	<i>Altogether Better for Children and Young People</i>

Local revenues for 2017/18 are expected to decrease slightly, which is largely linked to the slow down as a result of the demobilisation of Basil Read (BR). The average wage levels continue to hold - this is largely down to the private sector absorbing BR workers and labour market remaining tight. Revenues from Customs are expected to be lower than the last year from £6.0m to £5.7m. This is due to a lower expected import of tobacco products which we have seen in the last financial year. Tax Revenues are expected to rise marginally on the previous year's budget increasing from £5.1m to £5.2m. We continue to provide support to the private sector through the investment tax credit scheme which limits the corporation tax we expect to collect, however we also expect an increase in PAYE and Self Employed tax revenues which will enable us to at least maintain the level of tax revenues for this year. When compared to the actual outturn for 16/17, the customs and tax budgets increase by £0.5m. Other local revenues are expected to be lower than the previous year from £2.7m to £2.6m.

TAX & CUSTOMS CHANGES

Similar to the last financial year, 2017/18 will see no significant changes to our tax policies, there are only minor changes to the Investment Tax Credit which will see the introduction of a £30K cap on the amount of ITC that can be claimed in any financial year. This modest change was a result of consulting with the business community and Elected Members - listening to their concerns and responding accordingly. It is important that as an Island we portray a stable tax environment where we do not change our tax policies regularly, I'm therefore please to confirm there are no other changes to tax proposed for the next financial year, **Corporation Tax will remain at 25%, the personal allowance will remain at £7000 and the first £18,000 of chargeable income will be taxed at 26% and a higher rate of tax of 31% will remain for chargeable income over £25,000.**

The ITC system was introduced in April 2013, and whilst this year there has seen a significant increase in the uptake of the ITC scheme, what became apparent throughout the consultation process is that not all businesses are aware of the ITC scheme and have not enjoyed the benefits of their investment over the past four years. To those businesses that have not taken advantage I would encourage you all to take up this

offer for the 16/17 tax year. What else is evidently clear is that the Island is suffering from a lack of good financial services advice. ESH have been tasked to find a way to address these skill gaps and facilitate the delivery of these essential business services.

Increases in Customs Duty for alcohol and tobacco and decreases in Customs Duty for renewable energy systems and water tanks

Mr Speaker, as in previous years I'm announcing that as with effect from 30 March 2017 there is an **increase in the duty on Alcohol and Tobacco**. For Alcohol there is a 4.7% increase in duty which is in line with inflation over the past 12 months, Tobacco increased by 5.7% which is inflation plus 1%, these increases are the same as that agreed in 2016/17.

This meant that duty on a 330ml bottle of Castle Light beer increased by 3p, a 750ml bottle of Spirits with an alcohol content of more than 22% the duty increased by 58p. For a pack of 20 cigarettes the duty increased by 20p.

Mr Speaker, the additional revenues generated from these increases will help to maintain essential public services such as health, education for our children and policing services.

Mr Speaker, we are also pleased to announce that further changes has been agreed to support the Island's push on the green agenda, I can also confirm that from 30 March 2017 a number of goods were reclassified to the 5% category of the Customs tariff. These include the likes of solar panels, photovoltaic panels, wind turbines and rainwater storage tanks. Members of Legislative Council hope that this benefit will be passed on to consumers by the merchants.

This builds on changes made earlier in 2016/17 which saw further support to the agriculture community where a number of goods were reclassified to the 5% bracket, such as seed, farming plant and machinery, to name a few. This shows SHG's continued commitment to support the farming industry especially given the drought circumstances we encountered in the last financial year.

TAX STABILITY - TAX OUTLOOK FOR NEXT FIVE YEARS

Whilst we do not intend to change Corporation Tax and Income Tax rates for the coming financial year, the tax and revenue working group will be exploring options for broadening the tax base, ensuring those who have the ability to pay more will be targeted as opposed to targeting vulnerable people. **Any additional revenues generated will be used to finance essential public services.** Some of the options that will be explored over the next 12-18 months include the options of introducing:

- **Land Tax** - to encourage the productive use of land and stimulate the movement of the land in the market
- **Property or Empty Property Tax** - to increase the availability of homes to rent or buy
- **Inheritance Tax** - to help balance the social costs of an aging population
- **Infrastructure Levy** - to help fund infrastructure growth

- **A broadening of the Service Tax** - which will help capture the benefits of increased tourism spending

These are some of the options that will be explored in detail with the new Legislative Council, followed by detailed public consultation on the issues to ensure there is understanding of the proposals and buy-in from the community.

FISHING & FARMING

Whilst we are working to preserve future fish stocks, we are also supporting the Fisheries Corporation to maximise the value of our fish - ensuring that quality is preserved through the distribution line and ensuring our fishermen get the best price per kilo for their catch. We are pleased to announce that SHG will be supporting the fisheries corporation with a contribution to running costs of £180K, up from the £120K in 2016/17.

