

## Introduction

Mr President,

The budget before this Honourable Court forms the first step of a new medium term financial plan for our Island's finances. As we move away from the challenges of the pandemic we must ensure we have clear sight as to how we structure our spending and investment plans to ensure that we can continue to grow our economy, support our people and invest in our future

I do not need to remind Honourable Members that the last two years have been unprecedented in cost to the island in both social and economic terms, but true to our motto despite what has been thrown at the Island we are still standing and can look to the future knowing that we have firm financial footing to take us forward.

The prudent use of reserves and timely intervention with targeted financial support has ensured that we have not only protected lives and the health of the Nation but also the economy which is so essential in providing the income we need to provide the services and environment that make our Island great.

The last two years have been a challenge in so many ways, however we should take pride that our national finances were resilient enough to accommodate all of the demands placed upon them. This is a result of the prudent financial planning set into many past budgets, Honourable Members will be relieved to hear that I do not intend to deviate from this approach.

The pandemic of course had an effect far greater than any purely financial number, however in budgetary terms we estimate the impact on the public purse to be just over £300m to date.

We cannot ignore this amount, however we also need to ensure that the financial plans we put in place are carefully thought through and considered against the best long term interest of our Island. The budget in front of Hon Members is one that invests in our Island's future whilst recognising that there are a number of challenges to be faced and overcome on the way.

The current projected outturn for the 2021/22 financial year is a deficit on the revenue account of around £36m. The shortfall arises to a large extent from a reduction of Government income received as a result of the pandemic, together with additional costs for such items such as PPE, Business support and other Covid 19 related expenditure.

In setting the budget last year the Treasury planned for a recovery of public sector income to its original target by 24/25. This assumption remains in this budget – our economy is recovering strongly and despite the global economic position, we are optimistic that there will be limited or no long term scarring to the economy or to public sector incomes. We are not ignoring the economic challenges, and, as members will be aware, we are actively engaged in developing a new economic strategy.

Phase one, the research phase, of the project to develop the strategy has been completed. This has identified a range of positive factors and some challenges that are present within the Island's economy:

Phase two work is currently underway, investigating opportunities for the Island's economy and developing the policy levers that can be used to realise them.

The next steps will be to build a framework, once the policy levers have been developed and agreed, to provide clarity on the Island's economic objectives, and to ensure effective delivery of the programme.

I plan to bring the developed strategy to this Honourable Court in July this year.

However, the challenge to fund the recovery from the pandemic and our extensive capital programme is significant. Last year the Treasury changed the method by which capital is funded to make the mechanism transparent and ensure there is a clear link between the level of Government spend, both on revenue and capital, and the level of general revenue taxation raised to accommodate that spend.

At the same time the Treasury commenced on a fundamental review of the Capital programme through a Strategic Infrastructure Needs analysis. Work to deliver this is ongoing, and whilst it has not been completed in time for this budget, it is planned to inform a new long term capital programme that will be brought forward as part of the 2023/24 Budget.

The funding of the overburdened Capital programme, combined with funding of Health and Care and our transition to net zero, which I will expand upon later, create significant pressure on the Island's General Revenue account in the short and medium term

Mr President, it is not the time to react to these pressures with knee jerk financial changes. It is crucial that we give ourselves time to breathe to consider the appropriate financial policy responses to support our economy. Whilst work is underway to determine these responses I propose to utilise the strength of our national reserves to support investment in the Capital programme through to 2026-27. The forward looking plan presented in the pink book sets out how the revenue account

can accommodate the amount of Capital spend we estimate is usually deliverable each year.

During the last year, the Treasury sought approval for, and executed, a £400m sterling sustainable bond on the capital markets. This provided funds to refinance internal loans and the new vessel for the Steam packet. When refinancing the loans to the Steam Packet and the Manx Utilities Authority the Treasury was able to pass on the low interest costs to both bodies, assisting them with their ongoing cost base and reducing future price rise pressure from financing costs.

This budget also sets up the sinking fund required to accumulate funds for ultimate repayment of the bond.

The ultimate outcome has been to put money into our reserves at a historically low cost, bolstering the resources to fund capital and other spending priorities.

