



BUDGET SPEECH 2021/22

Introduction

Mr Speaker, I beg to move that the Appropriation Bill 2021 be approved in principle and referred to a committee of the whole council.

Mr Speaker, it gives me great pleasure today to present the Budget for the 2021/22 financial year. This budget provides for the continuation of essential public services for the year ending 31 March 2022. As outlined in the March sitting, due to not receiving a confirmed settlement for Financial Aid from Her Majesty's Government until the end of April 2021, it was necessary for this House to approve a resolution for a rollover budget authorising expenditure equivalent to one third of the 2020/21 budget.

Like most places, St Helena has felt the full impact of COVID-19 over the past year, in particular within the tourism sector. Limited access to and from the Island over the past 12 months have meant that we have seen spending by visitors of around £2 million. This is a significant reduction compared to the previous year where it is estimated tourism contributed around £5 - £6 million to the local economy. Last year, the UK Government provided £3 million to mitigate some of the impact of the COVID-19 pandemic. Some of this funding was used to support businesses in the tourism and hospitality sectors during the last financial year, however, this support was tapered off during the year and, due to the limited funding available in this financial year, all support was withdrawn at the end of March 2021.

In total 91 businesses benefited from this support amounting to £404K.

Mr Speaker, this budget sets the foundations for a recovery. Out of adversity comes opportunity and we cannot continue to do what we have always done, and think like we always have, as an Island and a community we must adapt our thinking and diversify, reducing our reliance on a particular sector. Many will have heard the words of the late Prince Phillip when he visited the Island back in 1958, where he said 'we shouldn't put all of our eggs in the one basket' referring then to the flax industry that later collapsed. This budget will allow us to build on what we have achieved to date and allow us to continue to work towards the national goals as set out in our 10-Year Plan.

Mr Speaker, whilst it is important to recognise that there are many challenges ahead, we must also celebrate the positive outcomes that we have achieved in these difficult times:

- Firstly, Mr Speaker, we continue to be COVID-19 free allowing our residents to enjoy a life style that so many people across the world have dreamt about over the past 12 months. This Mr Speaker isn't by accident; it is down to the policy makers and the hard work and dedication of those in the Public Service and

within the private sector who have worked so diligently to help protect our borders and reduce the prospect of a community spread. On behalf of SHG I wish to thank each and everyone who have contributed to this huge success which shows what can be achieved through collaboration and working together

- Significant progress has been made on the landing of the Fibre Optic cable. To date the Island has taken receipt of and installed the cable landing station and associated infrastructure in Rupert's and this has been completed in the main using technical staff from within SHG and local contractors. This is a significant achievement for the team working on the Project. It is expected that the vessel that will be laying the cable will arrive at St Helena on or around 20 August 2021, laying the St Helena branch from the beach manhole to the branching unit some circa 1,100 km away. It is unfortunate however that due to delays in manufacturing of the main trunk cable we are now expecting delays as to when the cable will become operational. Once we have confirmation of the extent of the delay, we will provide an update.

Other key highlights Include:

- SHG achieved an unqualified audit opinion on its Annual Financial Statements for the year ended 31 March 2020, this is the first unqualified audit opinion since the adoption of accruals accounting and the IPSAS framework. This is a significant achievement for this Government
- The agreement of a five-year Peaks management project funded by the Conflict, Stability and Security Fund (CSSF)
- The completion of a successful Rockfall Protection project in both Jamestown and Rupert's Valley
- Phase 1 of the Bottom Woods Comprehensive Development Area (CDA) has commenced with two new Government Land Houses having been completed, and we aim to make several residential plots available for sale to the public shortly
- Through the Micro projects we were able to refurbish two public toilets, construct a walk way at Longwood Avenue and completion of covered areas for St Pauls Primary School and the emergency service entrance at the hospital
- Standard and Poor's (S&P) awarded St Helena an investment grade credit rating of BBB minus this year
- SHG received the third tranche of EDF 11 funding from the EU amounting to €5.65 million which will be used to fund the St Helena branch on the Equiano cable project
- The Gibraltar International Bank is offering international bank accounts to local residents and businesses
- The Communication Network and Services Policy was endorsed by the Economic Development Committee in October 2020 and approved by Executive Council in November 2020. The Policy will ensure that SHG has in place regulations, to protect and meet the needs of consumers
- Contractual terms were agreed with Telecom Egypt in August 2020, for the provision of the Fibre Trunk Capacity & Submarine Line Terminal Equipment (SLTE)
- A number of the Fit for the Future transformational programme Phase 1 reviews have been undertaken with some already completed and the successful creation of five Portfolios and a Central Support Service

