

EXECUTIVE COUNCIL TOP LINES – TUESDAY 7 JULY 2020

Medium Term Expenditure Framework (MTEF) – 2021/22 to 2023/24 – Strategic Objectives and Policy Priorities

- **Council agreed for the Strategic Objectives and Policy Priorities that were approved in June 2019 to inform and direct the strategic planning and budgeting process for the three-year period 2021/22 to 2022/23 should continue to be used for the next three-year planning and budgeting round commencing 1 April 2021**
- Members noted that SHG is now in its third year of the three-year planning cycle which will start in the next four weeks. Agreeing the Strategic Objectives and Policy Priorities will now underpin this process
- Work has already started on a number of the Policy Priorities
- Members fully supported the Strategic Objectives and Policy Priorities and noted that there will be opportunity to update certain aspects when necessary in line with the work of Council Committees to drive Policy forward
- Discussion ensued around the cumbersome process of the Strategic Planning and Budgeting process and Members felt strongly that there needs to be more of a partnership approach between SHG and the UK Government which hasn't yet been forthcoming. It was accepted that a lot of work goes into preparing the budget and setting the objectives and Members felt the partnership needs to improve and the process made more efficient, noting that for the last two years we've had to operate a roll-over budget. Elected Members on ExCo suggested a conversation would be held at ministerial level to address this
- Council accepted that as an organisation SHG needs to start the process of planning for the next financial year but highlighted that it was extremely difficult to plan strategically on a one-year budget and even a roll-over budget. This limits our thinking and what we can achieve
- The Strategic Objectives and Policy Priorities will now be fed into the Strategic Planning and Budgeting Guidelines, recognising that finances to achieve these objectives and priorities might be difficult and challenging but it outlines what Government is trying to achieve over the next three years.

Audit Engagement Letter – SHG Financial Statements 2019/20

- **Executive Council endorsed the terms contained within the Engagement Letter issued by the Chief Auditor in respect of the statutory audit of the SHG Financial Statements for 2019/20**
- Members agreed with the recommendations outlined by the Chief Auditor in his Engagement Letter and gave approval for the Financial Secretary and the Chief Auditor to access SHG's asset information at the Bank of St Helena, as requested by the Chief Auditor in his Engagement Letter
- It was noted that the majority of work will be carried out on the Island but there will be certain components that will be contracted out to overseas firms
- This function will be moved to the new Finance Committee going forward.

Background

- The Chief Auditor has submitted his Engagement Letter that sets out the terms and expectations from both parties regarding the audit of the 2019/20 SHG Financial Statements
- Executive Council being the executive decision making body of the Government of St Helena is considered to be 'Those Charged with Governance' under International Auditing Standards
- The Engagement Letter sets out the objective and scope of the work to be undertaken which is to provide an Independent Auditor's Report on whether:
 - a) The financial statements present fairly the financial position of the Government for the financial year ended 31 March 2020;
 - b) In all material respects the expenditure and income has been applied for the purposes intended and conforms to the authorities which govern them; and
 - c) The financial statements have been prepared in accordance with all relevant laws and policies.
- It also sets out the responsibilities of management for the preparation of the financial statements, the financial reporting framework that applies, the expected outputs from the audit, the anticipated timescales for submission and completion of the audit and the proposed audit fees for the work
- Under section 109(2) of the Constitution the Chief Auditor is required to audit the financial statements within six months from the date of the first submission by the Financial Secretary
- However, due to the current travel restrictions the Chief Auditor is unable to secure sufficient qualified audit staff to complete the work within the time period and will be seeking the Governor's approval for an extension to 31 March 2021 due to these exceptional circumstances
- This audit is a statutory requirement. The proposed audit fee of £93,500 has been provided for within Head 17 Corporate Finance, Cost Centre 1706 Payments on behalf of the Crown Budget.

Business Support Package for Local Businesses to mitigate the impacts of COVID-19

- **Executive Council approved for the Business Support Package established to support local tourism, hospitality or related businesses in keeping their employees employed resulting from the impacts of the Covid-19 pandemic should continue beyond June 2020**
- The Business Support Package that was in place until end-June had supported 46 businesses, 100 employees and cost SHG £90,000
- Council considered the three options proposed and agreed with Option C that a Reduced package of Support Schemes should continue until end-September 2020 noting that funding this extension would come from the £2.5 million COVID-19 preparedness funding from the UK Government

- The scheme would be reviewed in early September along with the review of the Mantis Hotel and once more is known about what is happening in the international arena
- The Financial Secretary explained that there would be some amendments to the criteria for eligible businesses for this extension namely only Tour Operators (Marine and land based), Tourist accommodation providers and eateries would still continue to be supported. Takeaways, bars and pubs would no longer be eligible now that Social Distancing rules have been relaxed
- Members were pleased to note that recommendations had been based on feedback received from businesses during the support period
- Members fully supported Option C but wanted to make sure that the right entities including those businesses with proprietors overseas will benefit from the scheme
- The focus now is to support those businesses that are significantly impacted by the fact that we have no tourists on the Island. It is important to keep these businesses afloat so that when the tourist industry is re-established they are ready to continue
- Support for the extension of the scheme will be backdated to 1 July 2020.

