

Minimum Wage Accommodation Offset Proposed changes report



Falkland Islands Government

Policy Department

Directorate of Policy, Economic & Corporate Services

March 2025



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1. Introduction

- 1.1. The Falkland Islands Government (FIG) Policy Department held a consultation from the 17th March -13th April 2025, seeking views on proposed changes to the National Minimum Wage (NMW) Accommodation Offset.
- 1.2. The changes put forward were aimed at:
 - Create a fairer system for business – allowing all businesses to participate in the offset.
 - Give protection to employees – ensuring a majority of those affected are covered by the legislation.
 - Bring the offset up to date – in line with the increased minimum wage and more reflective of housing costs.
- 1.3. The detailed proposals booklet, accompanying the consultation, can be found here: <https://www.falklands.gov.fk/policy/downloads?task=download.send&id=271:minimum-wage-accommodation-offset-proposed-changes-report-march-2025&catid=21>

2. Executive Summary

- 2.1. Engagement in this round of consultation has been more comprehensive than the first round in October with both a higher number of respondents and a greater detail of potential impact provided.
- 2.2. There is support for reform of the offset though the consultation has highlighted two areas that require further consideration ahead of implementation:
 - Setting the Camp rate at 40%
 - Impact of having an employees pay altered depending on accommodation costs to meet the offset rules.

These matters will be reviewed further ahead of any paper being presented to ExCo.

- 2.3. In addition, it is recommended that utilities are not included as part of any future reform due to lack of support and potential complexity of including it.

3. Background

- 3.1. This consultation followed a first-round of engagement held in October 2024 which sought to understand how the existing regulation, in place for 13 years, was working in practice following several concerns raised.
- 3.2. The first-round of engagement produced three summary findings which identified issues with how the regulation currently works. These have been included in the table



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1. The full first-round summary report can be found here: falklands.gov.fk/policy/downloads?task=download.send&id=257:consultation-report-minimum-wage-accommodation-offset&catid=19.

Table 1: initial issues raised in relation to the accommodation offset.

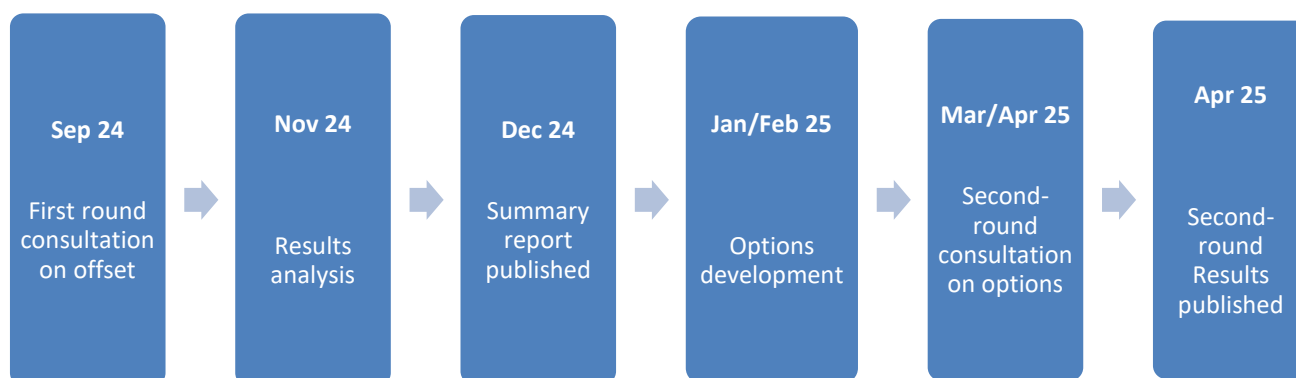
- **There is a lack of understanding of the offset rate and how it supposed to work.** This is evidenced by the responses received and was a consistent theme during discussions with stakeholders.
- **The offset is of limited use in its current form.** Of the responses received from employers, only one is applying the offset. This is due to the regulation not covering employees unless in specific and avoidable circumstances – gross deductions from salary.
- **There is no single solution that will cover all issues raised or meet all concerns.** The variations of how businesses operate in the Falklands across sectors (e.g. agriculture vs. defence) and geography (e.g. Camp vs. Stanley) mean that there is no one-size fits all solution and there may need to be concessions or exemptions as part of any policy design.

