

Mr President

Over the course of the last three budgets, this Government has set a strategy to deliver a fiscal plan that will enable this Island to meet the critical financial challenges of reducing the structural deficit, absorbing the public sector pensions legacy costs, continuing economic growth, improving income streams and controlling public spending.

Not only of course have we had to deliver a plan capable of meeting our fiscal challenges, we had to tackle the legacy of the financial crisis of 2008; resultant income inequality and median wealth decreases, a falling population and an aging demographic.

We needed a robust financial plan, capable of delivering robust fiscal targets yet able to get public spending directed in such a manner that we could tackle the

aforesaid issues, bring greater social equality and get this nation moving forward.

In the last three budgets we have sought to do that; we have sought out proactive policies to redress the fiscal and social balance, proactive policies for our low to middle income earners, proactive policies for our working families, proactive policies for jobs and infrastructure and proactive policies for targeted investment into our public services.

And it's interesting to note how the words "levelling up" are starting to creep into the political lexicon. Well we started "levelling up" the balance on this Island three years ago – and progress is being made. Earnings are rising, household income is improving, and the economy continues to perform – but levelling up is only possible with strong public finances. A sure fire

way to “level down” is to take our eyes off the ball, to retrench into complacency, to fail to meet our fiscal targets or to fail to tackle with vigour and honesty our challenges.

So today I want to talk about a budget of focus, a budget of focus on where we have come from, a budget of focus on where we have got to and a budget of focus on where we need to go. That is not to say Honourable Members that this is a budget without foundation or direction, or a budget that takes its eye off the critical issues, but it is a budget that must be considered in the round – a budget that contributes to the sum of its parts, that continues the good work - but that recognises the challenges and indeed the opportunities that lie ahead of us.

And I know the doom and gloom merchants must be licking their lips at

these opening statements, Bernie Moffatt, the old methuselah of Facebook hands poised at his keyboard, waiting for the bad news to come forth and the truth is, I have got bad news for him - but good news for us.

The population on this Island has grown by 472 in the last year, our under 65s have increased by 199, we have 333 more people in employment, our house prices are starting to move upwards, our unemployment figures continue to remain at historic lows AND for the second budget in a row I am declaring a better than expected surplus of £11.1m, some £9m better than forecast due to better than expected tax receipts, strong cost controls and lower welfare spending from our low unemployment figures.

Let me be clear – these surpluses are needed, they are part of the fiscal plan –

they are needed to soak up the Public Sector Pensions Deficit and return our income levels back to a point where we are contributing again to our Reserves.

Let me remove any idea that these surpluses are somehow excess money that we can allocate on a whim. We must remain focused, considered and in control of our finances; there are many challenges awaiting us.

I have some more good news.

As Honourable Members will be aware the Isle of Man's share of VAT and other common duties is based on methodology set out in the Final Expenditure Revenue Sharing Arrangement (or FERSA) agreed with the UK Government in 2016.

The Agreement requires that, for the purposes of calculating the Island's share of revenues, an expenditure survey is

undertaken every five years to determine the amount of VAT and shared duties consumed by individuals and businesses in the Isle of Man.

Under these terms, an expenditure survey was required for the financial year 2018/19. This work has now been undertaken and following detailed and lengthy discussions with HM Treasury brought to a satisfactory conclusion.

I am therefore now able to confirm to you today that we have finalised the required FERSA calculations and agreed them with Her Majesty's Government in Whitehall.

These agreed determinations mean that we can now be confident that the methodology applied in 2016 to calculate the Island's estimated share of VAT and Shared Duties was broadly accurate.

As a result of this agreement, I am today able to release the money from our cash reserves that we have prudently held back over the last three budgets to deal with any negative outcomes from this valuation.

In short, the determination of our final share together with our prudent approach means that I am allocating £44m into our general reserves from where this money can be used to target our priority areas, including funding for Health and Social Care and the Climate Change Action Plan.

I would like to thank H M Treasury for their detailed and professional approach together with Officers both in Treasury and the Cabinet Office who have worked in such an efficient manner to reach this conclusion.

I would also like to express our thanks to those businesses and individuals who took the time to provide the information that was used as the basis for these calculations.

Mr President, now that the FERSA has been finalised for this period we can look forward to building on this outcome in future budgets’.