- A successful Population and Housing Census was undertaken on 7 February 2021
- Significant progress has been made in moving towards a Ministerial form of Government
- The Company Registry Policy was agreed by the Economic Development Committee in October 2020
- 62 % and 57% of primary school students achieved age related expectations in English and Maths respectively
- 51% of students achieved five GCSEs graded at C/4 or above including Maths and English. 60% of Students achieved a grade C/4 or above in at least five subject areas
- Four students have attained honours degrees in the fields of Biomedical Science, Law, Aerospace Engineering and Electrical Engineering
- The St Helena Community College (SHCC) with the additional support from Sure SA Ltd was able to meet 75% of the training needs of SHG and 94% of the training needs identified by the private sector
- Eight teachers gained the Cambridge Certificate in Teaching and Learning qualification
- Two Education staff have achieved the IPGCE qualification with many other staff achieving qualifications in their respective areas
- The St Helena Research Institute successfully co-hosted a number of events with SAERI and was successful in raising funds for a number of projects throughout the year
- The Acute Mental Health Unit was completed at the hospital
- The return of a UK qualified Biomedical Scientist to work in the Laboratory and the localisation of the Theatre Sister post
- Two Nurses achieved a top nursing degree
- Social Care continues to develop its community offer outside of residential care, this being particularly important given the rising needs of the population and enables people to remain at home for much longer.

The process

Mr Speaker, we started the strategic planning and budgeting process in July 2020 where Members reaffirmed the Policy Priorities that were agreed during the previous year. A draft three-year budget was presented to HMG before the Financial Aid mission in December which presented a budget deficit of £0.75 million in 2021/22 to support essential services and progress new policy changes.

HMG officially informed SHG at the end of April 21 that the annual settlement would be a flat line budget in monetary terms which, in real terms, is a reduction after taking into consideration inflation.

Mr Speaker, we are grateful for the continued support from HMG. We believe in the circumstances this is a good outcome for St Helena to achieve a flat line settlement particularly during a period when the UK Aid budget has been significantly reduced given the impacts of COVID-19 on the UK economy and the Government's proposal to

reduce its contribution to the Aid budget from 0.7% of Gross National Income (GNI) to 0.5%.

The economic environment

Like the rest of the world, St Helena's economy has been adversely affected by the COVID-19 pandemic. Whilst St Helena's community has so far been COVID-19 free, St Helena Government has had to bear the costs related to prevention, preparation, and having to provide economic support to those most adversely affected whilst ensuring physical access to and from the Island was maintained. Thankfully though, the impacts on our economy have not been as severe as some other Island economies around the world. This is largely as a result of continued budgetary aid which accounts for around two thirds of St Helena's fiscal receipts. The remainder of fiscal receipts, mainly customs duties and corporate taxes were not so far significantly affected, however the true level of change will become clear this year as private sector profits will be declared in their tax returns over the coming months.

Restrictions in travel have meant that many people who would normally travel overseas for short periods have stayed and spent their money on St Helena. Whilst staycations haven't necessarily been popular enough to benefit the hospitality industry, anecdotal evidence suggest many retailers have been seeing increased custom.

In 2020/21, £3.0 million was provided by the UK Government for COVID-19 preparedness. This was spent on establishing medical and quarantine facilities, ongoing costs associated with quarantine, PPE, additional medical staff requirements, repatriation flight costs, and a business support scheme. A two-week quarantine requirement has been in place for all arrivals to the Island since March 2020. However, since that time, testing resources have been delivered to St Helena, and over 95% of the adult population have been vaccinated which has allowed some relaxing of the rules to allow a travel corridor with Ascension and more recently reducing the quarantine period from 14 to 10 days.

There was a reduction in total estimated expenditure by visitors of roughly 60% - 70%, from £5 - £6 million in the financial year 2019/20 to £2 million in 2020/21. And although, the tourist spend has vastly fallen, this was partly offset by the additional £3.0m additional support to St Helena by the UK government in 2020/21. SHG is not expecting another support package this year for COVID-19, therefore it is likely that the impacts of COVID-19 will be seen more strongly in the budget and economic indicators for this year and beyond.