In addition, I can confirm Executive Council has approved a further one-year exemption on the customs duty on fuel for the fishing industry, this will mean fishermen continue to access fuel at a subsidised rate - I'm sure this will be welcomed by the industry as we look to implement the fishing strategy in the coming year. Mr Speaker, this is one of the key industries where we have a resource which we can exploit in a sustainable manner for the benefit of the fishing sector and the economy as a whole.

MINIMUM WAGE

Mr Speaker, I am pleased to inform the House that the Employment Rights Committee completed the consultation in reviewing the minimum wage, and a recommendation has been accepted by Executive Council and notice has been given that with effect from 1 August 2017 the minimum wage will increase from £2.60 to £2.95 per hour for adults 18 years and over and the new rate for young adults between the ages of 16 - 17 is £2.00 per hour.

Mr Speaker, this is indeed good news for our working community and especially those on low incomes, this will also go some way in assuring that no one falls into the poverty trap.

UPLIFT IN MIS

Linked closely with the minimum wage is the annual review of the Minimum Income Standard (MIS) which is based on the retail price of goods within the shopping basket. The recent exercise has seen an increase in the price of goods in the shops and as a result there will be a 3.4% increase in Income Related Benefits (IRB) and Basic Island Pension (BIP). This means that IRB will increase from £59.60 to £61.60 and BIP will increase from £61.60 to £63.70 per week.

This increase, whilst small in real terms, will make a difference to those in receipt, the increase to the IRB and BIP since the introduction of the MIS is now around 25% in the last four years. SHG continues to support those in most need of help.

More work will continue on improving the system trying to make it as fair and equitable as possible, a complete review of the Social Benefits system will take place in 2017/18.

THANKS

Mr Speaker, I remember being the Acting Financial Secretary when the Members of this Council were elected back in 2013, I think together this Council, officials and NGOs have been able to make tremendous progress over the past four years, it has not always been easy but what I have found over the time that everyone has been working towards the same goal of improving the quality of life for all on St Helena. This has to be good for the Island. The challenges have been great - WASS Inquiry, delayed start to scheduled air services, delayed announcement of the extension of the RMS, the drought, the recent break downs of the RMS and subsequent access to the Island, but let us dwell on the positives:

- We have a new Airport that works and is fit for purpose especially given that ASSI has recently certified the airport indefinitely
- We had our first large charter operation to bring home our fellow Islanders
- A new commercial air service is likely to start later this year
- The introduction of the Minimum Income Standard
- New jetty and sea rescue facilities in Rupert's
- Fully refurbished Hospital offering significantly improved services
- The average wage has grown significantly over the past four years and continue to rise
- A 47.2% rise in public spending on core services since this Council was elected back in 2013

Mr Speaker, this Council will be dissolved on 20 May, our thanks are extended to all Members past and present for their hard work over the past four years, we look forward to working with and supporting the new Council in their endeavours later this year and I would encourage everyone on the electoral roll to take this opportunity to use their vote to determine who they want as the future leaders of our Island.

Mr Speaker, I would like to extend my sincere thanks to all those who have contributed to this budget including Elected Members, senior management, directors and their staff and especially to my Corporate Finance team for their continued hard work and dedication in developing this budget, I would like to make special mention of the Assistant Financial Secretary Nicholas Yon, Accounting Services & Budget Manager Sara Benjamin, and Head of Finance Services Connie Stevens for the countless hours over the past couple of months in being able to present this budget to you today.

CONCLUSION

Mr Speaker, I started by saying this is my first Budget Speech, and I think it is important to set the tone for the year ahead, I have tried to be open and honest about the Island's performance over the past year, what we have done well and what we have not done so well, I've also outlined what the Island intends and needs to implement in the year ahead.

As an Island we are at a crossroads in our history - yes we have our problems just like any other nation and whilst some might feel deflated with the setback to the start of commercial air services and the recent issues around access to the Island - we have an opportunity in this year like none we have had before - to change the outcomes for our Island and set us on path where we can eventually take more control of our own destiny.

Scheduled commercial air services are expected to start in 2017, something that we have waited on for so many years, so I call on everyone on the Island to give it a chance, more visitors mean more money in the economy and more well paid jobs for all and more spending – more taxes which will support essential core government services and allow additional support to the most vulnerable members of society to ensure that **they are not left behind.**

Mr Speaker, this budget presents an opportunity to take advantage of the potential benefits of air access, one which will only come around once and it is our role to make it work for St Helena and its people. As an Island, if we accept the challenge and do so, St Helena will not only have a future, but a thriving one at that.

Mr Speaker, I beg to move.

Financial Secretary Dax Richards

SHG

12 May 2017