Before I move on and whilst on the thank you’s can I extend my thanks more generally to those individuals, businesses and charities that we have spoken to on the way to forming this year’s budget. Also can I thank those Hon Members who take the time to write to me with their suggestions – these thoughts are valued. Finally can I extend particular thanks to Council and my Treasury Colleagues whose thoughts, insight and challenge

helps keep me on the straight and narrow.
Sometimes !!

So, turning more specifically to the budget plans for the next three years, we are continuing to build our surpluses to alleviate the expiry of the Public Sector Pensions Reserve. To be clear, it remains our intended target to ensure that what I have identified as our £40m Pensions Deficit is absorbed into revenue as smoothly and efficiently as possible without major disruption to our public services. With today's FERSA news, I fully expect that we will achieve that objective.

Mr President our finances are stabilising, our actions have proved correct, we are building for the future.

Today's budget therefore proposes a surplus of nearly £12m for 2020/21, and that is after investing an additional £11.3m

into the public services of the Isle of Man. This takes the total increase in direct investment into public services for the current term of the financial plan to almost £50m.

This of course sits alongside the allowances made for pay and we continue to control this with the 2% pay allocation policy, with the caveat that pay awards exceeding this amount be met from the Departments' revenue allocation.

This may not be popular, but I am adamant that we must have financial discipline and rules if we are to succeed.

This discipline must of course also extend to our Capital programme, the total of which now stands at some £541m.

The Capital Programme is a vital element of this Government's programme of investment into our Island. Our financial

planning process has been careful to balance demand, deliverability and affordability with economic development at its heart.

We have delivered some £180m of capital expenditure over the past three years and we must ensure that our focus is on the delivery of the remaining approved schemes to realise their associated benefits.

This year, mindful of the level of accumulated previous capital approvals we asked Departments to only submit urgent bids for consideration as a means to provide this focus.

The ongoing sustainability of our capital programme will be dependent upon careful and prudent financial planning; we must ensure that we target our resources at the most important projects, and

moreover, that those projects are delivered on time and on budget.

The message is clear; the financial plan is working, we are managing the finances prudently and we are targeting our investments into public services and key strategic assets.

But managing prudently does not mean avoiding tackling the great challenges posed by the 2008 financial crisis; particularly when it comes to helping our low to middle income earners on this Island and particularly when it comes to helping and supporting our working families.

When this administration came into office the personal tax allowance stood at £10,500 and today it stands at £14,000. In April, Mr President, I am proposing a further increase to £14,250 whilst

retaining the current 10% tax rate at £6,500.

This will once again ensure that many individual taxpayers are better off by up to £50 from this measure, couples by up to £100 and will remove up to a further 465 taxpayers from paying income tax.

This now means that the cumulative impact of a 35% increase in the personal allowance over the past four Budgets will assist thousands of our citizens with individuals benefitting as much as £550 and jointly assessed couples by as much as £1,100.

Honourable Members, this proposal will continue the course we have set over the past three budgets,

I have repeatedly stated that a key focus of this Government should be supporting working families. To this end Mr

President, I am delighted to announce that this budget proposes that the rates of child benefit in the Island are increased by 2 per cent from 6th April, which follows on from the 5 per cent increase in the previous budget. Honourable Members this means that the headline rate for Child Benefit will have increased by 13% from the start of this administration. The rise proposed today will benefit approx. 7000 families. I have committed to supporting working families and this budget continues to deliver on this commitment.

I am also proposing to increase the prescribed allowances for the first child in a family for each of the income-related benefits by £7.45 a week. This measure will directly help around 1,800 families on low incomes on the Island.

Furthermore, the budget includes an increase to the basic allowances for

employed person's allowance of 1.6% to ensure that working families on low incomes will benefit from the increase in the primary earnings threshold for National Insurance contributions from April, in the same way as other workers will.

And I also wish to do more for the disabled in our community. Accordingly, I am pleased to propose that the rates of disability living allowance and attendance allowance will generally be increased by 2 per cent from April to the benefit of approx. 4,000 people in receipt of these payments, and that the amounts of the disability premiums for each of the income-related benefits will be increased by 5.2 per cent. Furthermore, I am increasing the basic allowances for employed person's allowance for disabled workers by 5.7 per cent. This government

is committing to supporting those with disabilities reach their full potential.

