

Memorandum for Executive Council

SUBJECT

Second 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:**
 - a. **whether the Minimum Income Standard (MIS) should be increased in line with the current policy, that will increase the weekly payments for Basic Island Pension (BIP) and Income Related Benefits (IRB); and**
 - b. **whether the attached Regulations cited as the Social Security (Amendment No. 2) Regulations, 2018, should be approved and be effective from 30 November 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 Income Related Benefits (IRB) and £45.00 for Basic Island Pension (BIP). The current proposals made in this paper will see an increase to £69.00 for IRB and £71.30 for BIP, an increase of 59.0% and 58.0% respectively over 7 years. This is a significantly greater uplift than general price inflation.
3. The Minimum Income Standard (MIS) Policy 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 and local menus;
 - b. Utilities;
 - c. Clothing and shoes;
 - d. Essential items e.g. cups, washing up liquid
 - e. Toiletries
 - f. Bus fares
 - g. Newspaper
5. The Social Security Working Group established by this Committee

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will review the basket of goods and services under the MIS Policy as part of the Social Welfare Review that is currently underway. The basket of goods does not include alcohol or nicotine as the group involved in developing the basket at the inception did not feel this was appropriate. There is also no allowance for things such as leisure activities. This will be considered as part of the review.

6. The original MIS policy built in an annual review 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 we now following direction from Executive Council carry out a twice per year. This will ensure that individuals and household most in need do not fall significantly behind prices.
7. The most recent uplift in the MIS took place in August 2018 which was a delayed uplift due to the delay in the approval of the Government Budget for 2018/19 financial year. The uplift should have come into effect from April 2018. The August 2018 uplift was based on the February 2018 price collection plus the known increase in utilities and telecommunications tariffs by Connect St Helena Ltd and Sure SA Ltd from July and August. The uplift proposed for November will now set the MIS timetable back on track under a twice yearly review regime.
8. The SHG Statistics Office carried the price collection for the MIS basket in August/ September 2018 to assess whether the MIS should be adjusted. Based on this work it is recommended that there be an increase in the MIS of £1.10 per week which represents a 1.62% increase. This increase has been taken into account in calculating the proposed uplift required for both IRB and BIP.
9. The overall proposed uplift in MIS is detailed in the table below:

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

DETAILS	IRB	BIP	Margin	
			£	%
Current rates (£)	67.90	70.20	2.30	3.4%
Policy uplift (£)	1.10	1.14	0.04	3.3%
Total (£)	69.00	71.34	2.34	3.4%
New rate Rounded (£)	69.00	71.30	2.30	3.3%
Increase achieved (%)	1.6%	1.6%		

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 4p more than IRB, resulting in BIP having an overall £2.30 margin on IRB basic rate.

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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 172 households receive IRB and 738 people are in receipt of BIP.
14. To implement this uplift it is estimated to cost based on current individuals and households receiving benefits and an element of contingency, approximately £37,000 from the end of November to the end of this financial year based on the current level of recipients.
15. This cannot be accommodated within the overall Pensions and Benefits budget for 2018/19 financial year. The following breakdown of the budget shows how the budget vs actual for the different budget lines:

BUDGET LINES	Original Budget £'000	Forecast £'000	(Over)/ Under Budget £'000
Basic Island Pension	2,232	2,298	(66)
Income Related Benefit	463	524	(61)
SHG DB Pension	1,390	1,332	58
Totals	4,085	4,154	(69)

16. As demonstrated in the above table benefits is projected to be over budget by £127,000. This is broken down as £37,000 in relation to this MIS uplift and the remaining £90,000 additional funding required due to increase in the number of households and individuals qualifying for IRB and BIP. However, this has been somewhat mitigated by the projected underspend in SHG DB Pensions for the year.
17. Directorates have submitted forecast expenditure for their areas to the end of the financial year. There are no anticipated savings or underspends that can be utilised to off-set this additional benefits expenditure.
18. If this uplift is agreed the expenditure will be charged directly to the Consolidated Fund. It should be noted that there is no requirement for this funding to be appropriated through an Appropriation Bill. However, the impact on the final outturn for SHG at the end of the financial year should be taken into account when making this decision.

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19. It should also be noted that there is inherent risk within the budget projections as the projections are based on estimates of the number of people that may qualify for BIP or households that may qualify for IRB over the coming months. Therefore there is a level of uncertainty within the numbers as we do not know how many people will reach the age of 65 in 2018/19 and will apply or qualify for BIP or how many households will require IRB during this year.
20. So far in this year the number of people registered as unemployed has increased beyond the projections made which has contributed to the overall requirement for additional funding for IRB and this could increase still. However equally those individuals could find employment and therefore reduce the number of households on IRB thereby reducing the additional funding required.
21. These risks are being closely monitored by Corporate Finance and appropriate action will be take to manage those risks.

**ECONOMIC
IMPLICATIONS**

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

**CONSISTENCY
WITH
INVESTMENT
POLICY
PRINCIPLES
PUBLIC / SOCIAL
IMPACT**

23. N/A
24. 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.

**ENVIRONMENTAL
IMPACT**

25. Overall the proposed increases will have a positive social impact.
26. There are no direct environmental impacts identified.

**PREVIOUS
CONSULTATION /
COMMITTEE
INPUT**

27. This has previously been to S&CDC in September 2018 and the uplift in MIS was agreed in principle pending identification of funding.

**PUBLIC
REACTION**

28. 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.
29. 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

- 30. It is proposed that mention should be made in the summary from Executive Council.
- 31. However, a separate press release will be made that will detail the changes and how this will affect households.
- 32. Individual letters will be issued to all recipients explaining how the changes will affect them.

SUPPORT TO STRATEGIC OBJECTIVES

- 33. 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

- 34. 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.

AG

OPEN /CLOSED AGENDA ITEM

- 35. It is recommended that this is held in open session.
- 36. 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
20 November 2018

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