- 3.3. Policy development work was then commenced which sought to address the issues identified. This made up the proposals on which the most recent consultation was based, detailed in the document at 1.3.

Timeline to date

- 3.4. A summarised timeline of the review process to date is provided below for information.

Figure 1: timeline of policy development.



- 3.5. It is intended that final policy options will be presented to ExCo in June or July 2025 ahead of commencement in January 2026, in-line with budget changes to the National Minimum Wage.



4. Consultation Approach

- 4.1. FIG Policy wanted to hear from as many people as possible with regards to the changes put forward, something highlighted as important by MLAs who received a briefing on the matter prior to consultation.
- 4.2. Businesses and stakeholders were asked to complete written submissions to the consultation and individuals were asked to complete a short survey.
- 4.3. Both sets of respondents had access to the same source material: a proposals booklet, FAQ document and calculator to model any potential impact.
- 4.4. The consultation was as advertised through press releases and uploaded to the FIG website. Posters were displayed across Stanley encouraging people to complete the survey with a QR code to scan as well as the weblink and contact details prominently displayed, copies were also provided to key stakeholders.
- 4.5. In addition to this, the Senior Policy Advisor held a business briefing, two employee drop-in sessions in Stanley, an employee drop-in session in Goose Green (with over 20 in attendance), attended the RBA show and gave a briefing to contractors at MPC.
- 4.6. Attempts were made to hold a consultation event on the West; however, this did not occur. A previous drop-in session held in the West as part of the first-round of consultation had no attendees. The RBA was represented at the business briefing held in Stanley.

5. Detailed findings – respondents

5.1. Number of respondents

- 5.1.1. In total 38 people responded to the online survey and 6 businesses/stakeholder organisations provided written responses to the proposals outlined. One to one conversations were also held with a further 3 businesses/stakeholders, including one based in West Falkland, but ultimately no formal response to the consultation was submitted.

5.2. Location of respondents

- 5.2.1. The location breakdown of the survey respondents is provided below in table 2. Of the 37 who responded, 27% (10 individuals) lived in accommodation provided by their employer which was either paid for or provided for free.

Table 2 location of respondents who had accommodation provided by their employer.

| Location | Number ¹ |
|----------|---------------------|
|----------|---------------------|

¹ The number of those who provided a location for accommodation (15) is higher than the number who responded their accommodation was provided by their employer (10). Respondents may have viewed this as a general residency question, rather than one aimed at understanding the location of employer owned rental properties.



| | | |
|-------------------------|----|--|
| Stanley | 4% | |
| Emp | 1% | |
| Punt Pleasant Complex | 3% | |
| response/not applicable | 5% | |

5.2.2. Of the businesses/stakeholder organisations that responded, four were based in Stanley, one was based in East Falkland and one in the Outer Islands.

5.3. Provision of additional benefits

5.3.1. Of those who received accommodation from their employer only 8.3% (3 individuals) responded that they also received meals as part of any work package.

5.3.2. For the businesses that responded, only one provided full board as part of their employee package but from conversations with FITB and the RBA it's understood that this is a common approach in lodge businesses.

5.4. Payment of rent

5.4.1. This question set out to find how individuals who rented accommodation from their employer paid for accommodation. This is to identify the proportion of those who are currently covered by the offset vs. those who would likely be included in any change. Table 3 sets out the responses.

Table 3 – How do you pay for your accommodation?

5.4.2. For 'other – please specify' four responded with some kind of bank transfer, one stated cash and another implied the accommodation was provided for free. It is not clear from the other three responses how the accommodation is paid.