Between April 2020 and March 2021, there were only 250 arrivals for tourism or leisure purposes compared to 2,400 during the same period in FY 2019/20. The majority of these (94%) of arrivals for tourism or leisure purposes were St Helenians returning to visit friends and relatives.

While the number of visitors was significantly lower in the financial year 2020/21, the length of stay for a majority of arrivals was much longer than average due to the

reduced flight schedule – 40 days compared to eight days when weekly or twice-weekly flights were available.

Largely as a result of strong and ongoing institutional and financial support provided by the UK, the Island's balanced budget principles, and the absence of debt, St Helena's credit rating has not been downgraded, unlike some other economies, and is still stable at BBB minus. Real GDP has been forecast by S&P to grow by 0.5% in 2021, 2% in 2022 and 3% in 2023.

Mr Speaker, on 7 February 2021, a Population & Housing Census was undertaken on St Helena. This was the first Census since the start of commercial air services, but of course was undertaken at a time with unprecedented low tourist numbers as a result of the pandemic. On Census night there were 4,439 people living on St Helena – this includes people who were temporarily abroad but does not include those visiting the Island for a short time. This is slightly lower than in 2016 when 4,534 residents had been recorded. Out of the 4,439 people recorded in 2021, 93% were St Helenian.

A worrying statistic is that the proportion of St Helenians aged 65 and over is continuing to rise relative to the working age population. The 2021 Census counted 1,087 resident St Helenians aged 65 or older – a quarter of the total number of people living on the Island. This is up 18% compared to those who were 65 and older in 2016. This ageing trend is mainly due to increasing life expectancies, and the return of St Helenians who left to work abroad when they were younger, typically from the United Kingdom, Ascension, or The Falklands.

Similarly, and just as concerning is the reduction in the number of people aged 15 - 64, which at 2,484 is down 6% compared to 2016. This confirms an increase in the number of young families moving abroad. Reversing this trend Mr Speaker, and growing the working age population, has to be a priority for the Government over the coming years.

This Government continues to increase the Minimum Wage and Income Related Benefits (IRB) to ensure the lowest paid do not struggle with inflationary pressures. The adult Minimum Wage increased to £3.25 per hour from £3.18 on 1 July 2021. The Minimum wage for 16 and 17 year olds increased to £2.30 from £2.23 per hour. St Helena's Minimum Wage first came into place in June 2013 and at the time was just £2.30 per hour for adults, so the Minimum Wage has increased by 41% since inception, which is a larger than inflation increase which has been 22% since 2013. The aspirations to continue increasing the Minimum Wage above inflation to help improve the wealth of the working age population have been outlined in the Minimum Wage Policy which was endorsed earlier this year.

Median income from full-time employment in 2019/20 was £8,690, up from £8,410 in 2018/19. This equates to less than 30% of the UK median wage equivalent. The median income was an increase in real terms of 0.6% compared to the previous year. The lowest earners experienced a small average increase in income, largely as a result of the Minimum Wage being increased. Highest income earners experienced a small average decrease in income. The number of full-time employees eligible for Income Tax (i.e. above the £7,000 threshold) has increased from 1,448 in 2018/19 to 1,534 in 2019/20, largely as a result of the Minimum Wage pushing up low incomes.

The new Minimum Income Standard (MIS) calculated by the public in 2020 is used to inform the Minimum Wage. The MIS rate is what the public considers is needed for a family of four to have a socially acceptable minimum standard of living. Therefore in 2021 the MIS was delinked from the IRB rate, which by necessity has to be lower than the Minimum Wage. The IRB rate is now to be set as a percentage of the Minimum Wage, IRB is currently 61.2% of the minimum wage.

The number of recipients on IRB = increased by 12% from 194 in March 2020 to 217 in March 2021.

The number of recipients of the Basic Island Pension decreased from 785 in March 2020 to 783 in March 2021.

The number of recipients of the Unemployment Allowance decreased from 39 in March 2020 to 23 in March 2021.

