



GOVERNMENT OF ST HELENA

BUDGET SPEECH

**HON MINISTER FOR TREASURY
&
HON MINISTER FOR ECONOMIC
DEVELOPMENT**

2024/25 — 2026/27

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INTRODUCTION

Mr Speaker, I beg to move that the Appropriation (2024/25) Bill 2024 be approved in principle and referred to a committee of the whole Council.

Team Work

Mr Speaker, it is my pleasure to present today the 2024/25 budget, this is the third budget for St Helena under the ministerial system of government, and my third as the minister responsible for finance on St Helena.

Last year I used the Budget Speech to call for a change in mind-set.

This year, it has become more apparent than ever that the island faces pressing issues that mean we must all work together to build a better future for our people.

The private sector, non-government organisations (NGOs), individuals and the government all have a part to play in this island's future. We all need to work as a team to achieve our common goals.

Our vision is to enable St Helena's people to build their own futures and create their own opportunities, while not leaving anyone behind.

To do this, we aim to create an enabling environment that allows people and businesses to thrive, while preserving what makes St Helena unique.

We must also improve how SHG delivers as a government to ensure that essential services can be sustainably delivered into the future.

But we need all businesses and island residents to pull together.

ACHIEVEMENTS OF THE LAST BUDGET PERIOD

Mr Speaker, last year I outlined two key priorities for the 2023/24, these were:

1. To continue to establish a business friendly enabling environment; and
2. To establish effective infrastructure that provides economic resilience, certainty for consumers and, increases disposable incomes.

The work streams that were envisaged under these two objectives were:

Establishing a business friendly enabling environment

- a. Immigration reforms
- b. Reforms to Education
- c. Stabilise air and sea access
- d. Moving to a health system that focusses on preventative care

Investment in effective infrastructure

- a. Telecommunications, internet
- b. Wharf infrastructure
- c. Renewable Energy

Mr Speaker, I would like to start by taking this opportunity to outline what has happened since my last budget speech.

Immigration reforms

Mr Speaker, this Government has made significant progress in this area, a new immigration policy has recently been approved by Executive Council and work is underway to progress the drafting of the appropriate legislation and development of supporting and complimentary policies, in order that we do grow the working age population and market size on St Helena. I would like to come back to this later in my address.

Education reforms

Mr Speaker, unfortunately we have not been able to make much progress with the education reforms, as our priority has been on maintaining front line services in schools given the many challenges with teaching resources and the growing number of students with SEND and SEMH needs. It is pleasing to note however, Mr Speaker, that the graduate scheme to encourage our young St Helenians to return to the island after completing their studies has been formulated with a view to coming into effect from September this year.

Air and Sea Access

Mr Speaker, after a period of uncertainty with the interim shipping service provided by Meihuizen International, it is pleasing to note that after a competitive tender process SHG has been able to enter into a five-year agreement with MACS shipping to provide a reliable scheduled shipping service to St Helena. This has been welcomed by the majority of importers on island and to date the service has arrived on time providing the certainty and consistency that the island requires.

In addition, an extension to the Air Services Agreement with Airlink means services are secured until at least March 2026 and officers are currently in talks with Airlink aiming to provide longer term certainty for flights to and from St Helena, an essential component in developing a tourism economy.

On access, Mr Speaker, we are in a much better position than this time last year.

Move towards preventative Health Care

Similar to Education, we have not been able to make as much progress as we had hoped in moving towards preventative health care. Mr Speaker, it is no secret that Health continues to be one of SHG's biggest calls on the budget and one of our high risk areas, the challenges around overseas medical treatment in particular.

Resources have been diverted to managing a growing list of patients with growing complex needs, symptomatic of an ageing demographic and a society with high prevalence of non-communicable diseases such as diabetes and hypertension. It is

pleasing to note however that ER24 has commenced the service for overseas medical provision which has been well received by patients and clinicians alike.

I will also come back to Health and the resulting risks posed to this budget later, Mr Speaker.

Telecommunications

Mr Speaker, we were able to make significant strides in this area over the last year, and delivered on the promise of fast, cheaper and reliable internet services. This was achieved by partnering with Sure South Atlantic (Sure SA) to connect the local ASDL network to the cable landing station. This meant significantly improved services to the general public and businesses from 1 October 2023 and included, for the first time, access to unlimited data for island residents. The lowest published package now gives you access to more data than was available on the gold plus package previously. This has ensured that no one has been left behind.

