

**Memorandum for Executive Council**

**SUBJECT**

**Increase in the Minimum Income Standard for the second up-rating of  
Income Related Benefits and Basic Island Pension 2017.**

Memorandum by

The Chairman of the Social and Community Development Committee

**ADVICE SOUGHT**

**1. Executive Council is asked to consider and advise on:**

- a) **Increasing the Minimum Income Standard (MIS) in line with current policy for the financial year 2017/18 and subsequently increasing the weekly payments for both Basic Island Pension (BIP) and Income Related Benefits (IRB); and**
- b) **Consider and advise whether the attached Regulations cited as the Social Security (Amendment No. 3) Regulations, 2017, should be made, as drafted, to come into force on 1 December 2017.**

**BACKGROUND &  
CONSIDERATIONS**

2. The Social Security Ordinance 2010 and Social Security Regulations were brought into force on 1 April 2011. The basic levels at that time were £43.30 for IRB and £45.00 for BIP. The current proposals made in this paper will see an increase to £65.10 for IRB and £67.30 for BIP, an increase of 50.3% and 49.6% respectively over 6 years.
3. The Minimum Income Standard Policy (MIS) is the mechanism by which the rates of IRB and BIP are determined. Using a set and agreed basket of goods and services determined to be the minimum requirement for an individual based on international standards, the prices of these goods and services are reviewed annually to determine whether an increase in rates of IRB and BIP are required.
4. The MIS includes the following;
  - Food & drink, based on a healthy international diet guidelines
  - Utilities
  - Clothing, shoes
  - Essential items, cups, washing up liquid
  - Toiletries
  - Bus fares

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- Newspaper
5. The basket of goods does not include alcohol or nicotine as the group involved in developing the basket did not feel this was appropriate. There is also no allowance for things such as leisure activities and this might need to be considered in future years. The basket of goods and services is in the process of being reviewed as part of the Social Welfare Review to ensure that it is still relevant.
  6. The MIS policy built in an annual review of current prices of the basket with the intention of increasing IRB and BIP to stay in line with prices. To ensure that we continue to protect individuals and households it is recommended that we carry out a half yearly review of MIS in addition to the annual review. This will ensure that individuals and households most in need do not fall significantly behind prices.
  7. Following the work carried out to determine the current prices in the basket by the SHG Statistics Office in July 2017 it is recommended that there be an increase in the MIS of £3.50 per week which represents a 5.7% increase. This increase has been taken into account in calculating the proposed uplift required for both IRB and BIP.
  8. The overall proposed uplift in MIS is detailed in the table below:

DETAILS	IRB	BIP	Margin	
			£	%
Current rates (£)	61.60	63.70	2.10	3.4%
Policy uplift (£)	2.84	2.94	0.10	3.5%
Utilities increase (£)	0.66	0.66	0.00	0.00
<b>New rates (£)</b>	<b>65.10</b>	<b>67.30</b>	<b>2.20</b>	<b>3.4%</b>
Increase achieved (%)	5.7%	5.7%		

9. It should be noted that there is a margin built into the BIP rate between the basic rate for IRB and basic rate for BIP of 3.4%. In order to maintain this margin the basic rate for BIP was increased by 10p more than IRB, resulting in BIP having an overall £2.20 margin on IRB basic rate.
10. As is the current practice both rates have been rounded to the nearest 10p making the administration of the system more efficient.
11. It should be noted that those individuals or Households receiving benefits under Transitional Protection will not necessarily receive an increase in the overall amount of benefits which they are currently receiving.

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12. Currently 122 households receive IRB and 698 people are in receipt of BIP.

### **FINANCIAL IMPLICATIONS**

13. It is proposed that the basic level of IRB for a single person will increase from £61.60 per week to £65.10, with maximum amount of Basic Island Pension increasing from £63.70 per week to £67.30.

14. The MIS was introduced for financial year 2014/15 and the cost of increasing rates was approximately £140,000 in that first year and in 2015/16, following the second uplift of rates under MIS, it was projected to cost another £140,000. The cost of the 2016/17 uplift was approximately £160,000.

15. To implement this uplift it is estimated to cost, based on current individuals and households receiving benefits and an element of contingency, approximately £50,000 for the last four months of the financial year, based on the current level of recipients. This can be accommodated within the overall Pensions and Benefits budget for 2017/18 financial year.

16. It is projected that the total cost of Pensions and Benefits for this financial year will be £3,795,000 against an overall budget of £3,874,000. It should be noted however that there is no requirement for this funding to be appropriated through the Appropriation Bill as this is provided for directly from the Consolidated Fund under the Social Security Ordinance. Though this may be the case we have made appropriate budgetary provision.

17. It should also be noted that there is inherent risk within the budget projections as we do not know how many people reaching the age of 65 in 2017/18 will apply or qualify for BIP or how many households will require IRB during this year. Whilst the numbers of households on IRB and BIP have remained stable in the past year there will continually be a risk of an increase in unemployment leading to an increase in total IRB payments, however, this is and will continue to be closely monitored and managed.

### **ECONOMIC IMPLICATIONS**

18. The increases in line with MIS mean that real income does not fall; and purchasing power stays consistent.

### **PUBLIC / SOCIAL IMPACT**

19. By increasing the MIS in line with price inflation we are ensuring that the most vulnerable in society are being protected and also help to reduce inequality.

20. Overall the proposed increases will have a positive social impact.

### **ENVIRONMENTAL IMPACT**

21. There are no direct environmental impacts identified.

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**PREVIOUS  
CONSULTATION /  
COMMITTEE  
INPUT  
PUBLIC  
REACTION**

22. This proposal to increase the MIS has been discussed and endorsed by the Social & Community Development Committee on 8 November 2017.

23. The issue of benefits is an emotive subject, but an increase in benefits should be favored by recipients of BIP and IRB and the public in general.

24. The public, especially those who will be affected by the MIS, will be provided with information explaining the reasoning behind the increases, including reassurance that the system will be continuously reviewed to take account of changes in prices.

**SUPPORT TO  
STRATEGIC  
OBJECTIVES**

25. This paper supports the following National Goals in the St Helena Island 10 Year Plan 2017-2027:

- Altogether Safer;
- Altogether Better for Children and Young People;
- Altogether Wealthier;

AG

**OPEN/CLOSED  
AGENDA ITEM  
Corporate Services  
DATE OF MEMO**

Open

9 November 2017

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