Inflation on St Helena is largely driven by external factors. As such, inflation forecasts have been revised in light of global events. The 2019 annual rate of inflation was 2.9%, lower than the previously forecasted rate of 4.2% and the 2020 annual rate of inflation was 1%, lower than the previously forecast rate of 2.2%. We have revised the forecast for future year inflation to reflect the continuation of this trend and the relative changes in forecasts in the UK and South Africa due to lower than expected inflation in the near term and increased inflation in future years.

We forecast inflation to be around 3.0% for 2021/22, 3.6% for 2022/23 and 3.5% for 2023/24.

'Brexit' has been another impactful event for St Helena in the 2020/21 financial year. The Trade and Co-Operation Agreement released in December 2020 provided some of the detail necessary to fully understand its impact on St Helena. EU freedom of movement ceased at the end of the Transition Period. British Citizen (BC) passport holders resident in the OTs and in the UK are subject to the same guidelines. Visa-free entry to most EU countries have continued for tourists (90 days in any rolling 180-day period) and for short term business visitors/investors. There were changes to the rights of British Citizens living and working in the EU, for example, visas and work permits will be required. The British Overseas Territories (BOTs) could still be eligible for a number of funding programmes but only if the United Kingdom participates in them. The BOTs remain outside of the Single Market and are subject to EU regulatory procedures. As the Overseas Association Decision (OAD) will no longer apply, OT-originating goods exported to the EU will be subject to the EU's Common External Tariff. The British Government, however, has allowed tariff-free exports to the United Kingdom from British Overseas Territories. Free Trade Agreements (FTAs) made between the EU and other countries have not applied to the Overseas Territories now that the UK is no longer a part of the EU, and so the BOTs will need to negotiate their own Trade Agreement with Europe, should one be sought.

The most critical statistic for St Helena's development at present is its trade balance. In 2019/20 St Helena imported £19.8 million of goods (mostly from South Africa (41%) and

United Kingdom (46%)) compared to £19.3 million of goods in 2018/19. In the last year before the Airport Project began, 2011/12, total imports were £13.0 million.

Outturn for 2020/21

Turning now to financial performance for the 2020/21 financial year. The projected year-end position is an overall surplus of circa £2.0 million. This is due to an over collection of fuel duties as a result of the tanker arriving at the very end of March 21 rather than in early April as was originally forecasted (£0.5m). There have also been a number of underspends in Health (£0.5m) (overseas medical referrals), Technical Cooperation (TC), (£0.3m) Central Finance Payments on behalf of the Crown (POBOC) (ASSI fees & Other employee costs) (£0.4m) coupled with other underspends in most Directorates. There is the potential for an under collection in fuel duty in 2021/22 depending on when the tanker arrives in March/April 2022.

The closing balance on the General Reserve of the Consolidated Fund as at 31 March 2020 is £6.4 million. This coupled with the projected surplus, would result in a year-end balance on the General Reserve of the Consolidated Fund of around £8.4 million. These are provisional figures for the year-end balance and as we complete the annual financial statements for 2020/21, we will be able to provide greater certainty over the level of funds available in the General Reserve.

There continues to be a number of commitments against the balance on the reserve, the £3.0 million agreed minimum balance is currently under review with a view to increasing the resilience of the public purse in order to mitigate against exogenous shocks, this will be particularly important during such uncertain times. The review will have to be undertaken in conjunction with Executive Council and the Foreign & Commonwealth Development Office (FCDO).

Budget 2021/22

Mr Speaker, turning now to this year's draft budget.

The proposed Government expenditure budget for 2021/22 is £48.5 million and will be funded by budgeted revenue of £47.3 million, which is made up of:

- FCDO Core Financial Aid of up to £26.79 million
- FCDO immediate Conditional Call Down Funding of up to £1.0 million
- FCDO Financial Aid for Airport Operations of up to £3.0 million
- Customs revenue of £5.4 million
- Tax revenue of £5.7 million, and
- Other local revenue including recharges of £5.4 million.

The budget is also supported by a one-off withdrawal of £1.2 million from the General Reserve of the Consolidated Fund.

There is also the remaining £1 million available under a Call Down arrangement with FCDO which will help to mitigate any significant unforeseen expenditure that cannot be covered within the approved budget.