Mr Speaker, we have not been able to progress the fibre network project with Maestro as originally envisaged, however this government remains committed to improving accessibility and are considering the next steps needed to realise our vision of being able to fully exploit the potential of the cable.

I am pleased to advise, Mr Speaker, that SHG have agreed to the minimum licence period for Sure SA to continue operating the public networks to 31 December 2025, allowing this government the time to develop the regulatory framework to govern the future of telecommunications beyond the current licence with Sure SA. A more certain environment with longer licencing arrangements will provide greater incentives for investment in upgrading the island's existing infrastructure.

It is also good to see the progress that is being made by Sure SA and their subcontractors in developing the OneWeb satellite ground stations at Horse Point. This investment by OneWeb will have a number of benefits for the island, including employment during and after the construction phase along with the purchasing of capacity from SHG which in turns ensure we are able to keep telecommunication costs at an affordable level for residents.

Rupert's Development

Mr Speaker, whilst there has been significant progress made on the Rupert's and Field Road Project over this past year, it is unfortunate that we have encountered a number of delays to the completion of this programme. This has largely been due to changes in the scope of works, weather delays and the challenges experienced as a result of a tight labour market. We have advertised a number of contracts without positive responses which has had an impact on the overall programme completion date. It was envisaged earlier this year that completion of both Rupert's and Field Road would be in June 2024.

With the increase in scope and some logistical challenges this date has been pushed back towards the end of this Financial Year. Whilst not ideal, the revised scope is envisaged to provide the most efficient operation for the port once fully operational.

It is still my vision for the Jamestown wharf area to be developed into a tourism and leisure area that can be enjoyed by all.

Renewable Energy

Mr Speaker, there has been some progress in the renewable energy front although slower than we had originally envisaged. Executive Council endorsed a new renewable energy policy during the year which will see St Helena get to 80% energy from renewable energy sources by 2027/28. Connect St Helena have also developed an energy delivery plan which will work towards the timelines identified in the renewable energy policy.

I'm pleased to also report that a tender process is under way for the design and modelling needed to achieve the 80% target and we look forward to the outcome of this work. This Government has also committed to developing a robust regulatory framework for utilities provision, which will ultimately pave the way for issuing a long-term utilities license.

Therefore Mr Speaker, it can be concluded from this that a lot of progress has been made since my last budget speech although there is much still to be done. I will touch on this in more detail throughout this budget speech today.

BUDGET CONTEXT

Mr Speaker, as always, we welcome the continued support from His Majesty's Government for the provision of financial aid to allow the continuation of key services to the people of St Helena.

I am pleased to confirm that this year we have received an increase in financial aid of £1.0 million from £33.06 million to £34.06 million. I'm also please to advise that this year we will also receive a further £1.0 million for the purchase of essential equipment.

This increase reflects the agreement between the UK and St Helena to recognise the increasing risks faced by this Government. We welcome the recognition from HMG that this island needs a hand up rather than a hand out and I will be outlining some specific areas of reform that this Government will be implementing.

Mr Speaker, there remain a number of key risks that this government is required to manage with the limited resources at our disposal.

Although inflation on the island is expected to be 4% in 2024/25—lower than in some recent years—there remain several risks which impact the cost of living on the island.

In addition a number of global events, including the conflicts in the Middle East and the Ukraine, continue to impact directly on the price and availability of goods and services, we must also recognise the increasing cost of living that is impacting the world over.

Since April 2021, the Retail Price Index in the UK has risen by 28%. However, incomes have not grown nearly as much.

RPI on St Helena has only increased by 10% (although again incomes have not kept up with inflation). As some might say:—the grass sometimes looks greener on the other side but according to these numbers this might not always be the case.

The government is expecting inflation in both the UK and South Africa to return to their official target rates by 2025/26, and inflation in St Helena to stabilise at about 3 ½% by then also.

Mr Speaker, our population fell again during 2023/24.

In December 2022, the island's resident population was 4,193. By December 2023, the resident population had declined to 4,099. A difference of 94.

Sadly, there were 59 deaths recorded on St Helena in 2023 and there were only 12 births. Outward migration also remains a challenge for the island; as shown by departures of residents exceeding arrivals of residents by 60 during 2023.

As a consequence, the working age population—those aged between 16 and 64—has fallen from 2,516 in December 2022 to 2,428 in December 2023. That's 88 over the period of one year.