And to ensure that pensioners who get income support fully benefit from the increase in the basic state pension, of which more in a moment, this budget increases the rates of the income support pensioner premium by 5.2 per cent. So, ignoring housing costs, a single pensioner getting income support will benefit from an increase of at least £5.05 a week from April.

As regards the income-related benefits – that is, income support, employed person's allowance and income-based jobseeker's allowance – with the exception of the measures I have just mentioned, each of the prescribed amounts is proposed to increase generally by 1.1%, in line with domestic inflation at the reference point, which is the Isle of

Man's rate of CPI in September 2019. This includes the maxima allowable towards housing costs, child care costs and care home fees.

Mr President, the cost to general revenue of increasing the rates of child benefit, disability benefits and income-related benefits as I have just described is estimated to be £2.1 million a year.

As Hon. Members are aware, changes to the income support rules for lone parents will come into effect in April, whilst changes to the minimum work requirements for employed person's allowance will come into effect from the beginning of June.

Employment advisors from the Jobcentre are currently working with those affected by the changes, offering whatever assistance they can provide.

Treasury have been working closely with DHSC to finalise the arrangements for the pilot of the new occupational health model. DHSC are now preparing to recruit the requisite clinicians and put in place the necessary IT and other infrastructure, ready to launch in the Spring. Participation in this model will be entirely voluntary; whether incapacity benefit recipients choose to participate in it or not their benefits will not be affected.

If we now consider a wider picture, I am very pleased to note that the Island is continuing to enjoy an exceptionally buoyant labour market. The number of vacancies registered with the Jobcentre has averaged around 800 per month over the last 3 years.

To give Hon. Members some context, registered unemployment on the Island has been at or below 1 per cent of the

economically active population since May 2017.

As regards the long-term unemployed – that is, those who have been registered as unemployed for over 12 months – the number has averaged 46 or 0.1% of the economically active population over the last 2 years.

The increase in the Isle of Man minimum wage rate from 1st October last year resulted in a welcome widening of the gap between the maximum jobseeker's allowance payable to a single jobseeker and the amount of take home pay a worker would have at minimum wage levels. For an individual aged 25 or over, based on a 40-hour week that gap is now over £76 a week, whilst for an individual aged between 18 and 24, again based on a 40-hour week, the gap is almost £98 a week.

We continue to support the benefits to both society and to the individual of being in work and ensuring that work pays.

Mr President, the measures I have just covered are clear evidence that we are delivering on our commitment to build a caring and inclusive Island. The proposals in this budget show that we are continuing to take measures that will bring some relief to the more vulnerable in our society and continue to deliver for our hard working families.

I am under no illusions that the last decade has been hard for many but I remain optimistic that our policies are starting to make a difference and that this decade will be one of progress. In my speech at the Awards for Excellence I talked about why we should have confidence in the years ahead, about the underlying core values on this Island

about the commitment, hard work, and determination to succeed of Islanders across the community. These are the values that we have sought to support with our policies and that continue to inspire us in our thinking. These are qualities and attributes that will drive this Island nation forward.

And talking of hard workers and contributors, it's a good time to mention those who perhaps are have done that and are trying at least to slow down a little. Mr President, as you know, one of the pillars of our financial strength is our National Insurance Fund, the fund that pays for our State Pensions and which under this administration has grown from £740m in 2016 to £881m this year and we have returned the operating account to surplus. The Fund remains a bedrock of our financial stability and I am delighted

that under our continued commitment to the triple lock, that this year Island pensioners will receive a 3.9% increase to their basic or Manx state pension.

This will result in increase of £5.05 a week or £263 a year on a full basic state pension and will be supplemented by a 1.7% increase in any additional pension payable.

For those getting the new Manx state pension the increase could be as much as £7.20 a week or £374.40 a year depending on the individual's National Insurance record.

This is good news for those receiving their State Pension.

It is now almost a year since the new single-tier Manx state pension was introduced and I am delighted to be able to inform Hon. Members that no issues

have been encountered thus far. As at 31 January 2020 502 people were receiving the new Manx state pension.

Overall, the cost of these pensions increases in the Island is estimated to be £4.8 million per annum.

Building on our focus of prudent financial planning, the UK Government Actuary's Department is nearing completion of the latest 5 year review of the Manx National Insurance Fund and I expect to be able to present these findings to this Honourable Court later this year. This will be the first review to take into account the operation of the new Manx State Pension and the information it contains will help to determine future policies. But until we have seen this report I do not intend to make any significant changes to the way in which the national insurance scheme is

funded or to the benefits that are paid from it.