This year as a result of the Fit for the Future programme the new portfolio structure has come into effect which saw a reduction from eight Directorates to five Portfolios and a Central Support Service. The Budget Book has been prepared to reflect the new structure and shows a like-for-like comparison with previous years.

There is £46.9 million of recurrent expenditure and £1.6 million of capital expenditure totalling £48.5 million. Of this £5.3 million is included for Pensions and Benefits and will not be required to be appropriated via this bill as these payments are already authorised under a separate ordinance.

Revenues

Local Revenues on the whole have remained static for this financial year with Taxes and Duties expected to be £11.1 million compared with £10.9 million in the last year. There have been some increases in fees and charges as a number of fees have been reviewed for the first time in a number of years. Going forward all fees and charges are to be reviewed annually and this has been reinforced in the MTEF process.

The biggest change to revenues this year is under other income received, which includes the projected revenues in relation to flights and maintaining access to St Helena which is used to offset the costs of chartering the flights. We estimate to collect over £2 million in revenue from the flights that have been confirmed to date.

It pleasing to note however that local revenues as a percentage of the overall budget has increased to 36% this is compared with 30% of the budget for the last financial year. It is certainly a step in the right direction in terms of reducing our reliance on financial aid.

Expenditure Highlights

The Health and Social Care portfolio has been allocated £9.6 million which is an overall increase in their allocation of just under £1.0 million, this includes an increased allocation for medical evacuation flights (additional £0.5m) offset by a reduction in overseas medical referrals (£0.3m). Elected Members continue to prioritise resources into these key priority areas in line with the agreed policy priorities

Pensions and Benefits have increased to £5.3 million, additional funds have been included in this budget to take account of the policy change that will see the removal of the 'household' eligibility criteria and the introduction of criteria based on 'families'. Elected Members have been pursuing this change for a considerable period of time, it is hoped that the amendments to the principle Ordinance can be achieved before the end of the term of this Council to bring the change into effect. This Mr Speaker will be welcomed by those who have fallen through the safety net since the introduction of the household status.

The Treasury, Infrastructure and Sustainable Development portfolio which brings together previously Corporate Finance, Infrastructure, Access and Economic Development budgets has a total of £14.5 million. Around £2.5 million has been set aside to maintain access to the Island via Titan Airways until the end of March 2022, this is offset however by any revenues collected. Whilst no funding has been set aside

for support packages, the establishment of a new Sustainable Development team which has assumed many of the functions from Enterprise St Helena such as investment and tourism management, has been welcomed by the private sector

The Education, Skills and Employment portfolio has been allocated £3.8 million which is an increase of £0.5 million compared to the previous year, largely due to the movement of the school bus contract from POBOC into Education (£0.3m), introduction of Careers Access St Helena and in addition Members have agreed an additional £64K for tertiary education, which will support our goal of investing in our young people as we will see up to eight students going off to University later this year eventually returning to take on key roles across the Island. This has been particularly welcomed by those students who qualified for a placement. It does however mean commitments against future year budgets, but rightly so as we must continue to invest in our young people who are ultimately the future leaders of our Island.

The Central Support Service which includes the Technical Cooperation (TC) programme has a total allocation of £10.0 million, which is an increase of £0.1 million compared to last year. This budget includes additional funding for the anticipated changes in relation to the introduction of the Ministerial form of Government.

Capital Expenditure

This budget makes provision for £1.6 million of capital expenditure which will complement the funding allocated through the Economic Development Investment Programme (EDIP). This capital expenditure does not necessarily fit with the objectives of the Economic Development Investment Programme (EDIP) and therefore other essential capital spending has to be appropriated through this budget. A significant proportion of this £1.6m has been brought forward from what was intended to be delivered in the last financial year but had to be rolled over into this year. The key expenditure lines include:

- £0.5 million included for capital investment at the Airport which includes a new road sweeper, some modification to the refueller and additional storage space
- £0.5 million for Health mostly to procure and install the Oxygen plant at Bradley's medical facility along with other essential equipment for the Health Service
- £125K provision for the replacement of essential equipment and furniture at the CCC
- £0.5 million agreed for the refurbishment of the Fish processing plant in Rupert's to support the fishing sector.

Key Budget Pressures and Risks

There continues to be a number of significant budget pressures in the 2021/22 financial year and beyond which need to be carefully monitored and managed.