Mr President, the poet and writer A A Latimer once described the definition of a budget as being “A Mathematical confirmation of your suspicions”. So to be clear, the financial plan in front of this Court today does show that over the next few years we will draw from reserves, in amounts reducing over time, to support our investment in the Island and the services we provide to its people. The key financial strategy and challenge for the coming period is to build sufficient annual revenue surplus to be able to accommodate the expected level of expenditure through the Capital Financing Reserve, thereby rebalancing overall expenditure against income.

Moving forwards we will be working to ensure that the financial strategies and policies implemented over the course of the new medium term financial plan support the Island plan.

The key objectives of the new medium term financial plan are:-

The Delivery of a taxation system that continues to support the economic aims of the Government and raises sufficient revenues to support public services

Controlling public spending and promoting value for money with public finances through strong financial governance, and

The prudent use of reserves to maintain and support investment in services for the public of the Isle of Man and deliver the strategic infrastructure needs in the short term whilst making plans to reduce this reliance in the medium term

Mr President, the last two years have been challenging for us all. The impact of the pandemic has been felt across all sectors of our economy and across all parts of our community. I have talked about some of the challenges we face and the fact that the strength of our economy and previous prudent financial planning has positioned us to support the community and our businesses.

The economic challenges posed by Covid 19 are all too familiar to us now however, hon members will recall that the Economic Recovery Group was formed in July 2020, and up to £100m was allocated to fund initiatives aimed at securing the Island's economic fightback, protecting jobs, securing investment and encouraging economic growth on the Island.

I can report to you today that, in addition to funding individual stimulus schemes, over the course of the pandemic that support for businesses

and individuals of £132m has been overseen and delivered. This includes £78m through the Salary Support Scheme, £13m for MERA and £41m for other business grants. This final figure will be higher than this as the support schemes now wind down and end before the new financial year.

Mr President, whilst it has been vitally important and indeed necessary that Government intervened during the unprecedented position presented by Covid 19, it is essential that businesses and individuals now plan to return to normal. I am concerned that many businesses have become reliant on Government support and their first port of call is to seek public funding when facing trading concerns.

Whilst the finances are still robust, the public purse cannot withstand continued funding for support schemes as it has been and I want to send a clear message that, except for in the event of emergencies, businesses now need to plan to operate without further support. I am confident that the schemes have been largely successful in achieving their aims and the economy is in good health and ready and able to grow into the future.

Mr President, the Pink Book in front of this Court today shows that we estimate a drawdown on the Economic Fund of just over £20m in 2021-22 and a projected draw next year of another £10m. Of course these numbers may change as projects are developed but Hon Members can be assured that we have sufficient firepower left in the Fund to continue the good work already put in place. The exact nature of this expenditure is to be determined and will very much be influenced by the outcomes of the Economic Strategy.

The budget also includes significant provision for ongoing support for businesses through the various schemes operated by the Department for Enterprise.

In this regard it includes a total of £4.6 million for the Department for Enterprise, of which £3.8m is for Enterprise support including £3.6m of funds to enable the Micro Business Grant Scheme and Financial Assistance Scheme to continue to operate to support business growth and support the creation and retention of jobs on the Island. To support the visitor economy there is a further £0.5m allocated to the visit agency to promote the Island and its travel and hospitality sectors.

The budget continues to support those who would like to start a business, supports home grown entrepreneurial talent, and continues to position the Island on a global scale as a supportive environment to innovate.

Mr President, the strength of our economy's recovery from the pandemic has created challenges for some Island businesses to recruit people. The Treasury has recognised this and has introduced two new schemes, named Restart and Reskill to provide a means to support those who have been unemployed for a period of time or those seeking to re-enter employment with a route to do so, with employment subsidised through the Social Security Division.

I have mentioned that the covid related support schemes will end soon, however this Governments normal support for business will of course continue, I am determined that we will continue to support our islands people and our islands businesses to thrive.

Over the past five financial years, 469 new businesses have been formed through the Micro Business Grant Scheme, which not only creates economic value in regards to taxation, and fees to the companies' registry, but also acts as an additional avenue to support those unemployed back into work.

These are just a few of the key support measures in place for businesses looking to start, grow, improve and relocate their enterprise to the Island, but there are a number of additional schemes which offer advisory services and financial support.

Part of the delivery of our Strong and Diverse Economy work stream through the Island Plan will include a review of the schemes on offer, to refine the support and ensure it is accessible and suitably delivered to encourage growth across the economy, and continue to attract entrepreneurs.