Maintaining our working age population is now a critical issue that requires urgent attention from government and the private sector.

A consequence of our declining population is that we now have a population that is, on average, aging more quickly. This is one reason that the cost of continuing to provide the necessary medical support to island residents is ever-increasing. Another reason is the rising cost of medication and just like the rest of the world, as the cost of medicines and medical interventions rise, healthcare becomes more expensive.

Therefore, Mr Speaker, tough choices will have to be made going forward, such as reprioritising expenditure, removing or reducing untargeted subsidies, such as the subsidy to Connect, and doing more to raise revenues through fees and charges.

These decisions are tough because they potentially increase the pressure on businesses and families on the island, and may exacerbate the outward flow of residents.

Earlier this year, the Chief Minister wrote directly to Minister Rutley, the Parliamentary Secretary of State for the Overseas Territories, to highlight the challenges and risks that the island faces particularly in relation to the rising cost of Health care provision. This I believe may have helped in achieving the increased settlement.

I note that a general election has been called in the United Kingdom, and ministerial responsibilities may change as a result, but this government will continue to

advocate directly for the needs of St Helena to be fully understood by those at Whitehall and Westminster and I'm confident that our UK representative will be best placed to assist through the role she plays.

ACHIEVEMENTS IN 2023/24

Mr Speaker, 2023/24 has proven transformational for the island in many ways, I would like to mention a few achievements.

Faster, cheaper and unlimited internet

I have spoken already on the activation of the undersea cable, and the hard work by SHG and Sure SA teams meant that for the first time islanders had access to faster, cheaper internet both at home and on mobile.

This has led to a 44% reduction in the cost of communications, and an inflation rate for the year ending December 2023 of 0.1% as a result. St Helenians can now affordably use the internet in the same way as the rest of the world — be that gaming, streaming, learning, working, or contacting loved ones overseas.

But more still needs to be done to improve speeds and the digital experience.

Mr Speaker, as mentioned already, we have not been able to progress the island wide fibre network rollout with Maestro St Helena. I am confirming today that agreement has been reached to cease the commercial arrangement between the government and Maestro St Helena Ltd. Instead, this government will be exploring the options available; taking into account the infrastructure already in place and the level of public investment needed to bring this project to fruition as originally envisaged.

The public will be kept informed on the next steps.

Tourism

Mr Speaker, during 2023/24 the tourism development project board successfully undertook an ambitious programme of work to assist the further development of the tourism industry.

I am pleased to announce that visitor arrivals have recovered to 86% of the levels seen in 2019.

In part due to the Tourism Development Project supported by the FCDO, 2023/24 saw:

- £150,000 expended on minor infrastructure works to improve the visitor experience on St Helena and make some of our main attractions more visually appealing.
- The Jamestown Arch, the Post Office, the Castle Gardens and the Ladder Hill Arch have all seen improvements as part of this programme.
- In partnership with the St Helena National Trust, improvements have been made to High Knoll Fort.

- Up-skilling of those working in, and those wanting to work in, the tourism sector to enable businesses and individuals to provide the best-possible service to visitors.
- £250,000 spent on international marketing to rebuild tourism, including attendance at trade shows, familiarization trips for media and tour operators, online and print ads, and sponsoring events related to St Helena's culture and history.

Through these efforts, St Helena Tourism connected with over 200 travel professionals and media outlets in person, and reached hundreds more online. The programme facilitated two tour operator familiarisation visits, along with various media trips to the island between December 2023 and March 2024.

As a result of travel trade engagement around 40 new tour operators started selling or significantly improved how they sell St Helena in the last 12 months.

Throughout Year 1 of the Tourism Development Project, we reached through the combination of these activities; and Destination Marketing activities more than 2.5 million people during the year.

Mr Speaker, the recent show case event was a real success for the Island, we were able to sell what St Helena has to offer to a large number of DMC's, tour operators, potential investors and others within the group. It also allowed St Helena to get some very honest feedback about what we are doing well and areas for improvement.

It was so good to see how the private sector, SHG, NGO's and our visitors came together to work for the betterment of the Island as a common goal. I'm already looking forward to planning something similar later this financial year or early next. It is essential for us all to work together now to turn the potential into firm bookings and proposals which will benefit all.

I will shortly outline the continuation of Tourism Development Programme for 2024/25.

