

The Macfarlane Trust

Proposals for revision of structure of grant payments

Introduction

When it was first established the Trust initially disbursed money on an ad hoc basis to registrants in response to individual requests. Soon, however, the Trustees decided to implement in addition a system of regular payments ("regpay") to all registrants, recognising the additional costs (or loss of income) resulting from the combination of haemophilia and HCV infection.

Recognising that the Trust Deed required the Trustees to act in response to "need", the initial system of regpay was briefly subject to a test of means, quickly superseded by a "proxy" means test based on the Social Security benefits received by each registrant, which were felt to give an indication of need on a less intrusive and more easily administered basis. This system persists to the present time.

In 1999, following a Strategic Review that included a detailed assessment of the additional costs of living with haemophilia and HIV, there were substantial rises in regpay rates. It was expected by Trustees that this would lead to a reduction in the volume of individual grant requests, but this did not happen. In consequence the Trust has been "living above its means" for the last 2 – 3 years, a deliberate policy that, following the downturn in rates of investment return over the same period, has constrained the Trustees in general grant-giving policy and in particular in considering enhancements to the help given to widows and orphans.

This paper proposes some changes to the current system of payments, with the objectives of

- simplifying the currently complex structure for regpay
- removing certain anomalies and disincentives within that structure
- releasing cash resources to enable the Trust to make better provision for widows and orphans
- releasing office resources to have more time available to provide non-financial help to registrants and dependants

The paper suggests a simplified system together with new rates of regpay. The full costs to the Trust of implementing these have not yet been worked out; in any case Trustees might well wish to amend the suggested rates. When changes have been approved, a fully-costed programme can be put before Trustees in time for implementation at the start of the next financial year.

The current regpay system

i Registrants

The present system of regpay for registrants is summarised in the Appendix.

A few observations on this schedule might be helpful:

- it looks and is complex. There are 15 different rates applicable to single or married men before taking account of children. (It is interesting to note that the system adopted in 1990 was at least as complex).
- this complexity uses up office time and encourages inaccuracy – at any time there is a significant number of people being paid the wrong amount (either more or less than they are due) for reasons such as the office not having been told (not necessarily wilfully) of a registrant's exact circumstances, or errors of assessment or arithmetic within the office.
- the lowest band gives no incentive for people to be employed, nor does it recognise additional financial needs arising from families.
- the reliance on State-determined benefits as the indicator of need has the advantages of being objective and, for the Trust, economical, but also some disadvantages: benefits might not be applied for, there is inconsistency in their application, they give only a crude measure of need, and so on.

ii widows and orphans

The system for providing regpay to widows is similar:

- an HIV-positive widow is paid as a registrant according to the Appendix A schedule
- widows who are incapacitated or have a child receive £100 monthly with additional supplementary amounts for further children and if receiving means-tested benefits
- other widows receive whatever regpay had been paid to their registrant partner for the first 6 months after bereavement, a reduced amount for the next 9 months, then nothing more. A similar system has been adopted for the few orphans for whom the Trust has responsibility, most of whom are looked after by grandparents or other relatives.

Trustees have felt for some time that the Trust does not provide satisfactorily for widows. Those who are incapacitated or with children receive regpay that is possibly reasonable, but the tapering-off of help for other widows, and for orphans, is possibly harsh.

It is, however, difficult to determine "need", as the Trust Deed and simple prudence require. While there are undoubtedly many widows who find post-bereavement adjustment very difficult after a long period of caring, involving absence from the working environment and, frequently, profound isolation, there are others for whom adjustment is relatively easy and whose ability to live independent lives is not seriously impaired.

The Trust has a responsibility to help widows and dependents who are in need as a result of the death of a Trust registrant; this responsibility does not necessarily extend to those who would have been unable to cope whatever the circumstances, and there is certainly a small number of widows who currently make considerable demands which in practice have less to do with their widowhood than with their general inability to manage their affairs (which are, admittedly, difficult because of their poverty).

Suggestions for change to regpay

i Registrants

It is suggested that, despite the imperfections of the current system, it has a number of features that should be preserved:

- it attempts to distinguish between different levels of need "horizontally" as determined by income-earning ability and health, as well as "vertically" according to family circumstances
- it does this without involving the Trust in an explicit measurement of means, which would make relationships between the Trust and its registrants very difficult

Keeping these features but eliminating those that are less satisfactory, while adopting the principle that nobody should be worse-off as a result of the changes, could lead to the following (rates are only provisional and indicative):

- a standard rate, payable to a registrant who does not receive means-tested benefits, of £280, with £15 supplements for a partner and for each dependent child
- a higher rate, payable to a registrant who receives means-tested benefits, of £330, with £30 supplements for a partner and first dependent child and £15 supplements for each other dependent child
- a £65 supplement for each registrant who receives the DLA care component (middle or high rate) or high rate Attendance Allowance

This structure can be seen to have only two bands, each with scope for a single horizontal variation arising from the DLA CC supplement.

Most registrants would, at these indicative new rates, receive an increase of approaching 10%, suggesting a total annual outlay for the Trust estimated at about £2 million. About 64% of registrants would be on standard rate; it

should be borne in mind that over time there is likely to be a gradual tendency for people to move into the higher rate band.

ii widows and orphans

Infected widows should continue to receive the regular payments appropriate to themselves, as set out in the new structure above, including child supplements and without time limit.