Ensuring businesses which choose to set up, expand or relocate to the Island are supported and encouraged to continue to create jobs and invest in our Island helps us to remain a secure, vibrant and sustainable destination where businesses thrive

### **Health and Care /Climate change**

Mr President, the budget in front of this Court does not propose significant changes to the fiscal strategies of the Island, if we are to make changes they will need careful consideration and consultation, however it does recognise the potential cost of investing in our Health and Care services to meet the levels identified in the Sir Jonathan Michael report.

We have supported our Health and Care services with significant investment over the past few budgets and yet more remains to be done. I am sure my colleague the Minister for Health and Social Care will accept, as I did when in his role, that opportunities exist to improve value for money in our Health and Care systems. However there remains a fundamental gap between the projected costs of the services required taking account of efficiency improvements and the budget allocated.



The gap in funding is clearly identified in the budget, and arises in the main from specific cost inflation related to health care systems and demographic changes. The estimate of the cost has been prepared after considering benchmark inflation projections predicted for health and care systems with similar demographics to our Island. Honourable Members will see that the gap is identified at just over £8m next year, rising to £35 million by the end of the plan. I should stress that the gap includes agreed cost efficiency targets to ensure that the Department and Manx Care are tasked with improving the value for money of the services they provide. Mr President/Honourable Members, I need to stress that the long term assumption for underlying CPI to which this inflation factor is related is 2%, should CPI continue to be above that then even this level of cost rise may be insufficient.

In addition to the above gap, we have made provision in Treasury funds for further monies of £27.5 million related to contingent costs, including residual pandemic costs we expect may be incurred next year. This figure includes funding of up to £5.08 million to be controlled and released by the Treasury to DHSC to meet cost pressures which may arise next year, and will need to be included in a raised baseline for Health and Social Care. The longer term implication of this is that the funding gap is expected to rise to around £42 million by year five.

Honourable Members, the funding settlements for our Health and Care services have been, and continue to be, the subject of much debate in this Honourable Court. It is quite right that this debate occurs, they are the services which we will all need to rely on during the course of our lives. Mr President our Health Service continues to be under enormous pressure and while much good work has been done with the introduction of Manx Care significant work remains.

To provide additional assurance over the financial governance processes in place within the department of Health and Social Care an enhanced formal oversight regime has been introduced, so that there is early opportunity to fully understand the in-year financing position to give time for mitigating actions to be implemented. It is important that the department and Manx Care recognises that there is, and must be, a financial constraint upon the level of services they can provide. This is a fundamental aspect of budgeting and financial control.

The challenge for the department next year will be to make plans to prioritise services within the financial envelope available. This budget sets a fair settlement for next year, in line with the Sir Jonathan Michael report. The department has consumed the majority of available additional revenue funding for a number of years, it is now time for it to demonstrate that it can live within the settlement agreed. I fully expect it to do so next year and stand ready to support my Hon Colleague the Minister for Health and Social Care in his plans to achieve this important aim.

We knew, when we commenced the transformation programme that a longer term funding settlement would need to be found, we also understood that funding that settlement would need to be subject to careful financial planning and discussion. The budget this year quantifies the size of the financial challenge and, to meet the gap for the budget year only, I will present an order to this Honourable Court seeking approval to use the investment income from the Manx National Insurance Fund to increase the NHS Allocation for 22/23 by £8.25 million.

I understand that members and the public will be concerned about taking extra monies from the fund at a time when we have already seen increased expenditure in relation to MERA and the Salary Support Scheme but I feel that it is appropriate to take what in effect is a very small

sum when compared to the overall value of the fund, currently worth around £1 billion, and to invest it in our Health Service. This is a one off withdrawal, which is appropriate in these very unusual circumstances and should Treasury wish to use further amounts of investment income in future years it will have to come back to this Honourable Court to seek approval.

The budget before this Honourable Court does not set a longer term funding strategy for the gap beyond one year as we need to properly consult on the options available to us to pay for the changes to our Health and Social Care services. This could involve a mix of different funding mechanisms, reprioritisation of funding, cost saving opportunities and of course should consider the scope of services which may be affordable or desirable within the decided financial envelope. Honourable Members would expect, and I would agree, that care is taken to properly examine the most equitable way forward. I therefore intend to consult on these matters during the coming year with the aim of bringing a developed financing plan back to this Court next year. This, together with the reviews of the National Insurance Fund, will inform next year's budget.