Hope Spot

On 13 November 2023, international marine conservation organisation Mission Blue officially recognised St Helena's Marine Protected Area (MPA) as a Hope Spot.

Hope Spots are recognised as special places, being one-of-a-kind areas of ocean that are scientifically identified for their uniqueness, and most importantly their communities contribution and efforts in maintaining or improving global ocean health.

This achievement has already furthered St Helena's global reach and also yielded networking opportunities.

Continued reforms to the enabling environment

Mr Speaker, this government has put significant effort over the last year into reforming our state-owned entities. This has included taking a deep dive into the governance arrangements at the Bank of St Helena.

In March, I was pleased to have had the chance to welcome some new faces to St Helena during the Bank's board summit. The bank now has a team of directors with broad expertise that is well equipped to take forward its modernisation plans.

A modernised Bank of St Helena will be a key enabler for economic development on the island. Better offerings of services and products to local businesses and consumers will drive greater economic activity on the island.

The government has also appointed a common SHG representative to all boards of SOEs to ensure that there is a consistent approach to governance and the overall strategic direction SHG wants to pursue through our SOEs.

ACTIONS FOR 2024/25

Mr Speaker, in 2024/25 the government will continue the reforms the island desperately needs.

During 2023/24, the Cabinet has worked closely with the public service to establish a set of priorities for this financial year.

The following are some of the key actions emerging from that process.

Accelerated policy development in key areas

I am pleased to announce that, out of the additional £1.0 million financial aid, £0.5 million has been earmarked to take forward policy development in 2024/25 in a number of key areas including:

- Development of data protection policy and law for the island
- Development of an overarching SHG IT strategy, to ensure that systems are able to talk to each other and that as a Government we are also maximising the benefits of the fibre optic cable in the provision of public services.
- Exploration of sustainable funding mechanisms for Health and Social Care as well as options to fund the future pension requirements including the unfunded Basic Island Pension.
- Review of the island's tax administration function to ensure that all tax that is due are being assessed and received to provide for essential public spending.
- A review of core and non-core services to identify which SHG functions would be best delivered in the private sector.

- Exploration of options for the future of SHG’s shareholdings in some of its state owned entities.
- Further work on the development of financial and professional services sectors including revamping company registry function on the island to potentially focus on encouraging registration of companies with high environmental, sustainability and governance (ESG) values.

To be clear, these are areas that the government wishes to prioritise because they offer benefits in the long-run, but have not been able to previously because of the short-term pressures on our finances or through the inability to obtain the necessary skills and capacity to progress these key work streams. Accelerating policy development in these areas will enhance our prosperity into the future.

Immigration reforms

On 4 April 2024, my colleague, the Minister for Safety, Security and Home Affairs, Minister Ellick, released for public comment a draft of the new Immigration Policy.

When releasing that policy, Minister Ellick said:

“The immigration policy is ‘no silver bullet’”

“This government is committed to making the changes needed to attract people to come to St Helena to work, invest and positively contribute to life on our island. Other policies across SHG will also be amended in line with the immigration policy to help deliver this.”

I want to emphasise that last sentence by Minister Ellick.

We need to take a holistic approach to our population challenge, and the government expects all parts of society; the government, the private sector and the various NGO’s to contribute towards increasing our resident population and making St Helena a more attractive place to live, work, and raise a family.

Economic opportunities, educational opportunities, a pristine blue and green environment, scheduled and reliable air and sea access, and a safe and secure community all contributes to life here on St Helena being more attractive.

Sustainable Economic Development Strategy

The government recently launched the revised Sustainable Economic Development Strategy (SEDS). Many of the approaches adopted to drive economic development in the past just have not worked, and the new SEDS recognises this.

The SEDS will advance the following six objectives:

- Objective 1: An open and accessible island — Open and accessible for people and culture, capital and finance

- Objective 2: A productive island — Increase productivity, labour force participation, and capital investment
- Objective 3: A breath of fresh air — Preserve and celebrate what makes us unique
- Objective 4: A united island — Ensure everyone shares in the benefit
- Objective 5: Effective infrastructure — Growth is supported by better infrastructure
- Objective 6: Better government — Make St Helena Government a facilitator of business

In addition, some core work streams outlined in the SEDS have been allocated specific funding due to the government's belief that these will generate the greatest return on investment.