6. Detailed Findings – proposals for change

6.1. The second part of the survey asked respondents for their views on proposed changes to the accommodation offset.

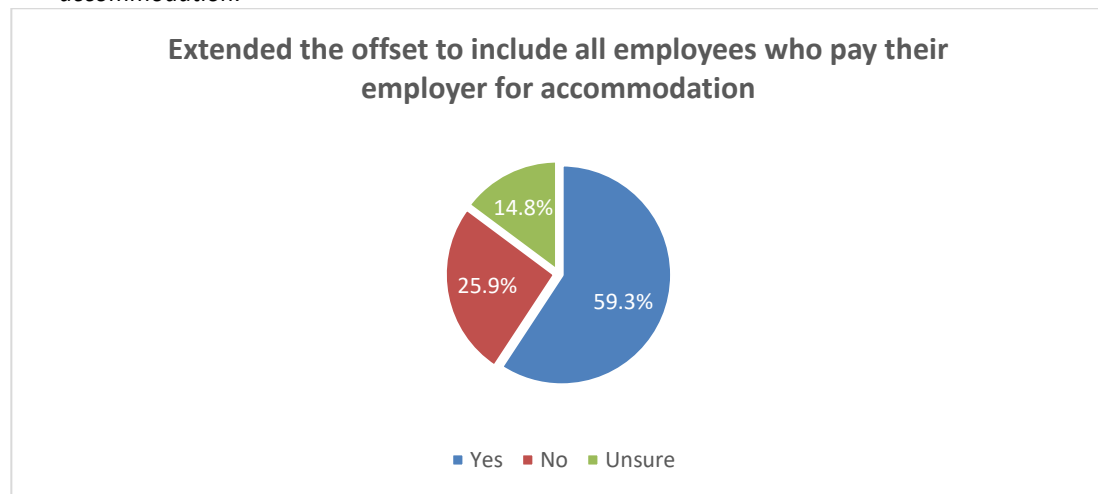
6.2. Expanding the accommodation offset

6.2.1. The first question asked respondents if they supported the FIG proposal to extend the accommodation offset. Currently it only covers workers who pay for their accommodation through deductions in gross salary. This proposal looked at covering all workers who pay their employer for their accommodation regardless of means.

Responses are highlighted in the pie chart below (figure 2) and showed a majority in favour.



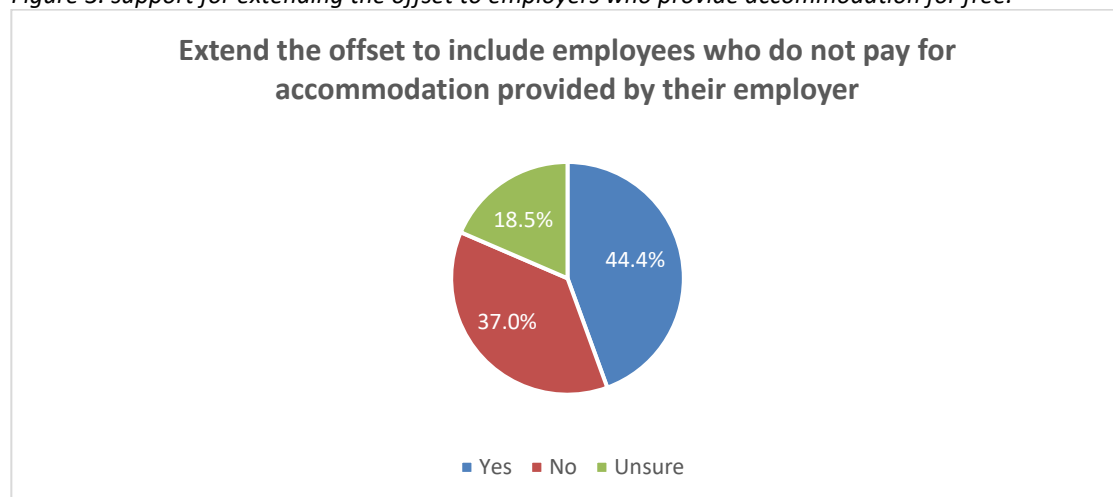
Figure 2. support for extending the offset to include all employees who pay their employer for accommodation.



6.2.2. Whilst agreeing with the aims of the regulation, one of the larger employers on the Islands expressed concern about the proposal to extend the offset beyond its current remit and the additional costs involved, which would have a significant multiplying effect for them.

6.2.3. The next question focused on FIG proposals to allow businesses who provide accommodation for free the ability to count some of the cost of this towards an employees pay. As shown in Figure 3, though the response was more mixed, 'yes' was still the highest polling response.

Figure 3. support for extending the offset to employers who provide accommodation for free.