The other key financial challenge facing the Island, Mr President, remains the scale and scope of the investment needed to achieve the Island's climate change targets.

Our proposed budget has provided significant additional support for Climate Change mitigation, with a further £5 million allocated.

Together, we will need to achieve efficient and low carbon heated homes, we will need to also achieve low carbon transport and to enable these things, we need to replace the existing electricity generation which is now approaching the end of its design life.

The Island is not immune from the threats already faced by Climate Change, for example increased temperatures, sea level rises, more flooding events, coastal erosion and more powerful storms, the damage and reparation costs to the Island are significant. So today sees additional funding of £9 million towards the climate change adaptation schemes proposal.

However, I recognise that we need to do more and hence this budget also proposes the creation of a new climate change revenue fund, with an initial allocation of £25 million. We have committed to reaching net zero and this new money demonstrates our willingness to fund our promises.

Mr President, that means the total money allocated to the various funds to support climate change initiatives and climate change mitigation measures is £42 million this year.

However I must stress to Honourable Members and to all on the Island that the cost of meeting our climate change objectives cannot be borne by the public purse alone. The Government is currently developing its plans to meet the agreed objectives, part of these plans and consultations must be discussions over the equitable split of costs to fund the changes we all will need to make to our lifestyles over the course of the next few years.

I also recognise that next year's budget will be very challenging for Departments and other revenue funded bodies. There are significant risks related to inflationary pressures arising worldwide. We have done what we can to include a small non pay inflationary factor and other new funds to mitigate the effects on capital programmes within the confines of the five year financial plan, but departments will need to be rigorous in their financial planning and their financial management next year.

I fully expect there to be pressure on pay budgets as well. I would like to stress the need for such awards to be equitable across all stakeholders, the Island's finances are currently tighter than we have seen for a long time; our economy is strong but has suffered in line with the rest of the World as a result of the pandemic. I would encourage any pay claims brought forward to recognise these facts and for all parties, to bear this in mind during any negotiations.

I need to also stress to all Departments that value for money must be sought when seeking to make decisions over spending public money, this has always been the case and we must redouble our efforts to ensure that public money continues to be spent wisely and well.

It is inevitable that Departments will face some tough choices next year to balance their budgets, but we must maintain strong financial discipline if we are to return the public finances to a surplus position.

## **Taxation**

Mr President, having said that, it is probably appropriate that I now turn my attention to taxation.

Our income tax receipts are forecast to be around £227 million this year, Honourable Members will I'm sure appreciate that in addition to the usual variables that can impact our forecasts there remains some additional uncertainty because of the effects of the pandemic. However, I am sure the Honourable Members will agree that this level of receipts demonstrates the robustness of the Island's economy and its continued rapid recovery.

However, given the economic uncertainty and also as we await the outcome of the work on a new economic strategy for our Island, I do not at this time intend to make significant changes in taxation. Nevertheless, I do intend to raise the personal allowances from £14,250 to £14,500 which will see a further 300 people move out of the tax net.

In addition I am introducing a deduction of £2,900 for people in receipt of War Pensioners Mobility Supplement to align the deduction currently available to people in receipt of Disability Living Allowance and Attendance Allowance.

I am pleased that the Isle of Man will be hosting the TT races once more this year and have therefore taken the opportunity to update the way rental income received as part of the TT Homestay is taxed. From this year an allowance of £2,350 will be available to reduce a person's gross rental income received during the TT period. Previously a concessional amount of £1,800 was allowed so this is an increase of £550 to reflect the increase in tariffs charged since it was last reviewed in 2015/16.

Mr President the area of international taxation continues to evolve, develop and change. I can however again confirm that the Isle of Man continues to meet an ever increasing number of international standards.

The Assessor has been and continues to closely monitor the ongoing work of the OECD and the EU in particular with regard to the latest developments. These are new rules to determine taxing rights between jurisdictions for the very largest multinational businesses and the introduction of the concept of a global minimum effective tax rate of 15% for very large groups of companies.

The OECD and EU have started to publish the complex model rules for these new standards and the Assessor has already begun to engage with

the relatively small number of companies on the Island that are likely to be most affected by these changes. These new rules are likely to develop over the next 12 months and it is important that future decisions on the Isle of Man's response are well informed and based on working with local business and our colleagues in the Channel Islands.

Mr President I must highlight again that these new rules will only apply to very large multinational businesses with group profits of more than €750 million.