Growing the workforce

Mr Speaker, the government has committed to getting more people into the workforce to boost productivity and grow the economy. Much of the delay in SHG in implementing decisions and getting things done is not—as it is often assumed—a lack of money, but instead a lack of the appropriate skills and capacity.

We recognise that we need to train our own people, but also need to bring in the labour necessary to do the jobs that need to be done on the island to get the economy moving. The new Immigration Policy will go some way to assist with achieving this goal.

The financial services work programme

Mr Speaker, modernisation of our financial services landscape is well underway.

I am pleased to announce that we are now able to allocate £280,000 dedicated to a programme of work aimed at creating new revenue through financial services and company registry development.

In 2024/25, SHG will be funding resources that will:

- finalise our Beneficial Ownership Register — this is a key part of making St Helena a transparent business destination, by giving confidence to investors that we offer a business environment with high standards of integrity;
- help modernise the Bank of St Helena — this will mean better access to banking and related services to the Island's residents and businesses, and provide access to credit and payment systems, like Visa and MasterCard, to support business growth; whilst we have been able to find work arounds

such as Ryft pay, in an ideal world we would like to be able to link a payment system directly to an account at BOSH.

- more broadly, reform our financial services laws and regulatory environment to ensure that St Helena can provide the certainty and protection needed by those in the financial services sector;
- progress the Decentralised Autonomous Organisation (DAO) policy from options to implementation; and
- Reform our company laws; including looking at developing the island's company registry in particular to focus on those companies that have high environmental, sustainability and governance (ESG) values.

This work will all contribute to enhanced access to financial services and credit for consumers and businesses on island. As mentioned already, we will be contracting in the relevant expertise needed to progress these work streams given the capacity constraints I have outlined thus far.

Tourism Development Project

Mr Speaker, we have made significant progress with the Tourism Development Programme in its first year, and I am pleased to announce that a further £500,000 for a second year has been approved by the FCDO.

While we will continue to focus activities on product, capacity building and marketing, there are two new areas of focus this year:

- disposing of SHG property to help boost the supply of visitor accommodation; and
- developing a longer-term strategy for tourism, including updating our visitor forecasts to allow for better planning.

We look forward to seeing increased visitor numbers, especially during the peak season, together with direct flights to Cape Town that will operate over the 2024/25 tourist season, complemented by Tuesday flights via Johannesburg.

Commencing from last Saturday's flight, the check-in process at Johannesburg have been streamlined to ensure a smoother and more enjoyable experience for our visitors. I'd like to thank Airlink for their assistance in making this possible.

We recognise the potential benefits a successful tourism industry can bring; however, we also recognise that we are not there yet.

Mr Speaker, if we had direct flights from Europe and if those flights cost around £700 like a similar flight cost between the UK to Cape Town, then would our tourism industry be more successful? Well yes, I honestly believe that it would, but we have a CAT Category airport with limited and expensive flights and we can only work with what we have.

Building the enabling environment

Access

As an island, stable and predictable access by air and sea is critical for continued growth and prosperity.

This is an area that the government believes cannot be left to chance, and will continue to be involved in going forward.

During 2023/24, we committed an additional £765,000 to support air access, and an additional £228,000 to support sea access. This was funding in addition to that originally allocated in the 2023/24 budget for sea access of £464,000 which included funding for barging cargo into Jamestown. Mr Speaker this is a significant amount of spending by this Government to maintain physical access for our community.

In 2024/25, we will engage a specialist shipping consultant to assist with developing MACS option A, which would involve larger barges being used to offload multiple containers from MACS' regular freight services that currently operate of the west coast of Africa to Europe. This option has the potential to offer much lower freight costs overall—due to the use of larger vessels. A more frequent service is also an additional benefit.

Mr Speaker, I have tasked my access team to pursue MACS Option A as a matter of priority.

The Government has also committed additional funding to ensure that, once completed, the port facilities at Rupert's can be brought online as quickly as possible. In the meantime we will continue to fund the cost of barging into Jamestown on the MACS scheduled service in 2024/25 until such time that the port facilities in Rupert's become operational.

Competition policy

Most businesses on the island have a strong social conscious, and do the right thing when supplies of specific things are short.

Nonetheless, as a small economy, we have many industries in which there is only one business providing services. In some cases, those services are provided by SHG alone.

We need to promote a more competitive economy, by ensuring that existing businesses do not prevent new entrants into an industry, or overcharge consumers.

By the end of the 2024, we intend to have a clear policy on competition for the island.