In addition to the policy changes that I have outlined such as IRB, other key budget pressures include:

- COVID-19 impacts on revenue streams
- Over programming of the TC budget by 6%

- The medical referrals budget has been reduced by £300K
- £200K is included in the budget for the St Helena Hotel Development Ltd (SHHDL), it is imperative that SHG continues to financially support SHHDL, failure to do so could result in the crystallising of the £1.0m SHG guarantee to the Bank of St Helena if the company cannot meet their financing obligations.

Economic Development Investment Programme

Mr Speaker, we were recently advised by HMG that the allocation for funding available in this year for EDIP is going to be £4.0 million compared to £3.2 million in 2020/21. SHG had programmed a number of key projects for this year that exceeded the funding that has now been confirmed. This has meant a review of the programme and along with colleagues from HMG we have had to prioritise which projects would bring the biggest benefits to St Helena.

After taking into consideration existing contractual commitments from projects let in the previous year, this will mean £1.35 million of this year's budget will be used to settle existing contractual commitments from the previous year and the remaining £2.65 million will be used for the following projects:

- All works related to the rehabilitation of Side Path road only (excluding signage)
- Concrete works for the Main Container yard and Freight Station yard in Rupert's Valley
- Erection of the Port Control Building and Container Freight Station buildings in Rupert's Valley
- Commissioning of the internals for the Port Control Building and Container Freight Station buildings in Rupert's Valley
- Another round of micro projects to the value of £150K.

Approval has also been given for development of a Water Security project; however funding will be the subject of future discussions once the scope and costing has been finalised.

These projects will provide much needed fiscal stimulus for the private sector this year. With the investment in these key projects it is anticipated that Rupert's could become operational by the end of 2022. This would allow cargo operations to move from Jamestown into Rupert's and free up the Jamestown Wharf area for development in accordance with the Waterfront development proposal (which is yet to be adopted) thus eliminating the need for SHG to subsidise the cargo movements between Rupert's and Jamestown.

Tax Policy changes

Mr Speaker, there have been limited changes in Tax Policy over the past year, particularly in light of the impacts COVID-19 has had on the economy. However in March this year this House agreed amendments to the Income Tax Ordinance which clarified which allowances should be taxed. These amendments are scheduled to come into force on 1 October 2021.

Mr Speaker, as is customary, there have been some changes in specific duty on alcohol and tobacco to account for inflation. The duty on alcohol has increased by inflation in line with the current policy, this means an increase of 1.0%. As a result, the duty on a bottle of 750ml of Captain Morgan has increased by 14p, a 750ml bottle of wine has increased by 5p and the duty on a 330ml bottle of Castle Light has increased by less than 1p.

Tobacco and Tobacco Products have increased in line with the existing policy of inflation plus 1.0% or a 2.0% increase. This means that on a packet of 20 cigarettes the duty will increase by 5p, which in turn will lend support to SHG's policy to reduce smoking.

These changes came into effect from 1 April 2021.

I can also confirm Mr Speaker that there are no changes to the tax rates for this financial year. Corporation Tax rates will remain at 25%, or 15% for those businesses who are supporting the delivery of the Sustainable Economic Development Plan (SEDP) as agreed in 2019. The personal allowance will remain at £7,000 and the first £18,000 of taxable income taxed at 26% and 21% for those businesses supporting the SEDP and for income over £25,000 this will be taxed at 31% or 26% of those businesses supporting the SEDP.

Mr Speaker, we continue to review our tax policies and tax principles annually to ensure as far as possible that Tax Policy is progressive and we are able to grow the size of the pie. This year the Finance Committee has given approval to explore and develop options for consideration by the next Council with a focus on taxing wealth rather than income.

This year we will be exploring options for:

- Attracting and taxing Global businesses in line with the Company Registry Policy
- The introduction of an Inheritance Tax
- Expanding the Property Tax
- Expanding the Service Tax.

In addition, in support of our objective to make St Helena a great place to live and work, we will also be looking at options for introducing strategic tax incentives to complement the Labour Market Strategy such as:

- Assistance for returning Saints
- Exploring a child tax credit scheme
- Reviewing the personal allowance for potential changes to the tax threshold.

An options paper is being developed to look at these work streams and will be presented at the earliest opportunity to the new Council or relevant Minister for consideration.