I know that this is complex however with our proven track record I remain confident that the Island will continue to adapt to meet these international challenges.

Mr President turning now to National Insurance.

Last year the Treasury Minister, now Chief Minister, presented to this court a document that set out ideas as to where the current National Insurance scheme could be changed to better reflect the employment characteristics of the economy today. The Island Plan makes it clear that we must have a strong and diverse economy and the National Insurance Scheme must play a central role in this, but it can only do so if it remains relevant to today's economic environment. I intend to commence the next stage of the review in the coming months by going out to consultation on a number of issues and will report back to this Honourable Court before the next Budget.

Therefore, at present I do not intend to make any significant changes to National Insurance future strategy and the two orders that are before you today are as a result of changes recently announced by the UK Chancellor. The Lower Earnings Limit is therefore increased from

£120 per week to £123 per week, and to be clear, this will not increase the amount of National Insurance paid by employees and employers.

The Class 3 Voluntary Contributions is increased from £15.40 per week to £15.85 per week, which keeps it in line with the rate applicable in the UK.

All other rates, limits and thresholds will remain the same for the 2022/23 tax year.

### **Social security**

The budget today proposes that we continue to follow the UK Government's policy regarding the uprating of state pensions.

As Hon. Members may be aware the UK Government confirmed a one-year suspension of the "triple lock" formula for annual state pension increases, following concern that a big post-pandemic rise in average earnings would have meant state pensions increasing by around 8%. Therefore, the average earnings component of the triple lock is to be disregarded for this year's uprating. Instead, the rise will be equal to the UK CPI as measured in September 2021.

Therefore, the rates of the Manx state pension - including protected payments - and the rates of State Retirement Pension - including additional pensions and graduated retirement benefit - will increase by 3.1% from the week commencing the 11th April. This results in the full rate of the Manx state pension increasing from £196.14 per week to £202.23 per week and the rate of a full basic state retirement pension increasing by £4.25 a week, to £141.85 per week.

Rates of the "Pension Top-up" will also increase by 3.1%.



Overall, the cost of these increases in the Island is estimated to be £4.7 million per annum, which will be paid for out of the National Insurance Fund.

### Manx Pension Supplement

As previously agreed by this Honourable Court, the value of the Manx Pension Supplement for new pensioners will continue to diminish over the next 17 years.

It would therefore be inequitable to increase it for existing pensioners.

So, Mr President, the current rates of the Manx Pension Supplement will not be increased.

As has happened in previous years, the Pension Supplement Scheme has been amended in order to avoid what would otherwise be automatic increases in the amounts payable with basic state retirement pension and legacy bereavement benefits.

Aside from state pensions and the Manx Pension Supplement, most National Insurance-funded benefits in the Island will increase by 3.1% from the week commencing the 11th April – the same as they will be in the UK.

The amount of the Nursing Care Contribution is also being increased by 3.1%.

Mr President, one part of our community that deserves special recognition and acknowledgement is those in our community who are carers and we should and must recognise the valuable role that carers play in our community. They are in many cases looking after the most vulnerable in our society, in many cases to their own personal detriment both personally and financially. The most recently published census figures showed that

4,869 people are providing care or support to someone living with a long-term illness, condition or disability. 1,396 of those are providing care for 50 hours a week or more. We owe our carers a great debt Mr President and I am determined that over the coming years we must look to provide additional support to those who may have given up or refrained from work in order to look after a disabled person. To begin this process I am therefore proposing in this budget that the rate of carer's allowance will increase by 15 per cent. This will result in additional spend on this benefit of just over half a million pounds a year. This is a first step Mr President and I want to look more fundamentally at Carers Allowance and the support that is in place for those who sacrifice their own life and time to care for others in our community.

As regards those benefits which are funded out of general revenue, these are usually increased relative to the rate of domestic inflation. In September 2021 the IoM Consumer Prices Index stood at 5 per cent.

Therefore, generally speaking, the rates of child benefit, attendance allowance, disability living allowance and the prescribed amounts generally for each of the income-related benefits are to be increased by 5 per cent from April. Exceptions include –

- the rates of the carer premium for income support and income-based jobseeker's allowance are to be increased by 26.4%, in order that recipients of those benefits are able to fully benefit from the 15 per cent increase in the rate of carer's allowance;
- the higher rate of the Disability Living Allowance mobility component is to be increased by 3.1%, in order that it continues to be aligned with the equivalent UK rate - which is of particular importance to Motability customers;

- the maxima allowable towards housing costs are being increased by 3 per cent, rounded to the nearest 50p; and
- the maxima allowable towards child care costs are being increased by 2.8%, rounded to the nearest whole pound.