We have also identified that certain sectors, such as utilities and communications, require special rules to ensure they operate efficiently and provide value for money and good services to consumers. Better, clearer regulatory frameworks for these sectors will promote transparency and greater private sector investment,

A comprehensive competition policy, that will cover both the private sector and SHG, will be finalised by the end of 2024. Our intention is to adopt a “light touch” approach, and support businesses doing the right thing in the first instance.

Better government

We recognise that a critical enabler for the island is the quality of policy advice and services provided by SHG.

Currently, SHG does not always provide the timely, clear and sound decisions needed by businesses.

Mr Speaker, although we are in the third year of the ministerial system, we are still all working to bed down the internal processes and lines of authority and accountability necessary to make the ministerial system work.

We will be shortly implementing internal reforms within SHG to better embed the ministerial system in decision-making, provide for greater ministerial oversight, and ensure portfolios are directly accountable to ministers for the outcomes achieved.

We will soon release a revised Executive Council and Ministerial Handbook that provides clear guidance for all arms of government about roles, responsibilities and expectations under the ministerial system. This document will ensure the next ministerial team can hit the ground running with clear areas of ministerial responsibility, and comprehensive briefing on key issues on day one.

Mr Speaker, we have started to reform the SHG budget process—including implementing a new Outcomes Framework—that should give ministers more oversight of the overall allocation of our scarce resources. Reforms to the budget process will assist in better targeting our limited resources to those core activities that are of the highest priority.

Reviewing healthcare

Mr Speaker, as outlined earlier, in 2023/24 health costs exceeded budget by £1.8 million, the most significant overspend in that year.

The Health & Social Care Portfolio has been allocated a budget of £9.5 million in 2024/25. In addition, Health & Social care budget is supported by £4.3 million from the Technical Cooperation Budget in 2024/25.

Health now accounts for about 28% of our total expenditure.

A significant proportion of this is used for providing the frontline services that people need.

The government recognises that things need to change. This year, we have allocated funding made available by the Health Security Agency UK to undertake a full review of the healthcare system. The review aims to:

- Define standards in delivery of Health and Social Care to better plan and budget to meet agreed standards

- Secure technical support from other agencies to support review
- The continuation of work being undertaken to move to a health system that focuses on preventative care, to ensure a better quality of life
- Develop plans to cope with the impact of an ageing population

Mr Speaker, we have an island that is becoming increasingly dependent on the healthcare system, and the current healthcare model is unsustainable.

We have commenced a review of fees and charges in Health and Social Care, and are exploring ways to make people take more responsibility for their own healthcare (including the consideration of a health contributory scheme).

Capital Infrastructure and EDIP

Mr Speaker, as I hope everyone will have noticed, work has been at full speed ahead with our capital programme, and some significant milestones will be reached this coming year.

As I have indicated, I expect the Field Road and Rupert's ports projects to be completed during this financial year, allowing St Helena to start realising the benefits of the investment.

These benefits include having a modern port that meets the current and future needs of the island and enabling the adaptive re-use of properties on the Jamestown wharf.

I want to see the unique architecture and seascape of James Bay revitalised through adaptive reuse and investment to support private sector activity. Releasing this site will be one of the greatest benefits arising from the Rupert's development.

Mr Speaker, this year we will also see works begin on the new prison. A new prison that has the capacity to deal with the needs of the island, and that is human rights compliant. This is an essential part of our plan to not leave anyone behind.

Given the ongoing projects that are due to be completed in this financial year and the limited financial and human capital available, there are no new major projects planned to commence in the year ahead.

Realising the benefits of the cable

The island's connectivity has improved substantially since the connection of the Equiano optical fibre cable to the island existing on-island network in October 2023.

But there is more that needs to be done to capture the benefits of the cable.

I am proud to announce that in 2024/25 all children at Prince Andrew School will have access to a Chromebook.

We recognise that many of our students experience limited connectivity at home, and this is a real, tangible action that will assist our students to keep pace with their

counterparts overseas. Chromebooks can be used offline; assisting those families who cannot access the internet.

Rather than the long, painful and expensive process of moving to digital first that many other jurisdictions have experienced, SHG will move to modern, proven approaches such as cloud-storage and software as a service; both of which are only now possible with the cable.

To better capture the benefits of the cable and support the development of professional and financial services on the island, the government will also prioritise implementing data protection policies and legislation to ensure that St Helena is able to offer a safe and stable data environment for business, and protect St Helena residents from cybercrime.