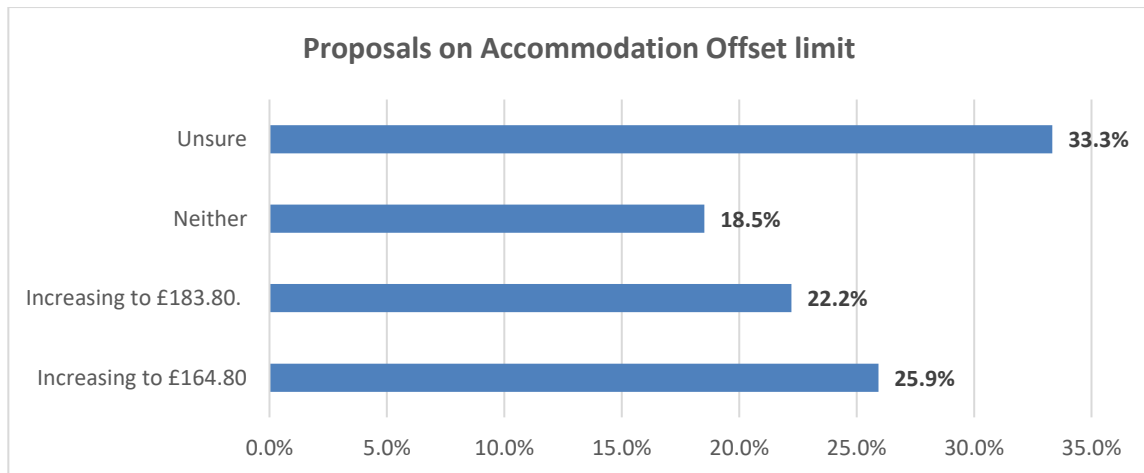


6.2.4. Responses from business were more supportive of extending the offset to cover employees who received accommodation for free. None raised any objection and three actively supported the proposal.



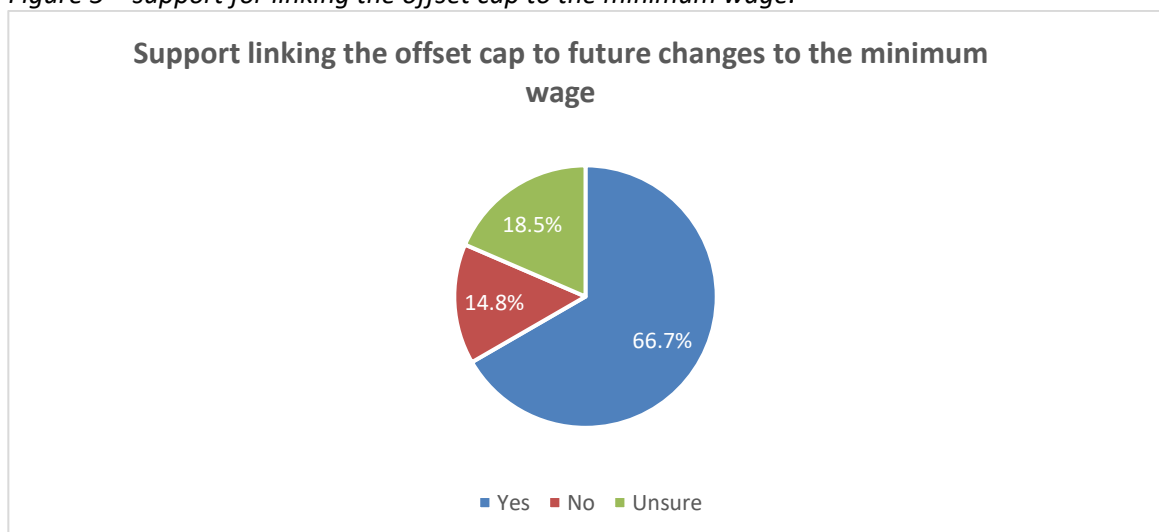
- 6.2.5. One business noted that by expanding the offset to include accommodation provided for free they wouldn't have to switch to charging employees directly for accommodation, something of which there is limited practice in Camp. By acknowledging the benefit of the accommodation provided, pay could rise at a slower rate over time, allowing employment costs to be brought more into line with other businesses.
- 6.2.6. In addition, a conversation with the MoD DIO Manager noted the MOD would be supportive of such a move.
- 6.2.7. One concern raised during the consultation in relation to extending the offset was the challenge of recruitment in Camp, even with the accommodation provided for free. The respondent noted that the changes proposed may put off seasonal workers from visiting the Falklands and the calculation may be difficult for staff to interpret, especially those who have English as a second language.
- 6.3. Increasing the offset limit
- 6.3.1. As well as expanding the offset, FIG Policy proposed that the limit of the Accommodation Offset be increased to reflect changes in the minimum wage and accommodation costs over the past 13 years.
- 6.3.2. Two options were put forward:
- Increasing in line with the minimum wage over the period since 2013 to £164.80.
 - Increasing to 50% of the current minimum wage at £9.19x40 hour week to £183.30.
- 6.3.3. For survey respondents there was no clear consensus on the preferred approach (figure 4). Business and stakeholder responses identified a similar response though they tended towards the higher amount due to it being 50% of the minimum wage, making calculations easier.

