

**OPEN AGENDA – PUBLIC DOCUMENT**

Copy No:

No: 44/2018

**Memorandum for Executive Council**

**SUBJECT**

**Increase in the Minimum Income Standard for the Up-rating of  
Income Related Benefits and Basic Island Pension 2018.**

Memorandum by Chairman of the Social & Community Development  
Committee

**ADVICE  
SOUGHT**

- 1. Executive Council is asked to consider and advise whether:**
  - a. The Minimum Income Standard (MIS) should be increased in line with current policy, which will subsequently increase the weekly payments for both Basic Island Pension (BIP) and Income Related Benefits (IRB); and**
  - b. The attached Regulations cited as the Social Security (Amendment) Regulations, 2018, should be approved and be effective from 10 August 2018.**

**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. Subsequent increases together with the current proposals made in this paper, will put the level to date at £67.90 for IRB and £70.20 for BIP, an increase of 55.0% and 56.0% respectively over 7 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 every six months to determine whether an increase in rates of IRB and BIP are required.
4. The MIS includes the following:
  - a. Food & drink, based on healthy international diet guidelines
  - b. Utilities
  - c. Clothing, shoes

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- d. Essential items, cups, washing up liquid
  - e. Toiletries
  - f. Bus fares
  - g. 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 will be 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 the continued protection of individuals and households, a half yearly review of MIS is carried out 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 March 2018 it is recommended that there be an increase in the MIS of £0.90 per week which represents 1.4% increase. This increase has been taken into account in calculating the proposed uplift required for both IRB and BIP. Due to the Government budget not being finalised and approved to come into force on 1 April 2018, for the start of the financial year an uplift could not be implemented.
8. In addition during recent discussions on the 2018/19 Government Budget and the proposed increase in utilities tariffs for water from Connect Saint Helena Ltd, it was agreed that the MIS should be adjusted to reflect the increase in water tariffs. The recent increase in tariffs for Sure SA Ltd telecommunications has also been reflected in the MIS calculation. These increases will require an additional uplift in MIS by £1.86 per week and is reflected in the table below to ensure that households living below the poverty line are not negatively affected financially by these increases.
9. The overall proposed uplift in MIS is detailed in the table below:

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**Fig 1. Show how the IRB and BIP rates have changed.**

DETAILS	IRB	BIP	Margin	
			£	%
Current rates (£)	65.10	67.30	2.20	3.4%
Policy uplift (£)	0.90	0.93	0.03	3.4%
Utilities & telecoms increase (£)	1.86	1.92	0.06	3.4%
<b>Total (£)</b>	<b>67.86</b>	<b>70.15</b>	<b>2.29</b>	<b>3.4%</b>
<b>New rate Rounded (£)</b>	<b>67.90</b>	<b>70.20</b>	<b>2.30</b>	<b>3.4%</b>
Increase achieved (%)	4.3%	4.3%		

10. 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 £2.30 margin on IRB basic rate.

11. As is the current practice both rates have been rounded to the nearest 10p making the administration of the system more efficient.

12. 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.

13. Currently 122 households receive IRB and 728 people are in receipt of BIP.

### FINANCIAL IMPLICATIONS

14. It is proposed that the basic level of IRB for a single person will increase from £65.10 per week to £67.90, with maximum amount of Basic Island Pension increasing from £67.30 per week to £70.20.

15. The MIS was introduced for financial year 2014/15 and the cost of increasing rates was approximately £140,000 in the first year and in 2015/16, following the second uplift of rates under MIS, it cost another £140,000. The cost of the 2016/17 uplift was £160,000. The last uplift i.e. December 2018 has resulted in additional costs of £50,000 for the last four months of last financial year.

16. To implement this uplift it is estimated to cost approximately £80,000 from August of this financial year, based on current individuals and households receiving benefits, an element of contingency and the current level of recipients. This can be accommodated within the overall Pensions and Benefits budget for

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2018/19 financial year.

17. It is projected that the total cost of Pensions and Benefits for this financial year will be £4,085,000. 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 appropriate budgetary provision has been made.

18. It should also be noted that there is inherent risk within the budget projections, as the number of people reaching the age of 65 in 2018/19 who will apply or qualify for BIP, or the number of households who will require IRB during this year is unknown. 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**

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

### **CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES**

20. N/A

### **PUBLIC / SOCIAL IMPACT**

21. By increasing the MIS in line with price inflation SHG is ensuring that the most vulnerable in society are being protected thus helping to reduce inequality.

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

### **ENVIRONMENTAL IMPACT**

23. There are no direct environmental impacts identified.

### **PREVIOUS CONSULTATION / COMMITTEE INPUT**

24. This has previously been to S&CDC in April 2018 and the uplift in MIS was agreed in principle pending approval of the Government Budget.

### **PUBLIC REACTION**

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

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26. 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.

### PUBLICITY

27. It is proposed that mention should be made in the Executive Council report and associated radio broadcast.

28. However, a separate press release will be made that will detail the changes and how this will affect households.

29. Individual letters will be issued to all recipients explaining how the changes will affect them.

### SUPPORT TO STRATEGIC OBJECTIVES

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

- a. Altogether Safer;
- b. Altogether Better for Children and Young People;
- c. Altogether Wealthier;

### LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

31. The paper supports the SEDP through Goal 4. *Mitigate impacts of inflation on the lowest income groups*, through avoiding reduction in purchasing power by the lowest income groups by regularly reviewing the Social Protection benefits.

**INITIALS OF PRESENTER**

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### OPEN /CLOSED AGENDA ITEM

32. It is recommended that this is held in open session.

33. The new rates if approved will be published and communicated appropriately at the next stage of the process to ensure that recipients are fully aware of how these adjustments will affect them.

Corporate Support  
Corporate Services  
**DATE OF MEMO**

24/07/2018

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