Furthermore, as regards the income support property tariff the 10% threshold is to be increased by £20,000, to reflect the rise in average house prices in the Island over the 12 months to September 2021. As a result, people living in care homes who receive income support and who continue to own the property they used to occupy as their home may receive up to £1,000 a year extra income support.

The amounts of the Christmas Bonus, Funeral Payment and Maternity Payment will continue at their current levels. The amount of the Winter Bonus will revert to its previous amount of £350 from next January and will be available only to certain income support recipients, as was the case up until last year.

Mr President, the statutory documents giving effect to the measures I have just described are listed on the No. 2 Order Paper. The explanatory memoranda which have been circulated in relation to those documents provide further information, including a schedule of the current and new rates of state pensions and social security allowances.

As Honourable Members are aware, the planned changes to the minimum work requirements for employed person's allowance have been postponed until October to allow time for Treasury to re-assess the position in the light of the omicron variant and to reconsider the impact these changes may have on vulnerable working families.

Changes to the income support rules for lone parents, whose youngest child is aged 6 or over will come into effect in April. Officers from Social

Security's Employment Services Team have been in contact with those affected for a considerable period of time to help them plan for this change.

As I have previously said, to assist those individuals on incapacity benefit back into work, a pilot scheme called "Manx Reskill" has been designed with the intention of helping up to 50 people who have been receiving incapacity-related benefits for over 12 months to secure employment.

Like the Manx Restart scheme, this Scheme will be a public/private partnership. Government will provide funding, whilst employers will commit to creating and providing real, meaningful work to include these workers in their normal workforce. The Occupational Health Service will meet with individuals in order to assess what type of work might be suitable for them.

This initiative combines the success of the Manx Restart Scheme with the principles recommended in the 2016 Lancaster Report - that of an holistic, occupational health style model of employment support for people with health conditions who want to work, but face additional barriers.

Individuals' participation in this scheme will be entirely voluntary. They will not suffer any detriment to their benefit entitlement if they choose not to take part in it, or if they withdraw from it after having enrolled.

I shall be moving for approval of this Scheme at next month's sitting of this Honourable Court. If approved, Treasury officers will then roll it out as quickly as possible.

Honourable Members/Mr President, I trust you will all agree with me that this is a very positive move aimed at helping our islands people to move back into employment and the fact that we are developing and introducing

innovative schemes such as this shows our commitment to the people of this Island.

As Honourable Members are most likely aware, unemployment is currently at a 20-year low. The unemployment rate in the Island has been just 0.7% since November last year. This contrasts sharply with the position 12 months ago when unemployment was treble what we're seeing today. But it does concern me that a quarter of those currently unemployed have been so for over 12 months. We must therefore strive to do what we can to help these individuals get back to work.

The number of NEETs – that is, those aged between 16 and 24 who are not engaged in employment, education or training – has fallen considerably since the last Budget. Whereas it was just around 230 a year ago it now stands at just 61.

The number of job vacancies being registered with the Job Centre lately is the highest it's been for at least the last several years and shows that the Island's economy generally has bounced back from COVID 19.

There are currently 21 individuals engaged on Work Placement Schemes arranged by social security officers.

I have previously spoken about my desire to reform the benefit system, and I understand that there is some frustration around the system's complexity and processes which can make people feel as though they are jumping through hoops to access their entitlements.

I am pleased to announce that after pausing to focus on the response to the pandemic, the Social Security Division has recently relaunched its transformation programme.

This programme is intended to revolutionise the way in which the division delivers its services, resulting in a fresh, cultural shift in the way people perceive, interact with and access the wide range of support available.

It will provide an improved customer experience achieved through lean and efficient processes, targeted and appropriate support and a rich digital channel. An online portal will be developed, allowing citizens to make and manage their claims and communications with Social Security online at a time and place that suits them, with modern and customer-centric support channels, streamlined application and review processes, and more comprehensive and targeted provision of relevant information, advice and guidance.

The Social Security team are committed to involving the public in the development of this programme, via public consultations and surveys and a service user group, which will help guide the programme, provide feedback and direction, and ensure that the new service is designed with users' needs, convenience, accessibility and understanding as some of its top priorities.