Looking ahead

The Sustainable Development team will soon be leading a refresh of the SEDP sectors in consultation with the business community. This will be one of the first key strategies to be addressed with the new Council later this year.

Looking beyond tourism, the outlook in 2021/22 is far more positive than the year previous.

Mr Speaker, the completion and commissioning of the Cable landing station scheduled for later this year will be a significant achievement for the Island, and will lay the foundations for transformational change as St Helena enters the world of super-fast connectivity and unlimited usage once the cable becomes operational. The project team has to be commended on the progress to date, however ultimately the proof will be in the pudding.

The existing public telecommunications licence, currently held by Sure South Atlantic Ltd, will naturally come to an end on 31 December 2022. This has allowed St Helena Government an opportunity to launch a procurement competition for a licence holder from 2023 considering a very different communications environment compared to the existing licence. The procurement exercise is nearing conclusion and the preferred bidder is expected to be announced soon.

After political endorsement of our new Earth Station Licencing Policy earlier this year, SHG's Registrar has already licenced two additional earth station providers. We have been working on a number of shortlisted sites to progress one provider to the planning stage which will enable further earth stations to set up on St Helena. We welcome large users of data such as earth stations. Earth stations have the potential to increase revenues by purchasing large amounts of capacity on the cable, this in turn will have a positive impact on the cost of telecommunications for the wider community. We must do all we can to leverage the benefits from this Fibre Optic Cable.

We have also developed and consulted upon a Company Registry Policy and this was approved by the Economic Development Committee last year. St Helena already administers a Company Registry but we are in the process of modernising the Registry, bringing it in line with international obligations. We expect this work to continue to progress during this financial year with the relevant legislation anticipated to be brought forward in time for the start of the next financial year.

SHG continues to explore opportunities to grow and diversify local revenue streams. With this in mind, much focus this year will be placed on exploring options to develop the financial services sector on St Helena, taking advantage of links to the British legal system, our time zone being GMT and our geographical location. Research has begun and we are working closely with the Financial Services Regulatory Authority (FSRA) to explore how we can develop this sector in a methodical and ethical way that builds on our strengths and ensures we can meet international obligations. This work will link in very closely with the work on modernising our Company Registry. Whilst we do recognise this will take some time to develop, if successful it has the potential to be transformational for the economy, creating jobs in a professional services sector bringing in skills and expertise and boosting our working age population.

Mr Speaker, the Power Purchase Agreement (PPA) signed with sustainable energy 1 ltd, a subsidiary of PASH global, is currently under review given a number of proposed amendments put forward by the PASH team. It is hoped once the required technical and economic analysis of the proposed changes are completed both SHG and Connect Saint Helena Ltd will be in a position to determine whether or not the PPA should come into effect. We will provide an update on this matter in due course.

Maintaining access to the Island during the pandemic has been challenging, and it has made it difficult for people and businesses to plan ahead. With the continued uncertainty around when South Africa will come off the UK's 'red list', it was necessary to provide some certainty with a schedule of chartered flights with Titan Airways published through to the end of this financial year. This has been well received; the forward schedule has already seen a significant amount of capacity being booked. The Civil Aviation team had over 1,500 bookings forms within the first 14 days of publishing the schedule, which is great news. This has however meant that we are now oversubscribed on a number of flights. Therefore, I'm pleased to announce Executive Council has agreed for three additional charter flights with Titan Airways between August and December this year. There will be an additional flight in August, September and December where the demand is currently exceeding the supply. A press release has been issued with the dates. Furthermore we will continue to monitor the demand for flights between January and March 2022, with the hope that we are able to attract tourists back to our shores.

Mr Speaker, Tour Operators and Travel Agents are telling us that currently St Helena is not an attractive tourism destination despite its COVID-free status. They are telling us there are a number of barriers, which we are working towards reducing. The first being the frequency of the flights which we are addressing, the second is the cost of the flights which is a chicken and egg situation – if we don't sell sufficient seats we won't recover the cost of the flight. They have also said the requirement to quarantine for 10 days is the biggest barrier to attracting tourists back to St Helena. SHG must continue to review these arrangements particularly given that more than 95% of the eligible population are fully vaccinated and the mitigation measures, including our stringent testing regime, and our robust systems and processes that have been developed over the past 15 months.