Figure 4 – responses to proposed changes to the offset cap.



6.3.4. Respondents were also asked if they supported the proposal to link the offset cap to the future minimum wage rate, ensuring it is pegged to any future increases or decreases. Both survey respondents and business/stakeholder replies were supportive of this approach.

Figure 5 – support for linking the offset cap to the minimum wage.

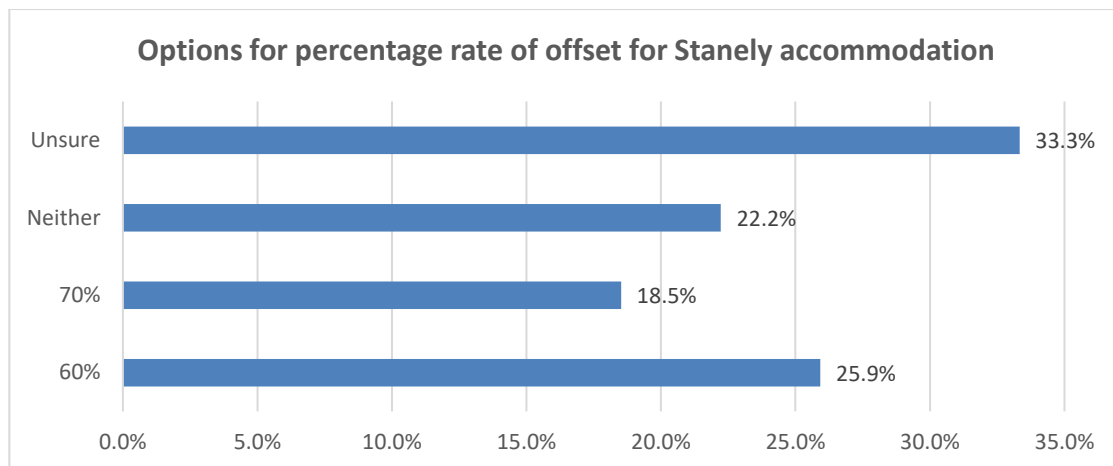


6.4. Percentage rate of the offset

6.4.1. This is the % of the accommodation costs that businesses are allowed to offset or count towards an employees pay when the hourly rate calculation is made. The higher the percentage, the more of rent/accommodation costs a business is allowed to offset. The current rate is 50%.

6.4.2. Two proposals were put forward in relation to Stanley: 60% and 70%. Given the closeness of the two figures this has produced a very mixed result and despite a calculator being provided to help model the impact, unsure is the highest tallying response (33.3%) followed by a 60% offset rate (25.9%).

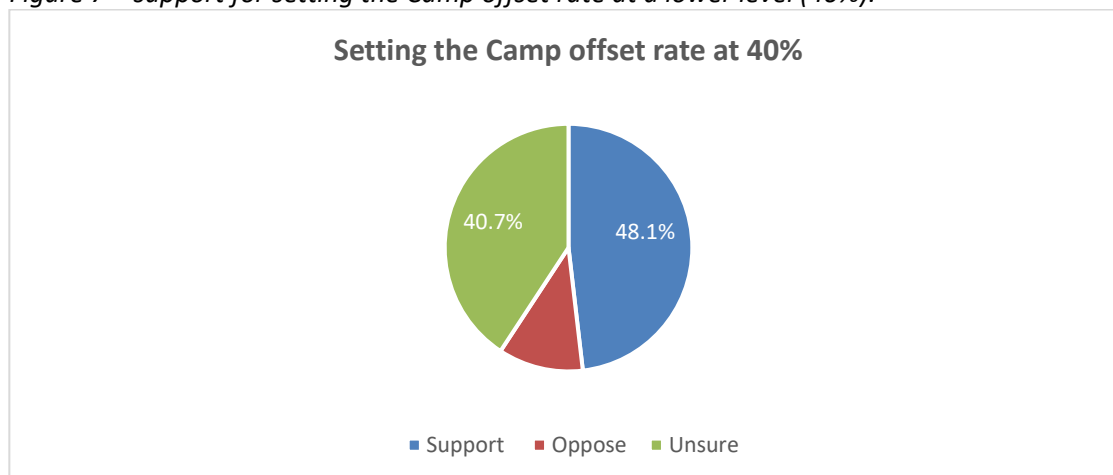
Figure 6 – responses for increasing the % rate of the accommodation offset for Stanley accommodation.



