

Memorandum for Executive Council

SUBJECT

**Increase in the Minimum Income Standard for the up-rating of
Income Related Benefits and Basic Island Pension 2019**

Memorandum by Chairman of the Social & Community Development
Committee

ADVICE SOUGHT

1. **Executive Council is asked to consider and advise whether approval should be given to:**
 - a. **Increasing the Minimum Income Standard (MIS) in line with the current policy that will increase the weekly payments for Basic Island Pension (BIP) and Income Related Benefits (IRB); and**
 - b. **The attached Regulations cited as the Social Security (Amendment) Regulations, 2019, coming into effect from 5 April 2019.**

**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 £70.00 for IRB and £72.40 for BIP, an increase of 61.7% and 60.9% respectively over 8 years. This is a 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 a healthy international diet guidelines
 - b. Utilities
 - c. Telecommunications
 - d. Clothing, shoes
 - e. Essential items, cups, washing up liquid
 - f. Toiletries
 - g. Bus fares
 - h. Newspaper

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5. The Social Security Working Group established by The Social & Community Development Committee 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 review every six months. This will ensure that individuals and household most in need do not fall significantly behind prices. The most recent uplift in the MIS took place in November 2019.
7. The SHG Statistics Office carried out the price collection for the MIS basket in February 2019 to assess whether the MIS should be adjusted. Based on this work it is recommended that there be an increase in the MIS of £1.05 per week which represents a 1.52% 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 and subsequent uplift in rates of IRB and BIP is detailed in the table below:

DETAILS	IRB	BIP	Margin	
			£	%
Current rates (£)	69.00	71.30	2.30	3.3%
Policy uplift (£)	1.05	1.09	0.04	3.8%
Total (£)	70.05	72.39	2.34	3.3%
New rate Rounded (£)	70.00	72.40	2.30	3.8%
Increase achieved (%)	1.45%	1.54%		

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 3.8%. In order to maintain this margin the basic rate for BIP was increased by 10p more than IRB, resulting in BIP having an overall £2.40 margin on IRB basic rate. As is the current practice both rates have been rounded to the nearest 10p making the administration of the system more efficient.
10. 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. This is because the policy on Transitional Protection ensures

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that those individuals and households in receipt of benefits in 2011 when the new Social Security Ordinance was brought in force did not receive any less than they were getting despite they no longer being eligible under the new rules.

11. Currently 136 households receive IRB and 755 people are in receipt of BIP.

12. Council is asked to consider whether the attached Social Security (Amendment) Regulations 2019 (Annex A) should come into effect from 5 April 2019 which is the first payment for benefits in the new financial year.

FINANCIAL IMPLICATIONS

13. It is proposed that the basic level of IRB for a single person will increase from £69.00 per week to £70.00, with maximum amount of Basic Island Pension increasing from £71.30 per week to £72.40.

14. The MIS was introduced for financial year 2014/15 and the cost of increasing rates was approximately £140,000 in that first year. It is anticipated that this uplift it is estimated to cost approximately £45,000 based on current individuals and households receiving benefits.

15. This can be accommodated within the overall Benefits budget for 2019/20 financial year. The total projection for Benefits based on this proposed uplift is £2.977 million for the year, the proposed Budget for 2019/20 for Benefits is £3.0 million. 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.

16. As Benefits are reviewed every six months in line with the new process agreed by Executive Council, it is anticipated that a further increase will be required in October this year following a review of prices in August/September. It should also be noted that there is an inherent risk within the expenditure projections for Benefits as we do not know how many people reaching the age of 65 during the financial year will apply or qualify for BIP or how many households will require IRB during this year. Whilst the number of households on IRB have remained stable in the past years, during this financial year we have seen a considerable increase in the number of registered unemployed during the months of November and December and then reduce again in January. These budgets lines will be closely monitored during the year.

ECONOMIC IMPLICATIONS

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

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES	18. N/A
PUBLIC / SOCIAL IMPACT	19. By increasing the MIS in line with price inflation and subsequently increasing the rates of IRB and BIP 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.
PREVIOUS CONSULTATION / COMMITTEE INPUT	22. This has been considered by the S&CDC and the uplift in MIS and the Social Security (Amendment) Regulations 2019 has been endorsed.
PUBLIC REACTION	23. 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. 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.
PUBLICITY	25. Mention will be made in the ExCo report and associated broadcast. 26. There will be separate press release detailing the changes and how this will affect households. Further supporting information from the Statistics Office should be included to encourage a greater level of understanding within the community about how price changes are taken into account. 27. Individual letters will be issued to all recipients explaining how the changes will affect them.
SUPPORT TO STRATEGIC OBJECTIVES	28. This paper supports the following National Goals in the St Helena Island 10 Year Plan 2017-2027: <ul style="list-style-type: none"> a. Altogether Safer; b. Altogether Better for Children and Young People; c. Altogether Wealthier;

**LINK TO
SUSTAINABLE
ECONOMIC
DEVELOPMENT
PLAN GOALS**

**OPEN /CLOSED
AGENDA ITEM**

Corporate Finance
Corporate Services

20th March 2019

29. 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.

AAG

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

31. 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.