

# OPEN AGENDA

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## Memorandum for Executive Council

**SUBJECT**

### Social Security (Amendment No. 2) Regulations 2019

Memorandum by The Chairman of the Social & Community  
Development Committee

**ADVICE SOUGHT**

**1. Council is asked to consider and advise whether:**

- a. the Minimum Income Standard (MIS) should be increased in line with the current policy which would 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 No. 2) Regulations, 2019, (Annex A) should be approved and brought into force on 4 October 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 recommends an increase to £71.50 for IRB and £74.00 for BIP, representing an increase of 65.1% and 64.4% respectively over eight years. This is a greater uplift than general price inflation.
3. The Minimum Income Standard (MIS) is the mechanism by which the rates of IRB and BIP above were 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 the MIS and rates of IRB and BIP are required.
4. This basket is different to the basket of goods and services used to determine Retail Price Index (RPI). In addition the methodology used is also different as the RPI measures the change in price of the same goods and services over time, and the MIS approach identifies the cheapest goods and services available at each point in time. Therefore the rate of change in the MIS will differ from the rate of general price inflation.

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5. The lower annual rate of change in the MIS compared to the RPI is largely due to the low rate of price inflation in the 'Housing' component of the MIS, which makes up 40% of the basket. The Housing component includes water, electricity and housing rent, all of which have remained at the same price compared to the respective MIS collection exercise in 2018. This counteracts the impact of the increase in food, a further 37% of the basket, which was 6.7% higher than the respective MIS collection exercise in 2018, and is higher than the current annual inflation rate of 4.0%.
6. The MIS Basket includes the following goods and services:
  - a. Food & drink, based on healthy diet international guidelines
  - b. Utilities
  - c. Telecommunications
  - d. Clothing, shoes
  - e. Essential items e.g. cups, washing up liquid, etc.
  - f. Toiletries
  - g. Bus fares

The basket of goods does not include alcohol or nicotine products, as the group involved in developing the basket at the inception, did not feel this was appropriate. There is also no allowance for items such as leisure activities.

7. 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, following direction from Executive Council, a review is carried out every six months. This will ensure that individuals and households most in need, do not fall significantly behind current prices. The most recent uplift in the MIS took place in April 2019.
8. The SHG Statistics Office carried out the price collection for the MIS basket in July/August 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 £1.50 per week which represents a 2.1% increase. This increase has been taken into account in calculating the proposed uplift required for both IRB and BIP.
9. It is proposed that the basic level of IRB for a single person will increase from £70.00 per week to £71.50, with the maximum amount of BIP increasing from £72.40 per week to £74.00. The overall proposed uplift in MIS and subsequent uplift in rates of IRB and BIP is detailed in the table below:

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DETAILS	IRB	BIP	Margin	
			£	%
Current rates (£)	70.00	72.40	2.40	3.4%
Policy uplift (£)	1.50	1.56	0.06	4.0%
<b>Total (£)</b>	<b>71.50</b>	<b>73.96</b>	<b>2.46</b>	<b>3.4%</b>
New rate Rounded (£)	71.50	74.00	2.50	3.5%
Increase achieved (%)	2.14%	2.21%		

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 average 3.5%. In order to maintain this margin the basic rate for BIP was increased by 10p more than IRB, resulting in BIP having an overall £2.50 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. 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.
12. Currently 160 households receive IRB and 770 people are in receipt of BIP.
13. This uplift is estimated to cost approximately £35,000 based on current individuals and households receiving benefits plus an element of contingency.
14. Based on the increase in the number of recipients of BIP and households on IRB the forecast of Benefits expenditure for this financial year is £3.1 million against a budget of £3.0 million. This means that even without this uplift the Benefits budget will be overspent by £100,000 and the projected overspend, if the uplift was agreed, of £135,000 will have to be financed from savings in other budget lines within the overall Government budget or financed from the Consolidated Fund.
15. It should be noted that there is no requirement for this funding to be appropriated through the Appropriation process as there is provision in the Social Security Ordinance for the payment of benefits to be made directly from the Consolidated Fund without appropriation. Though this may be the case, good public financial management means that we recognise this additional expenditure and will reallocate resources to be able to finance this commitment of £135,000. This additional expenditure will be factored into the work on year end

### FINANCIAL IMPLICATIONS

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forecasting and reallocation of resources as part of the supplementary appropriation process later in the financial year.

16. It should also be noted that there is an inherent risk within the expenditure projections, 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 previous years, during the past year we have seen a considerable increase in the number of households qualifying for IRB. These budget lines will continue to 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 changes in the price of essential goods and services we are ensuring that the most vulnerable in society are being protected and also help to reduce inequality.

20. By increasing the MIS and subsequently the rates of IRB and BIP it will ensure that those in receipt are able to stay in line with current prices of essential goods and services and therefore overall the proposed increases will have a positive social impact.

21. If this increase is not agreed, by default the income of vulnerable groups within the community will be below the determined minimum income level (poverty line) to live on St Helena.

### **ENVIRONMENTAL IMPACT**

22. There are no direct environmental impacts identified.

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

23. The Social & Community Development Committee met on 11<sup>th</sup> September 2019 and endorsed the change in the MIS and the Social Security (Amendment No. 2) Regulations.

### **PUBLIC REACTION**

24. The issue of benefits is an emotive subject within the community, but an increase in benefits should be favoured by the majority of recipients of BIP and IRB and the public in

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general knowing that SHG continues to review the levels in line with the changes in price of essential goods and services.

25. 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

26. It is proposed that mention should be made in the ExCo Report and associated broadcast. However, further information should be provided in a separate press release.

27. Individuals and households in receipt of benefits will be directly informed via letter from the Benefits Office on how the uplift in the IRB and BIP 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:  
*a. Altogether Safer; and*  
*b. Altogether Wealthier;*

### LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

29. This paper supports the following SEDP Goal:

*Goal 4. Mitigate impacts of inflation on the lowest income groups*

### OPEN /CLOSED AGENDA ITEM Corporate Services 17 September 2019

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

AAG