Turning once again to the proposals for the coming tax year, we have seen steady growth in the amount of National Insurance contributions received and I expect total receipts to be about £4 million above estimates.

Whilst this is excellent news and reflects well on the overall strength of the economy we should remain prudent.

I therefore propose that there should be no increase in the rates of National Insurance paid by employees and employers and that the Class 2 rates paid by the self-employed will remain frozen.

The starting point at which employees and employers start to pay National Insurance - the “Earnings Threshold” - is currently £125 per week, having been increased

from £118 per week at the last budget. From this April I propose to increase it further by just over 10% - to £138 per week. This will result in a saving for employees of up to £74.36 a year. Up to 41,000 people will benefit as a result of this measure.

Mr President the Upper Earnings Limit has not been increased for a number of years, but I feel that now is the right time to increase this figure so that those who have higher earnings contribute a little more. Therefore, I propose to increase the Upper Earnings Limit from the current £784 per week to £823 per week from April, the income generated from this measure will partially offset the cost of increasing the Earnings Threshold.

In making this change I recognise that some people earning more than £42,010 per annum will be up to £78 per annum

worse off when taking into account the increase in the Income Tax personal allowance; I estimate this to affect some 3,500 taxpayers. But given the ongoing financial challenges we face and the need for financial prudence I believe this is an appropriate measure to take

As a result of the above proposals the starting point at which a self-employed person starts to pay Class 4 National Insurance will rise from £6,500 to £7,176 and the upper point will increase from £40,768 to £42,796.

As members will be aware a proportion of the total National Insurance collected goes to the Department of Health and Social Care – this is referred to as the “NHS Allocation”. The changes to National Insurance I have just outlined would see this allocation reduce by around a £1M a year and I think such a reduction would

not be appropriate at this present time. Therefore, I intend to alter the percentage of the NHS allocation so that its monetary value remains the same. For the 2020/21 tax year this is estimated to be £38.9 million.

Finally I would like to advise Honourable Members that there are two figures relating to National Insurance contributions which it has not been possible to have orders prepared in time for this sitting of Tynwald . The first is the Lower Earnings Limit and the second is the Class 3 Voluntary Contribution rate. Due to our reciprocal agreement both of these have traditionally been kept in line with the UK. These figures have only just been released in a draft order by the UK and it will therefore be necessary for Treasury to present the orders amending

these figures to the March sitting of Tynwald.

Aside from state pensions and the Manx Pension Supplement, most National Insurance-funded benefits in the Island will be increased by 1.7 per cent from the week commencing 6th April – the same as they will be in the UK.

One notable exception to this is the Nursing Care Contribution, the rate of which, I am pleased to confirm, will increase by 3.6 per cent - to £160pw. Directly benefiting approx. 400 people living in nursing homes across the island.

Before I move away from the area of Social Security, I want to bring two points to the attention of this court. Firstly I want to highlight that we are in the process of reappraising and changing the operations of the Division. The focus of the Division must be to support people to achieve

positive outcomes by providing targeted advice, guidance and financial assistance. I am absolutely confident, knowing the passion that the staff in this Division have to deliver these services that we will deliver these aims as we enter a new period of reflection and improvement.

Secondly, I am conscious that once again there is some disparity of inflation between the reference point of September and the delivery date of the Budget. I do not think that you can win on this matter but I am asking that we review whether in fact an average inflation figure provided over the previous six months to September may be more reassuring the inflation figures are appropriate.

I am confident that the measures that we are bringing forward for welfare and pension payments will help to build our

programme for government commitments for caring and inclusive society.

Mr President, since my last Budget the Isle of Man has continued to deliver on its international commitments. International tax standards continue to develop and the Isle of Man rightly continues to meet the high standards required.

In 2019 the Island made enormous progress. Its legislation requiring corporate taxpayers to have adequate substance in the Island, including having an adequate number of employees and a physical presence here, was approved by both the EU in March and the OECD in July. But we know that it is not enough to have good legislation it needs to be implemented efficiently and effectively by both government and businesses and I want to acknowledge the enormous effort that all put into this.