Background

- On 17 March 2020, St Helena Government (SHG) announced additional measures to prevent COVID-19 from reaching the Island as well as limit the spread of the virus if it was to be confirmed here. Recognising this, SHG approved support mechanisms to reduce the burden on local businesses. These included:
 - A one-time payment of £325 to any business with an employee who is forced to self-isolate after having returned from overseas on a flight on 14 March 2020 or thereafter, according to SHG preparedness guidance (published 18 March 2020) to ensure that businesses could continue to pay employees and keep them employed whilst supporting the measures put in place
 - A monthly hardship support payment towards a portion of staff costs for businesses in the tourism and hospitality sectors, recognising the negative impact the pandemic had on visitor numbers due to the travel restrictions put in place, not only on the Island but globally. This again was established to ensure that businesses could continue to pay employees and keep them employed
- Effective from 18 March, eligible privately-owned businesses were able to apply for monthly Hardship Support of £500 for the first owner/director living on St Helena, £325 for the second owner/director and £325 per additional full-time employee. After an application had been made and approved, the business received payment for the month of application and each following month in which support was available up to June 2020. It is assumed that an individual can only be a full-time owner/director or employee of one business

- Hardship Support is available to owners of companies and sole proprietorships for whom more than more than half of their annual income is earned in the following sectors: a. Tourist accommodation providers Tour operators, including both land- and marine-based c. Eateries d. Bars and clubs e. Other tourism-related businesses
- Three options were proposed:
 - Option A – The Business Support Package comes to an end at the end of June 2020
 - Option B - Extend existing Business Support package by a further three or six months
 - Option C – Reduced package of Support Schemes.

Fees and Charges Revision 2020

- **Executive Council approved the following fees and charges be increased and the Regulations made to come into force from the date of publication:**
 - Companies (Fees) (Amendment) Regulations, 2020 (Annex A);**
 - Charities (Amendment) Regulations, 2020 (Annex B);**
 - Gaming Machines (Amendment) Regulations, 2020 (Annex C);**
 - Liquor (Amendment) Regulations, 2020 (Annex D); and**
 - Trade Marks (Registration) (Amendment) Rules, 2020 (Annex E).**
- Council approved the increase in fees and charges but did highlight that while these have been increased by inflation, the budget or wages did not increase in line with inflation
- It was noted that these increases would not see a huge uplift in Government revenue.

Background

- As part of the Medium Term Expenditure Framework (MTEF) process Directorates are asked to review and consider increases in fees and charges for the forthcoming year
- Directorates were requested to carry out a comprehensive review of all fees and charges that fall within their area of responsibility. Fees and charges should be in line with the charging policy guidance and take account of other factors such as impact on service take-up and the social impacts of introducing new fees or increasing existing ones. As a minimum, Directorates were asked to consider an increase in line with inflation unless an evidence-based justification was presented for fees to change more or less than inflation.
- This exercise has been undertaken and in certain areas an increase in fees has been considered but deemed not appropriate at this time, and in some areas as detailed below, have been recommended to change
- The proposed increases in fees are based on inflation. It is anticipated that approval of these proposed increases will have positive financial implications for SHG in that additional revenue will be achieved, although these are expected to be less than £1,000.

- The proposed amendments to the Charities (Amendment) Regulations, 2020, Gaming Machines (Amendment) Regulations, 2020, Liquor (Amendment) Regulations, 2020 were discussed and endorsed by the Social & Community Development Committee meeting held on 12 February 2020. At the time of consideration by SCDC the MTEF Guidelines rate of inflation of 4.3% was used, however since then the SHG Statistics Office published a more up-to-date inflation rate of 2.9%. The proposed rates that went to the 12 February 2020 SCDC meeting have been revised to coincide with the actual 2.9% inflation rate
- The proposed amendments to the Companies (Fees) (Amendment) Regulations, 2020 and Trade Marks (Registration) (Amendment) Rules, 2020 were discussed and endorsed by the Economic Development Committee at its meeting held on 27 February 2020. These rates were based on the 2.9% revised inflation rate.

SHG Subsidies Policy 2020

- **Executive Council approved the SHG Subsidies Policy 2020 to come into effect from 1 August 2020**
- Two amendments will be made to provide further clarity on the sections on Unstable Markets and under Subsidy Requirements
- The main areas of concerns by Members were where subsidies are provided for fees and charges that do not provide full cost recovery
- Subsidies are currently one seventh of the overall Government expenditure which appears to be a very high proportion of total expenditure
- With this Policy we can certainly look at how we are providing these subsidies and control how we are spending SHG money in the future. It was pleasing to note the importance of having an exit strategy
- Corporate Finance should be commended for putting together this Policy and it was noted that a similar policy for Grants should also be drafted
- Council noted that Policy was long overdue but recognised it was a comprehensive and good piece of work
- All agreed that we need to make sure that we appropriately spend the funds that we do have
- We do need this overarching policy but what is going to be important is the ones that sit underneath
- Members noted that Subsidies should have an exit strategy. If there is no exit strategy identified then there is a risk a subsidy becomes viewed as an income stream
- It is important to ensure the public are informed that subsidies are intended to be a continuing payment and need to be kept under constant review.

