

Open Agenda

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Memorandum for Executive Council

SUBJECT

Social Security (Amendment) Regulations 2020

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 the current policy and subsequently increasing the weekly payments for both Basic Island Pension (BIP) and Income Related Benefits (IRB); and

b. Whether the attached Regulations cited as the Social Security (Amendment) Regulations, 2020, (Annex A) should come into force on 3 April 2020.

**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 £71.80 for IRB and £74.30 for BIP, representing an increase of 65.8% and 65.1% 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 MIS Basket includes the following goods and services:
 - a. Food & drink, based on a 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 things such as leisure activities.

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 households most in need, do not fall significantly behind prices. The most recent uplift in the MIS took place in October 2019.
7. The SHG Statistics Office carried out the price collection for the MIS basket in January/ February 2020 to assess whether the MIS should be adjusted. Compared to the previous MIS collection exercise carried out just over six months ago in July 2019, there is a slight decrease in the total weekly MIS by £0.05, from £91.51 to £91.46. Compared to the collection exercise a year ago in January 2019 it is an increase of £1.43, or 1.6%. Taking this into account we would recommend that the IRB and BIP rates remain unchanged.
8. However, Connect Saint Helena Ltd have advertised a proposed increase in the price of domestic water, to come into effect from 1 April 2020. Consideration has been given to factoring in the increase in water tariffs ahead of the next price collection in July 2020 to eliminate the delay in MIS catching up with the tariff change. If the proposed new water tariff is included, the MIS will be £91.80, an increase of £0.29 compared to the previous MIS (July 2019), and an annual increase of £1.77, compared to the MIS in January 2019 (a 2.0% annual change).
9. For reference, the latest annual inflation rate measured by the Retail Price Index is 2.1%.
10. It is proposed that the basic level of IRB for a single person will increase from £71.50 per week to £71.80, with the maximum amount of Basic Island Pension increasing from £74.00 per week

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to £74.30. The overall proposed uplift in rates of IRB and BIP is detailed in the table below:

DETAILS	IRB	BIP	Margin	
			£	%
Current rates (£)	71.50	74.00	2.50	3.5%
Policy uplift (£)	0.00	0.00	0.00	0.0%
Anticipated uplift in water tariffs (£)	0.30	0.31	0.01	0.0%
Total (£)	71.80	74.31	2.51	3.5%
New rate Rounded (£)	71.80	74.30	2.50	3.5%
Increase achieved (%)	0.42%	0.41%		

11. It is also recommended that the rate for the second adult member of the household under section 7(3) (b) be increased from £42.00 to £42.05.
12. 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% resulting in BIP having an overall £2.50 margin on IRB basic rate.
13. 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.
14. Currently 178 households receive IRB and 783 people are in receipt of BIP.
15. The necessary amendments to bring this into effect is contained in the draft Social Security (Amendment) Regulations 2020 attached at Annex A.
16. This uplift is estimated to cost approximately an additional £13,000 per annum based on current individuals and households receiving benefits plus an element of contingency.
17. As part of the MTEF process a 5.0% increase has been factored in for Benefits (IRB and BIP) over the projected outturn for 2019/20 financial year. These estimates have been taken through the MTEF process as part of developing the overall recurrent budget for SHG. The 5.0% increase factors in both increases in the number of the recipients of IRB and BIP and factors in price inflation within the MIS basket over the course of the year. This

FINANCIAL IMPLICATIONS

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proposed increase is covered sufficiently by 2020/21 Benefits budget.

18. It should be noted that there is no requirement for this funding to be appropriated through the Appropriation process as it is provided that the payment of benefits should be made directly from the Consolidated Fund without appropriation under the Social Security Ordinance.

19. 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 the past years, during the past year we have seen a considerable increase in the number of households qualifying for IRB. These budgets line will be closely monitored during the year.

ECONOMIC IMPLICATIONS

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

21. It is important to maintain the incentive to work by ensuring salaries are higher than benefit payments. With the Minimum Wage increasing on 1 April 2020 to £3.18 per hour for persons aged 18 years and older; and £2.23 per hour for persons under the age of 18 years, there is still an incentive to work as adult full time employment on the Minimum Wage pays £111.30 per week, which is £37.00 more than the IRB payable.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

22. N/A

PUBLIC/ SOCIAL IMPACT

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

24. If this increase is not agreed the income of vulnerable groups within the community will be below the determined minimum income level to live on St Helena.

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| ENVIRONMENTAL
IMPACT | 25. There are no direct environmental impacts identified. |
| PREVIOUS
CONSULTATION/
COMMITTEE
INPUT | 26. The Social & Community Development Committee endorsed the proposed changes on 18 March 2020. |
| PUBLIC REACTION | 27. 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.

28. 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 | 29. It is proposed that this should be included in the radio briefing following the ExCo meeting. Persons affected will be informed via a letter sent to them by the Benefits Office. |
| 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. This supports goal 4 under the SEDP which is to mitigate the impacts of inflation on the lowest income groups. |
| OPEN/CLOSED
AGENDA ITEM | 32. It is recommended that this is held in open session. |

AAG

Corporate Support
Corporate Services

18th March 2020

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