The online corporate tax return was redesigned in 2019 as a consequence of the new substance standard, and is now available. 2020 will be the first year that companies have to complete the new style tax return and it will be the first year the Income Tax Division has to apply new systems and processes, but I am confident that the Island will, once again, demonstrate its ability to meet international tax standards.

The Island continues to meet all international tax standards on exchange of information. The Island has also in recent years successfully implemented all of the OECD's Base Erosion and Profits Shifting or BEPS minimum standards. This is challenging and complex work for all involved not least because of the now almost constant pressure of being under external review.

In 2019 the Income Tax Division successfully dealt with 7 external reviews on covering a wide range of matters from dispute resolution processes to its ability to ensure that the new substance standard would be complied with. These positive outcomes demonstrate to the international community that the Isle of Man as a whole is delivering on its commitments.

Keeping up with existing standards is vital to the Island's reputation and economy but so is monitoring and preparing for future and changing standards. It will come as no surprise that the Assessor and her team are keeping a very close eye on international tax developments and in particular the OECD's work on addressing the tax challenges of the digitalised economy. The coming year will see this work reach a conclusion and we

also expect mandatory disclosure rules approved by Tynwald last December to come into operation later this year.

Last year this Honourable Court approved an increase in the Tax Cap to £200,000 for five year elections commencing from the 2020/21 tax year. Despite the necessary increase in the tax cap I acknowledge that these individuals can make a significant contribution to our economy which extends beyond the amount of income tax that they pay.

It is essential that we maintain a favourable Tax Cap regime and therefore from April 2020, in addition to our successful 5 year tax cap, I am introducing a 10 year Tax Cap. This will operate in the same way as the current 5 year cap but will be for an additional 5 years. It will provide certainty for the tax capped individual and the Treasury.

I have no doubt that Honourable Members will recognise the contribution made to our economy by individuals subject to this measure and welcome this move.

In 2003, an Extra Statutory Concession for key employees was introduced. This enables individuals to move to the Island as a key employee in the establishment or expansion of a business or to set up a new business and to be taxed in the same way as a non-resident individual. They would therefore only be subject to Manx income tax on their Manx source income for up to three years.

The Assessor of Income Tax has advised me that there has been little take up of this concession in recent years and I am concerned that we are losing out on an excellent opportunity to encourage new business to the Island. Consequently, I am proposing today that we put the

concession into primary legislation and work with our colleagues in the Department for Enterprise to promote this incentive and give it a much higher profile to a far wider audience.

Mr President I am also pleased to confirm that I will be freezing road fuel duty in 2020/21 making this the ninth year the rate has remained unchanged in the Island. In addition I will freeze the basic rate of Air Passenger Duty at £13 for 2020/21.

This budget recognises that we must continue to invest in new technology to improve the delivery of our services and to protect public our community against new and emerging threats.

It is vital that we maintain our focus on maintaining standards of regulation and compliance in the financial services sector to safeguard the island's reputation,

ensuring the continued prosperity of the IOM financial services sector and to ensure we are capable of meeting ever changing international standards. To do so we must constantly assess our skills and resourcing to ensure we are positioned to meet these challenges. As a consequence the Financial Services Authority will be given £480,000 additional resource to allow it to protect the Island's high standards of compliance and regulation.

Also recognising the desirability of the Authority's financial independence, it is intended that plans will be developed for the Authority to move to a predominantly industry funded model in the future. The Treasury and the FSA will shortly undertake a joint consultation on transitioning the FSA towards this desired model.

We are providing £7.8m of funding for new technology in the Customs and Excise Division of Treasury, the Passport Office and the Financial Intelligence Unit. Supporting these crucial areas is the only responsible approach we can take to ensure that we maintain our well-earned reputation as a well regulated Country.

This budget shows that we will retain our focus on continuing to be a responsible and well regulated jurisdiction.

This budget also strengthens our focus on enterprise and opportunity and whilst I am pleased to be able to report strong income tax receipts once again, it is essential that complacency must not set in and we must be constantly be looking to grow and diversify our economy.

Therefore, over the past year, Treasury has been working closely with the

Department for Enterprise to look at various initiatives to deliver this aim.

The latest Business Confidence Survey tells us that all of the Island's sectors indicated positive business confidence – a signal of faith in the Island's business environment and a positive sign of continued success for our local companies

The survey also reveals that all sectors are forecasting similar or increased employment growth for the year ahead – we will continue with measures to help businesses maintain and develop their growth.