Mr Speaker, the long awaited review of the Land Development Control Plan (LDCP) is nearing completion, after internal consultation it is expected that this document will be taken out to public consultation during the Purdah period. It is hoped that a new LCDP can be agreed early on in the tenure of a new Council that facilitates and complements sustainable economic and social growth.

The revised Immigration Policy was taken to public consultation at the end of 2020. Whilst it was hoped that the relevant changes to the Immigration Ordinance would have been agreed during the remaining life of this council, this is now looking unlikely given the limited time remaining for this council. This will also be another key piece of legislation that will need to be agreed by a new council as we look to grow our resident population and reverse some of the trends in our demographics I have outlined earlier.

The other work that Elected Members were keen to progress is the development of a National Contribution Scheme that will allow contributions to be made to cover the cost

of future health services. Unfortunately, we have not been able to progress this work as far as we would have liked with this council, given the complex nature and close links with wider pension reforms. However, this we hope will be given some priority by the new council.

Mr Speaker we continue to work on reducing the barriers to doing business on St Helena, we are well aware of a number of areas that still require further work to address the bureaucracy and inefficiency of systems and processes across SHG.

The Fit for the Future programme will drive change in this area particularly given the grouping of similar functions within portfolios under the Phase 1 of this programme; promoting collaborative thinking and a shared vision on the delivery of core services. There are further efficiency drives that will be progressed through Phase 2 and these will also start in this financial year.

Conclusion

Mr Speaker, the 2021 Census has shown that we are indeed heading for a very difficult time over the coming years unless we can do more to develop, attract and retain key skills on St Helena and ultimately increase the size of the working age population. This will require a change in mind set and I believe the SHG policies are starting to align to reverse this trend. We must prioritise welcoming working-age Saints and their families back to the Island and we must do all we can to encourage people with the skills that we need, to come to the Island rather than trying to keep them out simply because they do not have roots on St Helena. I want to assure members of the public that I am not suggesting St Helena pursues uncontrolled growth – we have seen in the past that even modest increases in the population can bring a substantial benefit. We all remember the difference an additional 300-400 workers made on-Island during the height of the construction of the Airport, and also what an additional 500 people does for the Island over the festive season. If we are to sustain positive economic growth we must also grow our resident working age population.

Mr Speaker, we are on the verge of understanding whether our next Government will be able to operate under a ministerial system for the first time in our history. I'm hopeful this will be last time the Financial Secretary will be here delivering the Budget Speech and introducing the Appropriation Bill. This would truly be a year for change. Let's hope in March 2022 the Minister who has responsibility for finance will be presenting the budget with many good news stories about the accomplishments that have been achieved during this financial year.

Mr Speaker, I would like to thank all those who have contributed to this budget process including all Elected Members, Directors and their staff, senior SHG officials and my team in the Treasury. I would like to make special mention of the Deputy Financial Secretary, Mr Nicholas Yon, Chief Secretary, Mrs Susan O'Bey, our Economists, Mrs Nicole Shamier and Mrs Amanda Curry Brown, Head of Finance Services, Miss Connie Stevens, and Budget Manager, Miss Sara Benjamin, who have been instrumental in presenting this budget today.

Mr Speaker, I would also like to take this opportunity to thank all Elected Members and both the Deputy Speaker and yourself for your support over the past four years. It has not always been easy and we do not always agree with each other, however, I truly believe everyone around this table have worked in the best interest of the people of this Island. I wish you all well for whatever the next chapter in your journey brings.

In conclusion Mr Speaker, St Helena like the rest of the world continues to face a number of challenges particularly given the ongoing uncertainty around the COVID-19 pandemic and its impact on travel and the economy. However, we have a lot to be thankful for – with no COVID we have very much been able to go about our daily lives unlike most across the world. We have seen the best the Island has to offer as we have come together as a community to celebrate occasions both big and small. The adversity of the past year has given us the opportunity to hit the reset button, to diversify, innovate, and collaborate. I suggest that we can – and must – continue in that spirit for the coming year as we navigate the challenges ahead.

Could St Helena become a great place to live, learn, work, visit and invest?

Mr Speaker, I do believe that together we can turn this vision into reality.

Mr Speaker, I beg to move

Dax Richards
Financial Secretary
16 July 2021