

## Open Agenda

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### Memorandum for Executive Council

**SUBJECT**

**Social Security (Amendment No.2) 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) 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 No. 2) Regulations, 2020, (Annex A) should come into force on 1 October 2020.**

**BACKGROUND &  
CONSIDERATIONS**

2. The 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 with a local context. The prices of these goods and services are reviewed every six months to determine whether an adjustment to the MIS and subsequently the rates of IRB and BIP are required.
3. 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, whereas 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.
4. There are six components of the MIS basket: Food, Housing, Transport, Clothing, Household Goods and Services and Personal Goods and Services. For the 'Food' component, the Statistics Office conducts an extensive price collection exercise, selecting the cheapest available price for 51 different items in 19 different outlets around the Island, including stores in the country. 'Housing' and 'Transport' components also involve price collection. The changes to the price of the 'Clothing', 'Household Goods and Services', and 'Personal Goods & Services' are measured by the relevant component of the Retail Price Index.

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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 at this time.

6. The original MIS policy built in an annual review of the basket with the intention of adjusting 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 March 2020.
7. The Statistics Office has completed the second MIS price collection exercise of the year. Compared to the previous MIS collection exercise in January, the MIS basket has decreased in value by 0.5% or 44p, from £91.80 to £91.36. Compared to the collection exercise a year ago in July 2019 it is a decrease of 0.2%, or 15p.
8. The decrease in the MIS results from two key factors:
  - a. The recent low value of the Rand compared to the St Helena pound; and
  - b. The lower price of two staple products: eggs and fresh tuna fish.

The January 2020 MIS was the first collection exercise where these reductions in the price of eggs and fish were observed, and prices from the previous collection in July 2019 were used to avoid the use of prices that appeared volatile and short-term.

9. The Social & Community Development Committee at their most recent meeting noted that the price of eggs and of fish was still lower than the July 2019 prices but felt that these prices were still volatile and short-term and recommended that the July 2019 prices for eggs and fish should be used for this review of the MIS level as was done for the March 2020 review.
10. The table below shows the change in the MIS basket since the last review, based on latest prices and assumes the same price for eggs and fish as the July 2019 price collection.

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	Jan 2020	Jul 2020	Annual increase
Total MIS basket	91.80	92.98	1.6%
MIS excluding House Rental (basis for the first adult IRB rate)	71.80	72.98	2.1%
MIS excluding all Housing and Household Goods & Services (basis for 2+ adult IRB rate)	42.05	43.03	2.4%
40% of adult MIS (basis for children 1-3)	28.72	29.19	2.1%
30% of adult MIS (basis for children 4+)	21.54	21.89	2.1%

11. 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). Based on the price collection undertaken the Committee proposes that the MIS should be uplifted to £92.98 and to uplift in rates of IRB and BIP as detailed in the table below:

DETAILS	IRB	BIP	Margin	
		%	£	%
Current rate (£)	71.80	74.30	2.50	3.5%
Adjustment (£)	1.18	1.22	0.04	3.4%
Total (£)	72.98	75.52	2.54	3.5%
<b>New rate Rounded (£)</b>	<b>73.00</b>	<b>75.50</b>	2.50	3.4%
Adjustment (£)	1.20	1.20	0.00	0.0%
Adjustment (%)	1.7%	2.3%		

12. As is the current practice 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. 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.
13. Executive Council is asked to consider and advise whether the attached Social Security (Amendment No.2) Regulations 2020 should be approved and come into force on 1 October 2020.
14. If the new rates are agreed this will cost approx. £58,000. However, this has been factored into the budget for 2020/21 already. As part of the last MTEF process an increase for price inflation of 5.0% has been factored in for Benefits (IRB and BIP) over the projected

### FINANCIAL IMPLICATIONS

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outturn for 2019/20 financial year. This proposed increase is therefore covered by 2020/21 Benefits budget.

15. 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.

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

### **ECONOMIC IMPLICATIONS**

17. The items in the MIS basket has decreased in value by 0.5% or 44p, from £91.80 to £91.36, whilst the recommendation increases MIS to £92.98, as a result of ignoring reduced cost of eggs and tuna. The increases exceeding inflation mean that real income increases by 1.7%; and purchasing power increases.

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

18. N/a

### **PUBLIC/SOCIAL IMPACT**

19. By reviewing prices and adjusting the MIS relative to price inflation we are ensuring that the most vulnerable in society are being protected and also helping to reduce inequality. Adjusting the MIS and subsequently the rates of IRB and BIP will ensure that those in receipt are able to stay in line with current prices of essential goods and services.

### **ENVIRONMENTAL IMPACT**

20. There are no direct environmental impacts identified.

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

21. The Social & Community Development Committee endorsed the proposed changes on 9 September 2020.

### **PUBLIC REACTION**

22. 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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23. 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**

24. It is proposed that this should be included in the radio briefing following the ExCo meeting as well as through separate publicity. Persons affected will be informed via a letter sent to them by the Benefits Office.

### **SUPPORT TO STRATEGIC OBJECTIVES**

25. 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**

26. This supports goal 4 under the SEDP which is to mitigate the impacts of inflation on the lowest income groups.

### **OPEN/CLOSED AGENDA ITEM**

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

AAG

Corporate Support  
Corporate Services

**21<sup>st</sup> September 2020**

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