And in that context, the Government's Enterprise Support Schemes gave invaluable assistance throughout the last year, training 166 people through the Micro Business Grant Scheme, supporting over 200 businesses with financial support

and guidance, and investing over £4.6m to create an estimated 176 jobs through the Financial Assistance Scheme.

Our support for new businesses also continues through the Enterprise Development Scheme and it is vital we maintain our focus on supporting new businesses and providing the opportunity for them to succeed.

To help to continue the momentum the budget provides resources for the Department for Enterprise's four Executive Agencies – Finance, Digital, Business and Visit Isle of Man. These public/private partnerships bring the private sector into the heart of the Government's strategy, allowing input into policy development, new products and promotion for the Island's key economic sectors.

In that respect I am pleased to confirm that the Visit Agency has received £900k to develop our overseas marketing from our marketing initiatives fund.

The Island's financial services sector remains the bedrock of the Island's economy and continues to respond well to macro challenges.

Finance Isle of Man works hard to promote the Isle of Man around the world as a safe, secure and stable place to do business. As part of this, the Agency, in partnership with the Manx Insurance Association, launched an international campaign which reached over one million people around the world. The success of this campaign has led to a second round being launched in 2020.

Last year the Island secured a number of new financial services licences, with more in progress. Since the introduction of the

Alternative Banking Regime, two new banking licences have been granted (one full banking licence and one representative office). Looking forward, the focus will centre more on Payment Service Providers (PSP) and Money Transmission Licences (MTL) - with two new MTLs anticipated in 2020.

The Island's digital economy continues to develop and mature, with last year bringing a number of announcements around growth, consolidation and diversification.

Digital Isle of Man remains focussed on supporting the Island's strong e-Gaming sector, as well as pursuing innovative opportunities in new tech.

In 2019 Digital Isle of Man launched the Blockchain Office with £280,000 approved from the Marketing Initiatives Fund, a brand new initiative for the Isle of Man and

one that is already showing results. Last year alone, the Island received 50 applications from Blockchain businesses, and the pipeline is strong for the year ahead.

In my last budget I committed £2 million to support the continuation of the National Telecoms Strategy and a further £1.5m is committed in this budget.

Work will now commence on the roll-out of high-speed broadband with speeds up to 1Gb/s reaching 99% of residential and business premises within 5 years.

The Island's construction industry has been boosted over the past year by strong capital investment across the Island's economy. In partnership with Business Isle of Man, the sector is coming together for the first time under a new representative body – Construction Isle of Man – to formalise standards, improve

quality, and promote the sector as a rewarding career.

In order to help with our town centre developments and to encourage individuals to move back into our towns. I have therefore asked the Assessor to develop a “Town Centre Purchase Incentive” that I hope to introduce in my next Budget.

This is still currently in its infancy but could for instance involve full tax relief for interest paid on a mortgage for the first years of purchase within designated zones. This incentive will aim to increase demand for new or recently renovated residential property within our towns.

To support all of this positive growth, this administration has committed to growing the economically active population of the Isle of Man through a dedicated Locate

strategy – a key priority of the Programme for Government.

This approach has resulted in consistent consecutive quarters of growth and increased employment in the Isle of Man.

However - there is work still to do. This year Locate Isle of Man will increase their focus on graduates and skilled workers through targeted marketing and stronger partnerships with industry bodies and companies.

Following a detailed review, the Island has renewed its focus on High Net Worth Individuals, launching a new marketing and business development programme across the UK to raise our profile.

The National Insurance Holiday Scheme announced last year has generated significant interest and enquiries, acting as a lead promotional tool for Locate Isle

of Man and a key hook for attracting more people to the Isle of Man. Today I can announce that this will continue for 2020.

Of course in addition to this there is the Relocation incentive which can assist employers by providing a contribution of up to £10,000 towards the first year's salary for a qualifying employee.

This Government recognises apprenticeships are a very effective way of increasing skills and developing the economy, and provide an essential alternative to higher education. Work undertaken by the Department for Enterprise and more recently the Department of Education, Sport and Culture has seen the number of apprentices increase by almost 60% over the last 5 years. This number continues to grow, and I am pleased that the additional £500,000 allocated in the

budget provides for and enables us to sustain this growth.

Honourable Members, our economy is resilient and well diversified. This budget continues the strong support we have given to further diversification and training to maintain our skill base on-Island and attract skilled workers to these shores.