THE CHALLENGES

Mr Speaker, 2023/24 has been tougher than we expected at this time last year.

Hard decisions need to be made.

And we all—as an island—need to understand the challenges we face.

Our fiscal challenge

The fiscal challenge facing the island has become starker in the last year.

During 2023/24 we have faced cost pressures—particularly in overseas medical referrals, a growing list of litigation cases and securing reliable and affordable access to the island—these risks have placed significant pressures on the island’s public finances.

While the final budget out-turn for 2023/24 is not yet confirmed, during the preparation of the budget the balance on the General Reserve of the Consolidated Fund was expected to fall from about £5.7 million at 31 March 2023, to about £3.5 million at 31 March 2024. More recent numbers indicate that there may be an improvement on this to about 4.5 million, but it is still below the targeted minimum balance of £5.0 million, and poses a risk from short-term fluctuations in the government’s liquidity.

This is also despite the government agreeing with the FCDO to access an additional £1.7 million in contingent funding from the 2023/24 Aid Settlement, and a £300,000 withdrawal from the Currency Fund.

Mr Speaker, it is simply unsustainable to be continually drawing more and more from the Consolidated Fund without increasing our revenues.

Building realistic expectations

Mr Speaker many residents of St Helena might dismiss these warnings; comfortable in the belief that they are not a drain on the public finances of the island.

They may not intend to be a drain; however, SHG's current practices of untargeted subsidies mean that a great deal of the direct or indirect benefit provided to residents by SHG is provided essentially free of charge.

Our health system provides a safety net for all residents; even if some of us are lucky enough to never have to use it, or could contribute to our own care.

Most of our fees and charges are set below cost recovery levels for all users of a service; not just for those who have difficulty in paying. Many services typically charged for in other jurisdictions are provided free on St Helena.

We currently charge £1.25 for a boat lift at the wharf, but the true cost to SHG is about £200.

In 2023/24, SHG provided £1.8 million to Connect St Helena to support lower electricity prices for all residents, not just those who could not afford it.

Given our current financial position, we have to be serious about whether or not SHG can continue to effectively subsidise all residents in this way. There will always be a need to protect the vulnerable members of our community, but those who can support themselves need to step up.

We need to better target how we provide our services to ensure that the government's limited funds can best provide for those in our community who are vulnerable.

THE DIFFICULT DECISIONS

For 2024/25, the Government has had to make some difficult decisions.

When we announced the Cost of Living package in August 2022, we committed to reducing the duty on certain essential items to zero until 31 March 2023, which was subsequently extended and will be reviewed during this financial year.

Cuts

In places, we have decided to cut the funding of portfolios; mostly funding associated with the administrative support available within portfolios.

I'm avoiding the temptation to say "savings" here, because these decisions are not savings. They are difficult decisions to cut spending to enable the government to allocate monies to higher priority areas of expenditure.

Targeted divestments

The Government will also explore whether any of SHG's current non-core functions can be divested to the private sector. To do this, we will engage a consultant to develop divestment business cases for SHG functions that are commercial, or potentially commercial, in nature.

Areas to be reviewed include:

- the Transport Division and the government fleet
- Internal Audit function
- SHG IT
- roads and building maintenance
- Tourism promotion and marketing

This is about working out what the core activities of government are, what we can affordably deliver and understanding which activities are non-essential and should not be consuming our limited resources.

I want to say this clearly:—no individual divestment decision will be made unless the government is satisfied it is in the overall public interest, and financially preferable for SHG to do so.

Taxation of alcohol and tobacco

As is customary we have reviewed the duty on alcohol and tobacco.

I can confirm that, after careful consideration, with effect from 1 April 2024 there was an increase in alcohol duty of 1.1%, which is based on inflation for the year ending 31 December 2023 plus 1%.

This means that the duty on a 330ml bottle of Castle Light has increased by 1p.

This government encourages the consumption of no- or low-alcohol content beverages over the higher alcohol content beverages which reduces the harm to individuals from alcohol consumption. I am pleased to announce that no specific duty will be applied to any, beers, ciders, wine and spirit based drinks with an alcohol content of less than 0.5%.

As in recent years, we continue to tax tobacco and tobacco products with the long-term goal of reducing the impacts on our health service.

This year we have decided to depart from the existing policy of inflation plus 1% given the low rate of inflation for last year. I can confirm that the duty on tobacco and tobacco products increased by 2.1%.