Turning now to the Capital budget process, Mr President.

In last year's budget, this Honourable Court approved a change to the means by which Government's Capital programme was funded. The budget this year is the first under the new approach. The previous approval process for Capital schemes allowed for approval on a year by year basis only. The new process seeks Tynwald approval for the full anticipated cost to deliver schemes, thereby providing budget certainty to departments and a sounder base upon which long term Capital financing strategies can be designed.

This year is therefore a transitional year between the two systems, and unfortunately has added some complexity to the approvals sought. The approach taken in the Pink Book and the orders before this Court is as follows

For discrete schemes, that is schemes designed to deliver a specified outcome or project with a defined cost over their lifetimes, the budget seeks approval for the “balance of cost to completion” whilst retaining those approvals already given as part of previous budgets. By this mechanism we shall, if approved, have full budgets for completion for each approved scheme moving into the new financial year. Future budgets will then report on spend against that approved budget with votes only required if any changes to the approved budget is identified

The second type of scheme is those that are for on-going work of a routine or regular nature, these rolling schemes can encompass a multitude of smaller pieces of work. The budget before this Honourable Court seeks approval for only one year’s funding for this type of scheme, Honourable Members will note that future years funding for these schemes is in italics in appendix 5 – this means the funding is there for visibility and financial planning purposes, but approval is not being requested of these future amounts.

The change to capital financing allows the Treasury to have greater flexibility in how it allocates the balance of spend between revenue and capital each year, however the main reason for the change to capital financing was to try to simplify the approach for the benefit of all. Whilst in this transitional year the approach may be slightly more complex than intended, I do hope Honourable Members will see the benefits in transparency and simplicity as we move forward to future budgets.

In preparing this budget, I have been mindful that we must continue to invest in our Island's future. We must find ways to afford to invest in new services and infrastructure to maintain and improve the quality of life here on our Island that we all value so much.

The budget in front of this Honourable Court today demonstrates that we are prepared to invest in our Island in support of the Island Plan, including new money for revenue bids totalling £18.3 million, or over £23 million if the additional £5 million held in contingency for the increased Health and Social Care baseline is included

### **An island of Health and Wellbeing**

Over £12.2m of this supports the theme of an Island of Health and Wellbeing. This figure includes closing the identified funding gap of £8.25 million plus the additional £5 million in contingency as I have previously explained. It also includes just over £600k to fund the new sexual assault referral centres running costs, an extra £590,000 for an improved air ambulance service, £408,000 for ME/CFS and long Covid service developments, £640,000 for an expanded flu vaccination programme, £300,000 for end of life care and £1.37 million for the extension of the Covid 19 111 response team.

Further capital approvals totalling £4.4 million are sought as part of the new capital process, including a further £1 million for the replacement equipment programme at Nobles and £830,000 for the Sexual Assault Referral Centre. An additional £410,000 is included for the fire and police replacement programmes

Mr President, I have already talked about the need for strong financial control across Government and at the Department for Health and Social Care in particular. I, given my previous role, am very well aware of the



efforts being made in the Department and at Manx Care in this regard. I also recognise how difficult this will be, we are after all not alone in having a Health and Social Care system which is struggling to stay within financial targets. This Honourable Court has supported the Department in approving supplementary votes in the past and will be being asked to do so again for this year at next month's sitting. This budget recognises for the first time the size of the funding challenge, whilst the Treasury will do its part and determine an appropriate and equitable funding solution, it is important that the Department does its part and moves ahead rapidly with its implementation of strong financial controls.

### **Outstanding Lifelong learning and development opportunities for all**

The budget contains an additional £2.74 million towards the aim of providing outstanding lifelong learning and development opportunities for all, specifically providing money for additional education needs within our Schools.

Pre contract fees of £972,000 in respect of the new Castle Rushen School are included for approval as we seek to design this major capital scheme for the future.

### **A strong and diverse economy**

To support a strong a diverse economy, revenue bids of £2.19 million are include almost £1.2 million to increase the motorsport budget within the Department for Enterprise to ensure that funding is available to support our great motorsport traditions into the future. As I have already said, there is also an additional £500,000 for marketing the Island as a visitor destination.