Moving to further allocation of revenue and departmental spending

I ask members to note that to ensure that the budget reflects changes to accountabilities for service provision in the year, the Order paper in front of this Honourable Court proposes that Treasury be given the ability to approve small transfers of budget between Departments, subject to no overall change in the Government budget and a maximum net transfer of no more than £1m.

This budget contains significant investment in our Health and Care Services to a total of some £14m. It includes £2.2m for new revenue bids, £2.8m for pay costs, £5m for the Healthcare Transformation Fund and £4m for capital investment.

In addition to this £4m is included as a future approval item for the Development of the Summerhill Residential Unit.

It includes £590k to allow the Department to fund a new and improved air ambulance service for the Island, significantly improving the resilience of this critical service.

Further, it includes £126k towards the costs of care in UK hospitals and the care of patients with Hepatitis C.

We have also been able to fund an increase in the Endoscopy service

available to patients on the Island, providing £565k of new funds to ensure capacity is maintained to meet ever growing demand in this area.

We are also able to propose capital funding of £300k for an expansion of the emergency department at Nobles Hospital and £472k at the GP surgery in Peel.

Honourable Members, from this you can see that our focus remains on investing in our Health Services in a responsible manner.

Mr President, I commissioned the Sir Jonathan Michael review of the Health and Social Care system of the Island as I wanted assurance over the future path for these services, both for funding and for delivery - to ensure we properly meet the needs of our Island. The subsequent report was agreed by this Honourable Court and funding has been and will

continue to be found to implement its recommendations. Honourable Members, we started this process and we must commit to finishing it and we will provide clarity on our future commitments before the next budget, more on that later.

The issue of Climate Change and our Island's response to the challenge facing us is one that this Court considered last month. As stated in the Climate Change Action plan report, this budget provides for two new funds so that Departments may have immediate access to financial resource to begin to take action whilst we determine the long term funding plan

Firstly, this budget proposes the creation of an Environmental Protection Fund, initially with £5m, to fund initiatives to implement elements of the climate change action team's report or other plans which

will contribute towards our stated goal of being carbon neutral by 2050.

Secondly, we will create a climate change capital contingency fund within the Capital budget, initially with £5m. These monies will be available to Departments to fund changes to scheme costs that may be required or desirable to ensure that Capital Schemes undertaken by Government are supporting the overall goal of carbon neutrality.

Honourable Members, this £10m of new money for next year will begin the work of transforming the carbon impact of our economy and society and to enable implementation of the important recommendations considered by this Court last month.

I recognise this is just a start, but I believe it is a strong signal that we are taking our

responsibilities to the environment seriously.

On the subject of the environment, this budget also proposes the extension of the Climate Change adaption Scheme into 2024/25 with another £3m included within the Capital programme.

Of course, sustainability also must encompass our National infrastructure.

The Department of Infrastructure's revenue budget will increase by £5.0m as a result of approved bids, recognising a number of contractual cost pressures the Department is faced with.

We will continue to invest in the new Liverpool Ferry terminal work during 2020 with external works, dock infill, repairs and filling of voids and chambers within the site, building foundations and structure,

services diversions and installations and marine related construction

Work on the Douglas Promenade has been challenging, but completion is still due for 2021. It is recognised that the businesses on the Promenade have been commercially challenged during this period. Government has provided assistance schemes to help them through the period.

The budget before this Court also includes £3m as a column three item, to fund the initial phase of a scheme to replace Castle Rushen High School following significant work between the Treasury and the Department of Sport, Education and Culture to develop options for this extremely important facility in the South of the Island and safeguarding the educational provision in the South of the Island for the future.

We will continue to support the 3rd year of the active travel strategy through further funding within the Department of Infrastructure's Capital programme and will commit £1.2m towards further improvements on our Heritage Trail between St Johns and Kirk Michael.

It would be remiss of me to present a Budget without the mention of bicycles. In 2017, I introduced a benefit in kind exemption for the cost of a bicycle and safety equipment for up to £1,000 per person every 3 years which was extended to electric bicycles in 2018. I am proposing that the exemption amount be increased to £1,200 from April. Maintaining a healthy and active lifestyle is vital in preventing health problems and I would once again encourage businesses that have not already done so to promote

the benefits of this scheme to their employees.