6.4.3. A lower offset rate of 40% was proposed for Camp, the initial intention of which was to reflect the reduced rental values in the housing market, derived from 2021 census data.

6.4.4. This had the double effect of limiting the impact for employees who received accommodation for free, largely a feature of the Camp economy, being brought into the accommodation offset regulation and in future have some of the accommodation provided count towards their pay.

Figure 7 – support for setting the Camp offset rate at a lower level (40%).



6.4.5. Whilst there was higher support than opposition in the survey for setting the Camp rate at a lower level, responses from Camp based businesses felt the lower percentage rate failed to take account of the higher costs of providing accommodation in Camp.

6.4.6. Reasons given for this include the distance from Stanley, and in the case of businesses based on the West or Outer Islands, the added logistical difficulties which brings additional costs. In one example of maintenance provided a business based on the Outer Islands noted that replacing a boiler cost them double that of a business based in Stanley.



6.4.7. It seems reasonable to review this approach in light of the feedback received from businesses.

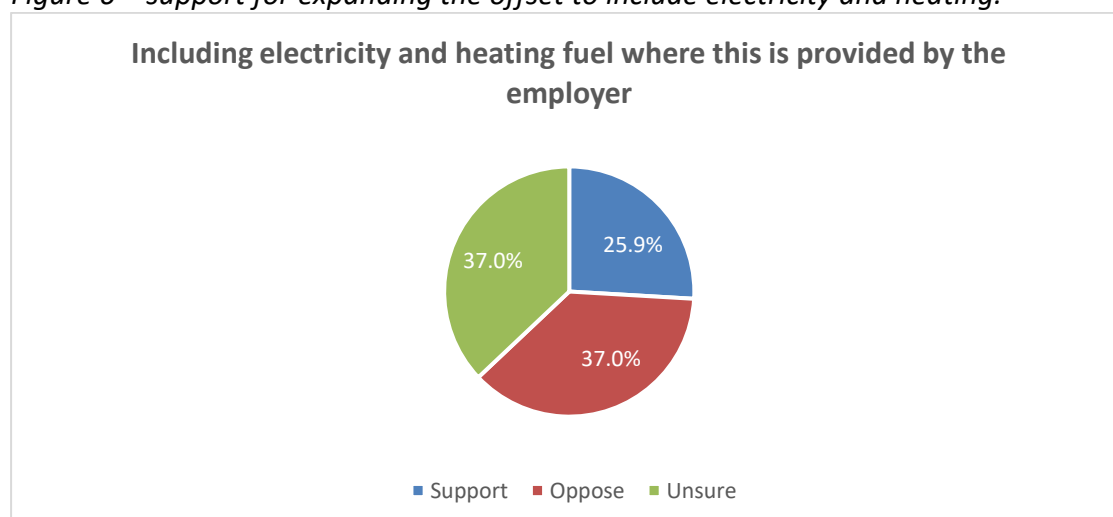
6.5. Expanding to cover utilities.

6.5.1. Finally, the consultation asked for views on the extension of the offset to include other elements required to keep a property to a habitable standard, heating fuel and electricity.

6.5.2. The specific proposal in the consultation was to include this where an employer acts as buyer on the employees behalf then charges the cost back to an employee e.g. in a shared property.

6.5.3. There were equal levels of support and opposition to this proposal in the survey, with businesses noting that should this be included the rate of the offset and the % values consulted on would have to be increased.

Figure 6 – support for expanding the offset to include electricity and heating.



6.5.4. Given the mixed response and reasonable request for the limit and % rate to be reviewed further should utilities be included, it is recommended that this change be discounted at this stage.

