

EXCO TOP LINES – THURSDAY 14 JULY 2022

Options to Address Rising Cost of Living

- **Executive Council advised that a number of policy options should be adopted to lessen the impacts of the rising cost of living, these include the following:**
 - **An amendment to the Customs & Excise (Amendment) Regulations 2022 to introduce a new 0% Customs Duty tariff for many essential food and other essential items. This would come into force prior to the arrival of the next call of the MV Helena in early August 2022**
 - **Removal of the subsidy for transporting cargo on non-essential goods from Ruperts to Jamestown and rather, using this subsidy to target items categorised as provisions, animal feed and reefers.**
 - **An amendment to the Social Security (Amendment) Regulations 2022 to implement an increase in IRB and BIP in line with the 2021 inflation of 2.6%, this should be brought into force from 1 September 2022**
 - **Allow Connect Saint Helena Limited to move to a more transparent cost base tariff structure and provide an untargeted subsidy of £1.35m to lessen the impacts of the rising cost of fuel on the price of electricity.**
 - **A Utility credit of up to £33 per quarter for families with an income below the minimum wage and less than £4,000 in savings to absorb some of the increase in utility costs to be effective from 1 October 2022**
 - **The Supplementary Appropriation Bill 2022/23 should be printed and published and presented as Government Business at the next formal meeting of the Legislative Council**
 - **Due to budget pressures, it was unlikely that SHG would be able to consider any further cost of living support packages to the community once those agreed took effect and there will be no additional business support package on top of those agreed policy options.**
 - **All options will be implemented up until 31 March 2023, there will be a review early in the new year as to the effectiveness of the package of support.**
 - **Ministers will be expecting importers and traders to pass on the benefits of the people of St Helena, everyone must do their bit during these difficult times.**

Customs and Excise (Amendment) Regulations 2022

At the meeting

- Ministers had discussed at length various options to assist the community in dealing with the impact on the cost of living following recent fuel price increases and the subsequent knock-on effects
- The amendment to the Customs and Excise Regulations would introduce a third Customs duty rate of 0% on goods considered to be essential for low income households. This adjustment to the rate of customs duty would minimise the effect of external inflation on the price of essential goods; for the purpose of this, essential goods are determined to be those which are primarily purchased by low-income households
- The lower Customs Duty tariff will apply to essential goods, as well as other which support other SHG policies, for example essential PPE and medical supplies being used as part of the COVID 19 response strategy.
- Goods that will fall into the 0% duty category include: Agricultural equipment and supplies; Baby items and foods; Eggs; Fresh Fruit, Legumes and Vegetables; Unsalted and sugar free dried fruit and nuts; Sight correcting glasses and hearing aids; Meat and meat products; Pasta uncooked and other basic foodstuffs which do not contain added sugar such as milk, cheese (excluding processed cheese), flour, cereals and oats, unsalted butter, margarine and olive spread, unsweetened fruit juice, mineral and aerated waters,
- Cooking Oil and machinery to be used in farming would NOT fall into the 0% duty category; encouraging the use of cooking oil is contrary to wider Public Health policies
- Full details will be set out in the Legal Notice when published, which would be before the next call of the MV Helena in August
- Ministers also agreed that certain items of PPE should attract a zero rate of customs duty; this would be masks, gloves and hand sanitiser products all used to slow of the spread of the Corona Virus.
- These changes to rates of Customs duty will be in place until 31 March 2023

Removal of Subsidy for transporting cargo from Rupert's to Jamestown

At the meeting

- Ministers agreed that the subsidy paid for transporting non-essential goods from Ruperts to Jamestown should be removed
- The equivalent saving would be used as a subsidy to target items categorised as provisions, animal feed and reefers; this was therefore a cost neutral initiative
- The subsidy per 20 foot container for these items would be £1,600
- This would mean that a container originating from the UK with foodstuffs/provisions would reduce from £5,309 to £3,709 and a reefer from the UK reducing from £7,800 to £6,200
- Containers from South Africa carrying the same goods would reduce from £3,675 - £2,075 for foodstuffs/provisions and £5,229 - £3,629 for reefers
- A container from South Africa with animal feed would reduce from £3,892 to £2,292 per container
- NOTE: the above costs do not include CAF or BAF
- This would be in place until 31 March 2023