Background

- St Helena Government provides a number of subsidies to organisations on the Island that deliver services to the community or make available goods that would not otherwise be available. In the 2019/20 fiscal year SHG spent almost £7.0 million on various forms of subsidies across a number of sectors

- It is recognised that subsidies support the important work of organisations within the community to deliver key services for the economic and social development of the Island and that appropriate support through financial interventions contributes to the growth of key sectors within the economy
- The Subsidies Policy 2020 sets out the key issues identified by stakeholders with regards to the decision making process, governance and administration of subsidies by SHG and monitoring the impacts of those subsidies. It is intended that this Policy will set the framework for governance arrangements, outline the intentions and aims of SHG in providing subsidies and provide the mechanism by which subsidies are approved and administered
- Through the implementation of this Policy SHG aims to:
 - a) Ensure a fair, clear and consistent approach to the determination, allocation and award of subsidies;
 - b) Define the governance arrangements for any subsidy approved;
 - c) Ensure that the policy intention behind any subsidy is clearly articulated to key stakeholders;
 - d) Ensure the provision of all financial support through subsidies is consistent within the intervention principles and any other requirements of this policy;
 - e) Ensure that the subsidies are targeted, and are directed to the right sector, organisation or people within the community who need access to a particular set of goods
- This Policy is an overarching policy. Individual subsidies developed and approved under this Policy will have their own specific policy that sets out SHG's intentions, aims and objectives in relation to that intervention that include the means to measure and monitor outcomes and impact
- Under this Policy the rationale for intervening in the market in the case of a government subsidy is for one of the following Principles:
 - a) Missing or incomplete markets: where goods and services are not provided by the private sector leading to a failure to meet a need for a public good for example water and sewerage services, sports facilities, extracurricular education
 - b) Negative externalities: where one or more consumer or producer causes an effect on third parties for example controlling environmental, noise or light pollution
 - c) Monopoly power: If a producer has control of over 70% of the market and there is a risk of abuse of power through, for example, eliciting overly high prices, manipulation of markets or the public, government can work to develop alternatives and encourage competition
 - d) Unstable markets: When markets become unstable, and the Government deems market stability important to achieve economic development goals, the Government may intervene to ensure equilibrium for example providing support to businesses who have been adversely impacted by a global pandemic
- Moving forward, through this Policy, SHG is moving away from a subsidy being defined by the organisation to which that subsidy is given, towards a model

whereby the subsidy is defined by the outcome to which that subsidy aims to achieve

- A rigorous and robust process of appraisal through the policy process should be conducted before a subsidy is approved and each subsidy should strive to attain or work towards the following requirements:
 - a) A subsidy should seek to achieve the strategic objectives of the Government and avoid, where possible, addressing operational matters and must demonstrate an ability to address a market failure such as unstable market, incomplete market, monopoly or externality problem
 - b) A subsidy should seek, as far as it is possible to do so, to stimulate growth and sustainability in a particular sector with measurable economic or social benefits
 - c) It is imperative for public accountability and transparency that the Government is also able to demonstrate how all government subsidies meet and supports the overall aims and strategic objectives for the Island
 - d) Each subsidy must have a clear exit plan or strategy agreed beforehand between SHG and the sector/ entity (where applicable) to reduce and eventually eliminate that subsidy over time
 - e) As far as it is reasonably possible all subsidies provided by SHG should seek to target the specific businesses, sectors or groups within society that need and would benefit from the intervention.
- All low risk subsidies developed under this Policy shall be approved by a Council Committee and all high risk subsidies shall be approved by Executive Council. A subsidy is classified as high risk when:
 - a) The matter to be addressed is of national importance or is a cross-cutting matter affecting a high proportion of the population;
 - b) The value over the life of the subsidy is expected to be greater than £500,000 or is unknown;
 - c) The duration is greater than one year; or the process by which it is to be administered is complex e.g. administered through an additional allowance under the tax legislation.

Public Health (Prevention of Formidable Diseases (Coronavirus)) (Amendment) Regulations, 2020 and Immigration (Prohibited and Controlled Entry) (Amendment) Regulations, 2020

Both these items had been placed on the ExCo Open Agenda so that they could be recorded in the Minutes of the meeting. On 2 July these Regulations had been agreed by the relevant Committees and approved by Executive Council via email on 3 July.

Council noted that there had been some public confusion around why these Regulations were on the Open Agenda having already been published. Going forward the Open Agendas would state that this would be for 'confirmation purposes only'.

AOB

The Governor advised Council that he had now received the report from the Inquiry initiated around the alleged misuse of confidential documents. The Governor would now write to the Speaker, Elected Members and officials thanking them for engaging in the investigation. There would be no action against any individual Councillor or official but of concern, the investigation found there was a general laxness in document handling arrangements and the use of information in controlled documents. These will need to be addressed and tightened.

ExCo
7 July 2020