7. Additional Considerations

7.1. As part of consultation several additional considerations relating to the proposed changes were raised. The opportunity was given to do this as part of the survey in the final question, and via direct reply to the Senior Policy Advisor.

7.2. Responses received are listed in the table below.

| Additional Responses |
|---|
| <i>Employees who rent from their employer may be paid a higher rate than employees who do not rent from their employer, due to the offset. The same issue could occur where differing rental values are applied to employees who rent from the same employer.</i> |



This could lead to two rates of pay for the same work which is not considered good HR practice and could cause disquiet in the workplace.

A submission from a larger employer noted this point and it was discussed as part of the business briefing. This scenario would arise where an individual is being charged more than the offset due to the rental value of an employer owned property and would need to have their pay increased to ensure they were being paid NMW in line with the accommodation offset.

This is already the case for those businesses that apply the accommodation offset, however expanding the scope would increase the likelihood of this happening.

The offset recognises the vulnerable position that workers who have their accommodation provided by their employer are in and is there to provide a level of protection. This is heightened in the Falkland Islands for those on work-permits whose ability to remain is dependent on employment. An alternative approach could be for the employer to adjust the individuals rent, rather than their pay.

Further consideration of this point will be given ahead of an ExCo paper being drafted in discussion with FIG officers and decision makers.

It's too complicated to understand.

Every effort has been taken to try and explain changes in the simplest terms possible, however it is acknowledged this is a complicated piece of regulation.

It is hoped by expanding the offset to include a larger proportion of workers and businesses that awareness will improve. Great effort has also been taken to engage with businesses and important stakeholder support organisation such as the GEU and CAB as part of this work.

FIG Policy did look at introducing a simple flat weekly rate, like regulation in the UK and New Zealand. However, this would have meant no link to the cost of providing the accommodation or board and could result in employees being charged the top amount regardless of the quality or size of the accommodation provided, leaving them worse off than is currently the case.

Similarly setting a cap at too low a level could see employment costs for businesses increase excessively.

Using benefit in kind values as a benchmark

BIK values are reviewed periodically and are updated in line with RPI over the period since values were last reviewed.

FIG Policy did look at using BIK values as a starting point, with anything over that value



charged at a % rate of the cost of the accommodation, this effectively creates a minimum value into the regulation rather than a limit. This approach fails to address the risk of individuals being charged a significant proportion of their income as rent.

It was judged that using BIK values to help set the limit would be too low a value and not reflect the cost to businesses of providing accommodation or board where this was charged for.

BIK values could prove a useful guide to businesses who provide accommodation to workers for free, however it is not felt that this would need to be set in the regulation.

Linking to living wage calculations

The calculation of the living wage isn't referenced or aligned with what was proposed in the consultation.

The value used in living wage calculations is an average of property costs and so not necessarily reflective of the private rental market which this piece of regulation specifically deals with. It was felt the values were too low to use as a basis for the cap and using them as a minimum would create the same issue as using benefit in kind values for business.

Use rental values to set the cap, rather than benchmarking against the minimum wage.

No regular data on rental property values is collected that could be used to benchmark.

Properties provided to employees shared with non-employed dependents.

NMW legislation is about how much the individual is paid and the onus is on employers to record and be able to demonstrate that. Where an employee is renting on behalf of a family, it would seem reasonable to only consider their portion of the rent when calculating the accommodation offset. Businesses should document this where that is the case.

It is not felt that additional regulation would help here, beyond the principle that an individuals pay should not fall below NMW, as there is a vast array of circumstances that could be accounted for.

7.3. Several further responses were received to the survey that have not been included due to being beyond the scope of the consultation or relating to personal circumstances. A short list of these has been provided below:

- Childcare costs.
- Personal circumstances – eviction.
- Cost of living – fruit and vegetables.
- Personal circumstances – falling living conditions.
- High rental costs in Stanley.



- Overcrowded living conditions.

8. Next steps

- 8.1. Based on the feedback received, FIG Policy will now work to draft an ExCo paper following further consideration of the areas identified.
- 8.2. Any decisions taken will then need to be worked on ahead of implementation in January 2026, including legislative drafting. This piece of work is included in the most recent version of the legislative plan for 2025 and resources are available to ensure this is completed.