Social Security (Amendment) Regulations, 2022

At the meeting

- Members agreed that the 2021 rate of inflation, 2.6%, be applied to the current rates of IRB and BIP payments with effect from 1 September 2022
- The Basic Island Pension will increase by £2 per week from £75.50 to £77.50 with effect from 1 September 2022
- The basic adult rate of IRB will increase by £2 per week from £73 to £75 with effect from 1 September 2022
- **Members were mindful of the need to take into account the Minimum Wage when setting IRB rates, as it was important not to undermine the incentive to work; a balance needs to be struck between living standards and the incentive to work**
- **Numbers of unemployed range between 20 – 30 individuals and the majority of IRB recipients are those in the over 65 years age bracket, many of whom receive additional income such as the Better Living Allowance**

Connect Saint Helena Tariff Structure and Untargeted Subsidy

At the meeting

- Currently 80% of electricity generation on the Island is derived from diesel, the remainder from renewables, therefore the recent increases in the cost of diesel has a significant impact on the cost of producing electricity
- Connect Saint Helena advised that following the May 2022 increase in diesel costs, the price of generating electricity would increase from 39p per litre to 49p per litre, based on the existing cost structure
- If this increase was passed on to consumers on the basis of the current cost structure, the cost per unit of electricity would increase from 30p to 37.5p for consumption of units from 1 – 1000 and for useage of over 1000, the price would increase from 46p per unit to 57.5p per unit (which would also be the rate for commercial land other users)
- The further increase in diesel costs in June would result in the cost of generating electricity raising from 39p per litre to 55p
- In considering the above, Ministers agreed that Connect Saint Helena could move to a single tariff approach to ensure clear and transparent cost structures
- The new single tariff approach will come into effect from 1 October 2022
- This will mean an increase of 9 pence per unit for domestic consumers using between 1 -1000 resulting in a flat rate of 39p per unit for domestic and commercial users
- Increasing the cost per unit of electricity to 39p means that consumers pay the actual cost per unit of electricity generated **prior to** the fuel cost increases
- Ministers agreed therefore an additional untargeted subsidy payment of £1.35m to Connect Saint Helena Limited for this financial year to offset the increased cost of diesel fuel which would otherwise have been passed onto consumers
- This would be in place until 31 March 2023

Utility Credit for low income families

At the meeting

- Ministers agreed that a Utility Credit of up to £33 per quarter be awarded to low income families with effect from October 2022
- A low income family has been defined for this purpose as a family whose income is below the minimum wage and having savings of less than £4,000.
- The payment is to absorb the increases in electricity costs
- The payment would be on the basis of one electricity meter per dwelling
- Low income families would have to apply for this payment
- The payments would be made direct to Connect saint Helena which would credit the amount to the consumer's account
- This arrangement would be in place until 31 March 2023

Supplementary Appropriation 2022/23 Bill, 2022

At the meeting

- Ministers acknowledged that the funding required to enable this support to be offered to the community would need to be authorised from the Consolidated Fund
- The total cost of the cost of living support packages was £1.6m for this financial year
- The Supplementary Appropriation Bill indicated an amount of £1.4m to be issued from the Consolidated Fund
- The FCDO has agreed for SHG to utilise up to £1.6m from the Contingency/Call Down fund to the proposed package.
- SHG will have to manage all other budget pressures in year from within its existing resources and reserves. SHG is grateful for the continued support of HMG.
- The additional funding of £0.18m to fund the cost of IRB and BIP increases was funded under the provisions of the Social Security Ordinance, 2010 which allows for the benefits payable under the Ordinance to be drawn from the Consolidated Fund (and therefore does not need to form part of the Supplementary Appropriation Bill)

ExCo
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