As noted earlier, widows who are incapacitated or have children are already given regular financial assistance. Trustees might wish to review the rates at which this is paid, but there does not appear to be any fundamental defect with the payments structure.

The main change that might be appropriate would be an extension of the taper period to allow newly-bereaved widows a longer period of adjustment.

All other widows and orphans could continue to receive, for 12 months (rather than 6, as at present) after their bereavement, the same payments, without supplements, that had been paid to the deceased partner or parent.

After 1 year payments could be made as follows:

- a transitional rate, payable to a widow who is not in receipt of any benefits, of £100, with a £50 supplement for the first dependent child and £30 supplements for each other dependent child. This transitional rate payment could be continued until the fourth anniversary of bereavement, giving a total adjustment period of 3 years (rather than 15 months).
- a standard rate, payable to a widow, or to the guardian of an orphan less than 18 years of age or still in full-time education, who receives benefits that are not means-tested, of £125 with a £100 supplement to widows for their first dependent child and £50 supplements for each other dependent child
- a higher rate, payable to a widow, or to the guardian of an orphan less than 18 years of age or still in full-time education, who receives means-tested benefits, of £150, with £100 supplements to widows for their first dependent child and £50 supplements for each other dependent child

Payments to widows at standard or higher rates would not be subject to a time limit but should cease on a widow's re-marriage.

The main increases arising from these proposals would be in the period of payment to widows who are not in receipt of any benefits, and in the rate of payment to widows receiving means-tested benefits (from £30 to £150).

The total annual cost to the Trust of implementing these proposals is estimated about £400,000.

Changes to the current system of single grants

The total annual cost of all these repay changes is estimated to be about £2.4 million, an increase of about £220,000 (10%) on last year's outlay. The Trust could not afford this level of expenditure, within current Departmental support levels and investment conditions, while maintaining the current level of expenditure on winter repay supplements (£240,000 p.a.) and single grants.

Single grants account for about 20% of the Trust's total disbursements (other than the winter payment repay supplement). In the year 2001/2 a total of £509,000 was paid in 740 grants (an average value of £690), an increase of over 10% on the previous annual total.

Analysis of last year's payments shows that while the average value is highly affected by a few major grants (mostly determined by Trustees), 80% of grants are of lower values, processed by the office staff and accounting for 60% of the total amount disbursed.

It is, therefore, suggested that, if the proposed repay changes were implemented, the Trust would simultaneously cease to make any single grants of less than £1,000. This would seem likely to produce savings in total single grant outlay roughly matching the proposed repay increase.

Exceptional circumstances might be considered relating to debt, but it should be made clear to all beneficiaries that the repay increases should be used to reduce the need for small individual payments. It should be appreciated, however, that the net effect of all these changes would be a slight transfer of the Trust's financial disbursements from those in acute need (evidenced by a dependence on small single grants) to those who make the least demands on the Trust (in the current lowest category of repay).

Most larger single grant requests would by definition be reviewed by Trustees, although there could continue to be certain categories, such as bereavement or house-moving grants, that could continue to be administered by the office.

The considerable reduction in the number of grants being processed should save significant time within the office, resulting in particular in the Trust's Social Worker being able to undertake more visits to registrants and dependants.

Looking ahead

These suggested changes are made within the context of a continuing annual outlay by the Trust of approaching £3 million, partially supported by annual Departmental grants of £2 – 2.5 million and cash income from investment activities of some £500,000 (excluding unrealised capital losses which stock market recovery, when it comes, should reverse).

The Department have given us verbal assurance that the annual rate of support is likely to increase to £3 million from 2004, which, in the absence of further changes, would permit replenishment of the Trust Fund to the extent that investment operations had not already done.

It is appropriate to consider whether and when the Trust should consider requesting the Department, through the responsible Minister, for a further increase in the rate of funding to permit significant increases in financial help to beneficiaries. That would in turn require a new detailed assessment of financial need to up-date the review undertaken in 1998/9. Such a process would inevitably raise expectations, so should only be undertaken if an increase in the funding rate, soon after, or maybe instead of, that already promised, were a realistic possibility.

Topics for discussion

In summary of this paper, the principal questions for review are

- should the suggested simplified system of repay for registrants be adopted?
- should the suggested, or similar, new rates of repay for registrants be adopted?
- should the suggested changes to repay for widows and orphans be adopted?
- should single grants be restricted to higher values?
- should the Trust institute a process of re-assessment of beneficiaries needs with a view to requesting a substantial increase in Departmental support?

Peter Stevens
Chairman
18 July 2002

Appendix

Regular payments structure for registrants, 2001/2

Category of recipient (A)	Single man	Couple (C)	Couple with 1 child	Increment for extra child (max 3)
Receiving no benefits (probably employed) (B)	£255	£255	£255	Nil
Receiving benefits other than Income Support (D)	£255	£266	£277	£11
Receiving benefits other than Income Support but including Housing Benefit and Council Tax Benefit (D) (E)	£288	£299	£310	£11
On Income Support (D)	£305	£335	£365	£6

Notes

A The categories are defined by the principal criteria; in a few cases there are other criteria that result in recipients receiving similar regular pay from the Trust

B In several cases registrants are employed at very low levels of pay

C Partners who are HIV positive receive £255/month in their own right

D Registrants or partners in these bands who receive the middle or higher care components of DLA receive an additional £61/month supplement from the Trust

E Recipients of either Housing Benefit or Council Tax Benefit receive from the Trust supplements of £22 and £11 respectively.