The Soft Drinks Levy was introduced on the Island on 1st April 2019. The Island's share of these receipts will be agreed through the FERSA.

As previously stated all receipts raised through this new duty are to be used to fund childhood health initiatives on the Island.

To ensure we maintain our focus on developing our defences against new and emerging technology and cyber threats this budget includes investment totalling some £326,000 to provide resources for the Office of Cyber Security and Information Assurance.

We have been able to support the Department of Home Affairs through funding an extra £120,000 to expand the

probation service and to invest £85,000 in new offender tagging equipment to facilitate alternative sentencing. A further investment of £108,000 will allow the recruitment of more mental health professionals to work alongside the constabulary.

I propose to further fund the Department of Home Affairs by £238,000 to allow the purchase of new specialist equipment for the emergency services to ensure they can deal with new and emerging threats. This budget also includes capital funding of over £1m towards new communications equipment for the emergency services.

There can be no doubt, Honourable Members that this budget continues to support our objective of a Healthy and Safe Island.

Mr President, in my first Budget I set out a five financial plan with the objective of

delivering sustainable public finances. This plan has evolved, as all plans do, and been adjusted to reflect changing circumstances, but we have maintained a strong focus on its ultimate objective for us to begin to build our reserves.

A key element of the plan is to address the underlying structural deficit position and this budget forecasts a reduction in the structural deficit to £15.7M by 2023/24 with an overall return to the reserves of £47.3M.

For 2019/20 we are forecasting a return to the reserves of around £35M reflecting the better than forecast performance.

Key to achieving our aims has been of course the returns from our reserves. I would like to highlight that we have managed to achieve strong levels of investment through a focused and well managed framework that we have put in

place for our investment managers and I would like to commend the Investment Committee for their good oversight and governance.

I am also pleased to confirm in this context that the Treasury has signed up to the United Nation's Six principles of responsible investment. This is a set of six principles that provide a global standard for responsible investing as it relates to environmental, social and corporate governance factors.

Whilst the economy is performing well and we have very recently received the very welcome confirmation of the FERSA calculations, we still have challenges ahead of us, as Mr Robertshaw and others will no doubt be reminding me within the next two hours.

It is vital that we do not fall in to a trap of complacency and we must continue to

focus on robust medium term financial planning.

There are key three key areas where we must focus our attention:

- The long term funding of Health and Social care;
- Funding the Climate Change action plan; and
- Sustaining and delivering our infrastructure investment.

Sir Jonathan Michael's report included in his report that we may expect to need to find resource to fund additional expenditure of over £120m pa by 2036

In a similar vein, Professor Curran has stated that we could need up to £25m per annum to mitigate the impact of climate change.

On top of these demands for funds, the capital account is under pressure and we

must ensure we install a financing strategy to ensure ongoing investment into the infrastructure of our Island.

Work is being undertaken in earnest to examine the options available to us to meet these funding challenges, which must be resolved against a wider economic background that maintains a level of uncertainty as a result of the separation of the UK from the European Union, possible threats to free trade and more.

In future budgets it will be important to set out a new medium to long term financial plan which will include plans how we and future governments can address these funding requirements.

It is important that I bring to raise a note of caution to members of this Court and members of the public.

But, having said all that Mr President, it would be unusual for a Treasury Minister not to want to be slightly pessimistic when it comes to the future, to use words like challenge and caution, to want to rein in the natural tendencies of Government to spend taxpayers money, to rein in the more exuberant Politicians who want to spend now and pay later, to demand some acknowledgment of changes to economic conditions.

But the truth is these challenges are also opportunities,

Opportunities to deliver a class leading healthcare system,

Opportunities to deliver a greener, cleaner Island, opportunities for new technology and enterprise,

Opportunities for tourism and leisure,

Opportunities to develop new markets,

Opportunities to build better more sustainable towns.

There is a decade of opportunity in front of us and maximising our opportunities must be our focus. That is what we are preparing for, but to maximise our opportunities, to deliver better outcomes for the people of this Island, we must of course focus on our finances. This government set out a robust financial plan to bring the nations finances under control yet change course to deliver much greater support to our working families, get investment back into public services, deliver a more focused capital investment program and grow our economy. I am reporting that we are on track, we are focused and we are committed - This IS a budget for Focus for an Island and a Government focused and committed on delivering a better future for all.

I commend this budget to this honourable court.