A total of £27.7 million is included for approval in this category. The major new item being a request to approve a £13 million scheme to

accommodate the impact of the current levels of capital inflation on existing schemes. This scheme will be controlled by the Treasury and will be allocated to offset significant cost pressures on existing schemes where Departments have been unable to mitigate the impact of such inflation through the normal contract management process.

The budget also includes £6 million of further approvals to continue to deliver the Islands fibre optic rollout, ensuring greater access to high speed internet for more of our community.

To ensure that our programme of financial assistance schemes for businesses is properly aligned with the new economic strategy, they will be reviewed during the budget year

### **Building great communities**

Bids totalling £760,000 have been included to further this goal, a further £400,000 is included to assist border security within the Isle of Man constabulary and £254,000 for IT prosecution resources within the Attorney General's Chambers

Further, to ensure the new Housing and Communities Board has funding to deliver its aims, the budget proposes provision of £2 million to be transferred into a new internal fund specifically for this purpose.

Further capital approvals of just over £2.5 million are included on existing rolling schemes for works on the Villa Gaiety, the wider government property estate and Castle Street/Duke Street regeneration.

### **An environment we can be proud of**

£300,000 has been committed to survey the condition of Government buildings so that we build appropriate maintenance plans, and to inform the strategic infrastructure needs assessment. £136,000 has been

allocated to the Department for Environment, Food and Agriculture to fund veterinary costs and fisheries regulatory compliance work.

Further capital approvals of nearly £45 million are included in the budget to assist to deliver this aim. I have already talked about the additional £5 million for climate change mitigation initiatives and £9 million for climate change adaptation.

The budget also seeks approval in respect of £3 million funding for an upgrade to Douglas harbour pier to ensure it is fit for purpose when the Manxman starts to operate. £1.9 million Funding for the new Balthane gateway road is included together with £1 million to improve visitor facilities at the sea terminal.

### **Budget Process**

Mr President, it is important that I now touch on the budget process itself. It has remained largely unchanged for many years, although I'm sure Members would agree, that huge advances have been made over the past few years to improve the information contained in the Pink Book. For example the introduction of the forward looking five year fiscal plan and the structural deficit calculation are all relatively new additions.

We have of course also changed the capital budget process this year – with the aim of simplifying both the presentation and approvals process for the benefit of all. However, Treasury is constantly considering whether the overall budget process can be improved and whether it remains fit for purpose.

I believe now is the time for review of the budget process. We will now review and consider how we can design a system which ensures that responsibility for spending decisions is tied more closely to the accountability for the cost and outcome of those decisions. The Treasury

will always have a role in the public purse of course, this is mandated in the Treasury Act, but I want to introduce a system whereby Departments have more freedom to allocate resource within their approved financial envelope to meet the priorities as they develop over the year. Perhaps more importantly that departments are measured on the outputs they achieve rather than just the inputs they consume in terms of money.

I also want to design a system to ensure that relevant stakeholders have an opportunity to input into the process early on, to inform the process. I should stress to Honourable Members that any process so developed must satisfy the statutory responsibilities of Treasury under legislation to supervise and control the public purse, including the allocation of resources. But I want to look at how we can more fully engage with all Honourable Members and make it a more collaborative process. I have already had several helpful meetings with several members around this and I thank all Honourable Members for their input so far.

## **Summary**

Mr President, it has been a tough two years not just for our island but also all countries around the world and the global economy. We should be proud of our island nation and the way we have weathered the storm not just socially and the way we have together as a community to tackle the challenges we have faced, but also that economically we have weathered the storm far better than many of our compatriots around the world. This island of ours has shown not just social resilience but also economic resilience. This budget builds on that resilience to ensure that we can invest in our island's future. Despite the financial and fiscal challenges Mr President this administration is determined to face head on the challenges that we face, be it climate change, access to and affordability of housing, or supporting our vital services such as Health, Social Care

and Education just to name a few. This budget starts a direction of travel laying the foundations on which we can build the vision laid out in the Island Plan that has recently been approved by this Honourable Court.

This is a budget that looks not just to the challenges of today but also to the post pandemic future with confidence and invests in our Islands future. Mr President, it would have been very easy after the challenges of the last two years to have had a standstill budget this year, instead we have included revenue growth of £18.3 million, allocated funds towards our climate change goals and invested in our frontline services such as Education, Infrastructure and Health and Social Care. If we are going to face the challenges not just of today but also those further down the line then we need to continue to invest in our islands future. That is what this budget does.

Mr President, I beg to move