



## **ROLLOVER BUDGET SPEECH**

### ***BY FINANCIAL SECRETARY, DAX RICHARDS***

Mr Speaker, it is disappointing that I'm here today seeking support for this Motion to implement a rollover budget for the start of the new financial year 2017/18, however it is a necessary request to allow the Government to continue to provide essential services from 1 April 2017.

For the interest of the listening public, a rollover budget is the mechanism used to allow the business of Government to continue in the absence of agreeing a balanced budget. For the sake of clarity, for Elected Members and members of the public - if this motion is not supported today we will be unable to provide any public services on 1 April. The approval of a rollover budget by a resolution of Legislative Council empowers the Financial Secretary to authorise the withdrawal of monies from the Consolidated Fund at a value of up to four months of the budget of the previous financial year or until such time that the Appropriation Ordinance for 2017/18 is approved by this House and is enacted.

Unfortunately as of today, we still have not received a Financial Aid Settlement from the Department for International Development for the coming financial year 1 April 2017 to 31 March 2018. We are led to believe that the submission is with the relevant Minister for approval and we are hopeful this will be communicated soon. We continue to work with our colleagues in DFID to this end.

The funds currently in the Consolidated Fund amount to £1.5m. Obviously that is not enough to keep SHG operational for the four months, but we also know that we will receive regular income from tax and other revenues. It is my hope and belief that the matter will be resolved shortly and Elected Members will get the opportunity to scrutinise the budget at a future Legislative Council meeting.

Mr Speaker, the rollover budget will restrict SHG spending to a maximum of £11.3 million for the period and will be made up of maximum budget for each service area as follows:

| <b>HEAD OF EXPENDITURE</b> |                                      | <b>Rollover<br/>Budget<br/>Apr – Jul 17<br/>£</b> |
|----------------------------|--------------------------------------|---|
| 12                         | CORPORATE SUPPORT, POLICY & PLANNING | <b>391,000</b>                                    |
| 13                         | HUMAN RESOURCES SERVICES             | <b>2,508,000</b>                                  |
| 15                         | POLICE                               | <b>419,000</b>                                    |
| 17                         | CORPORATE FINANCE                    | <b>1,566,000</b>                                  |
| 19                         | ECONOMIC DEVELOPMENT                 | <b>369,000</b>                                    |
| 21                         | SHIPPING                             | <b>1,278,000</b>                                  |
| 22                         | EDUCATION & EMPLOYMENT               | <b>935,000</b>                                    |

|    |                          |                   |
|----|--------------------------|-------------------|
| 23 | HEALTH & SOCIAL SERVICES | <b>1,827,000</b>  |
| 26 | ENRD                     | <b>988,000</b>    |
| 29 | SAFEGUARDING             | <b>1,028,000</b>  |
|    | <b>TOTAL</b>             | <b>11,309,000</b> |

As a result there can be no budget speech today, however I will take this opportunity to inform members of the public of what changes will come into force which have financial implications, some of these changes will come into force from today.

Earlier today, Council supported the changes to the Income Tax Ordinance which will see the introduction of an annual cap on the amount of Investment Tax Credit that can be claimed by an entity in each financial year, this cap is confirmed as £30k per annum. This will see the continuation of the generous scheme for another year to support and encourage investment ahead of the start of commercial air services. This is a good news story for the private sector and shows SHG's continued commitment to economic development. Businesses will continue to get the full benefit of the ITC scheme but the changes agreed today will see this benefit spread over a period of time and will have less of an impact on SHG revenue sources with effect from 2018/19.

It's also pleasing to announce that recently Executive Council approved an increase in the Minimum Income Standard which is the basis on which the Income Related benefits and Basic Island Pension are calculated. The Minimum Income Standard which is based on the retail price of goods within the shopping basket is reviewed twice yearly and takes into consideration many of the components which are factored into the overall inflation rate such as food, clothing, household goods, miscellaneous goods, transport, Government Landlord Housing costs and utilities. The latest rate of inflation for last year is 4.7% and the difference between the MIS and the general rate of Inflation is private housing costs, fuel, light, alcohol and tobacco.

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 and Basic Island Pension. This means that IRB will increase from £59.60 to £61.60 per week and BIP will increase from £61.60 to £63.70 per week and will come into effect from 1 April 2017. This increase, whilst small in real terms, will make a difference to those in need in our community. A further review of the MIS will take place in the first half of this year and rates will be adjusted accordingly.

Mr Speaker as in previous years, I'm announcing that as with effect from today there will be an **increase in the duty on alcohol and tobacco**. For alcohol there will be a 4.7% increase in duty which is in line with inflation over the past 12 months, tobacco will increase by 5.7% which is inflation plus 1%, these increases are based on the same policy that has been agreed and implemented over the past two financial years.

This will mean that duty on a 330 ml of Castle Light or Windhoek Lager will increase by 3 pence, 21 pence on a bottle of wine, 58p on a 750ml bottle of spirits with an alcohol content of more than 22 %. For a pack of 20 cigarettes the duty will increase 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, safeguarding and policing services.

Mr Speaker, we are also pleased to announce that further changes have been agreed to support the Island's push on the green agenda, from today I can also confirm that a number of goods will be reclassified to the 5% category of the Customs tariff. These include the likes of solar panels, photovoltaic panels, wind turbines and water storage tanks. We hope this will encourage more people to consider the use of sustainable energy and storage sources which have come down significantly in price over the years. Members of Legislative Council hope that this benefit will be passed on to consumers by the merchants.

Mr Speaker, this is not the start to the new financial year any of us would have wanted, this rollover budget however does ensure that we continue to provide essential frontline services, we are hopeful that we will get ministerial approval soon on the Financial Aid settlement and give the certainty the Island needs over the coming year to allow us to start to take full advantage of the start of commercial air service which we hope will commence later this year.

A further formal Legislative Council sitting will be required to approve the substantive Appropriation Bill once a settlement has been received from DFID.

Mr Speaker, I beg to move.

**Financial Secretary**  
**30 March 2017**