That means that on a packet of 20 cigarettes the duty increased by 11p.

Duty reductions on heavy vehicles and equipment

There is also another positive change to the Customs Duty, which I have mentioned earlier. In order to improve productivity and encourage investment, I can confirm that the duty on buses, trucks and certain heavy equipment has been reduced from 35% to the new rate of 5%.

This will apply to all buses with a seating capacity exceeding 10 seats, and equipment such as concrete Lorries. I'm sure this will be welcomed by the private sector.

Personal and company tax

I can also confirm, Mr Speaker, that there are no proposed changes to personal or company tax rates this financial year.

Corporate tax rates will remain at 25%, or 15% for those businesses who are supporting the delivery of the Sustainable Economic Development Strategy, as currently outlined in the regulations.

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 SEDS and for income over £25,000 this will be taxed at 31% or 26% of those businesses supporting the SEDS.

Mr Speaker, we have explored a number of options for changes to the tax system this year, including exploring options to increase the personal allowance and reduce the headline customs duty rate for non-specific duties from 20%.

I have requested more work to be done to look at these options, as it was simply unaffordable to implement any such changes in this financial year.

I have instructed officers to develop a clear taxation policy by October 2024 with options to support an enabling environment to facilitate sustainable economic development.

THE ALLOCATIONS FOR 2024/25

Mr Speaker, all of the prioritisation has resulted in the following allocations for both recurrent and capital expenditure as outlined in the Appropriation Bill 2024 and also detailed in the improved Budget Book.

I can confirm that the Bill recommends the following allocations:

- Pensions and Benefits - £5.7 million
- Health and Social Care - £9.5 million which includes an additional £0.6 million for overseas medical treatment
- Education, Skills and Employment - £3.6 million
- Environment, Natural Resources and Planning - £1.7 million
- Treasury which includes grants and subsidies, centrally managed contracts like the swimming pool and public transport system etc. - £7.9 million
- Economic Development which includes the subsidy to St Helena Airport Limited, the fuel management contact and Shipping £5.7 million

- Central Support Service which includes support to Council and the Technical Cooperation Budget - £10.4 million
- Safety, Security and Home Affairs which now includes the infrastructure function but removes the Police operations budget which is now separately ring fenced. - £2.9 million
- Attorney General's Chambers - £105,000, and
- Judicial Services - £146,000
- Police Operations (ring fenced) - £0.9 million
- Capital expenditure - £0.6 million

Mr Speaker, for the first time we have included the call down ring fenced support budget for transparency purposes, this is up to £1.2 million which can be used for a limited number of areas including, Air Services, litigation, overseas medical treatment and evacuations along with any significant unforeseen expenditure agreed between FCDO and SHG.

Mr Speaker, based on some of the significant risk areas for SHG and the actual expenditure for 2023/24, this ring-fenced £1.2 million whilst helpful, cannot fully mitigate against the potential financial risks materialising, and therefore it will be especially important for SHG to implement strong financial management controls in the year ahead.

CONCLUSION

Mr Speaker, I have finally reached the end, and this may be my very last Budget speech. I started by thanking HMG for the ongoing support and I would like to end by thanking the St Helena community for all their support in making some of the highlights of the year a success.

Starting with the festive season when we saw a huge number of Saints return to the Island to join in the Christmas events, New Year 's Eve was celebrated in numbers that I have never witness for many years, and because of this the atmosphere felt so special and rewarding.

We followed this with the arrival of the Duke of Edinburgh, the visit was made that bit more special because everyone came out in numbers to show how friendly our Saints can be to welcome visitors to our beautiful island.

We did this all over again with the visit of the Speaker of the House of Commons, Sir Lindsay Hoyle, who was most impressed with the welcome we gave. Later in April we successfully arranged the showcase event that saw 25 DMC's, investors and journalist come to the Island to see our product for themselves, and the feedback was again very positive. Mr Speaker only a few weeks ago we held the British Islands Mediterranean Regional conference on St Helena for the very first time, with a 34 member delegation of Parliamentarians which was once again a great success.

All of this, Mr Speaker, wouldn't have been the success it was if not of the people of St Helena and I want to thank each and every one for making St Helena what it is.

We can hold our heads high and know that what makes St Helena truly unique is totally within our control and long may this continue.

Mr Speaker, I beg to move.