The Caxton Foundation

Business case for increased funding for the Caxton Foundation from 2014/15 for a regular payments scheme

1. Background

The Caxton Foundation (Caxton) was established in August 2011 and started providing support to clients in October 2011. In the two years since it began offering support, 637 people have registered with Caxton, 499 of whom are primary beneficiaries (and of whom 10 have subsequently died), 62 are widows/widowers and 76 are other family members. To be eligible for support from Caxton, individuals or a close relative of theirs who has died, must be or must have been registered with the Skipton Fund. Of the 489 primary beneficiaries registered with Caxton, only 138 are in receipt of Skipton Stage 2 regular payments.

Over the course of the last 2 years, Caxton has established a broad programme of support for its clients. In terms of financial support, grants are the most significant way in which Caxton provides support. The key areas in which grant support is given are as follows:

- financial support whilst people undergo treatment for Hepatitis C to ensure that the prospect of loss of earnings and additional costs associated with the treatment, such as travel and additional costs associated with dietary requirements, do not deter people from opting for treatment
- respite breaks for those with Hepatitis C and their spouses/partners/carers
- health and mobility-related repairs and adaptations to people's homes
- support with debt and money management
- financial assistance with the purchase of essential household items
- support with vehicle maintenance costs to ensure people can retain their mobility and independence
- financial support to enable people to undergo re-training

In addition, Caxton makes winter fuel payments, and assists people by making referrals for specialist benefits advice, debt and money management advice, and counselling.

One of the most striking trends which has emerged as a result of the grants programme over the last 2 years is that there are a number of people who regularly approach Caxton for support, and who are clearly struggling to meet their own basic needs because of extremely low income levels. Support with debt is a common request: people are getting into debt because their basic incomes are too low to meet their everyday needs, and they have no surplus income with which to save and budget for larger expenditures such as maintenance to their homes. This becomes a downward spiral as people increase their borrowing, and in turn have to use increasingly more of what income they do have to service their debts. Some case studies are provided at Appendix 1 to illustrate the kinds of challenges people are facing and the support Caxton has been providing.

As a result of its experience over the last 2 years, Caxton would therefore like to introduce a form of regular payments to beneficiaries, based on their income levels, to enable everyone to have the means to live without the fear of not being able to meet basic living costs or getting into debt.

2. Options for a regular payments scheme

Since the summer of 2013, Caxton has been exploring the options for introducing a regular payments scheme to provide additional support for its clients.

Caxton believes that any system it might introduce should be in line with its values, namely that it should be transparent, fair and consistent; that it should be benchmarked against well-recognised measures of income standards and definitions of poverty; and, in line with the organisation's aim to support people to live as independently as possible, it should not be set at a level which would encourage dependency.

In considering the options, two well-recognised models of assessing poverty and minimum income requirements have been explored in detail: the Joseph Rowntree Foundation minimum income standard, and the internationally recognised definition of poverty of 60% of median household income. Members of the Department for Work and Pensions' Household Below Average Income (HBAI) Team were very helpful in enabling us to understand how median household income and poverty levels are calculated. The Joseph Rowntree model seeks to define an "adequate" income based on what members of the public think is enough money to live on to maintain a socially acceptable quality of life, and includes assumptions on annual spend on household goods and services. By contrast, median household income figures are based on actual earnings and are adjusted using multipliers according to household composition, ie whether someone is single or has a spouse/partner, and the number of children in the household. Full details of this can be found at Appendix 2.

From the outset, Caxton felt that because of its comprehensive nature, the Joseph Rowntree model was likely to be very expensive as the basis for any regular payments system. However, it also felt that basing a scheme purely on the poverty line might still fail to assist those in greatest need. Calculations were therefore also done against a benchmark of 80% of median income. In order to begin to assess the likely costs of various options Caxton took a sample of its clients and modelled the costs of implementing a scheme based on the Joseph Rowntree model and against 60% and 80% of median income. Table 1 sets out the income benchmarks, and tables 2, 3 and 4 show the costs of implementing a scheme based on the 3 models.

Table 1 - Income benchmarks

	Income benchmark		
Household composition	**Joseph Rowntree**	**60% median income**	**80% median income**
Single with no children	£16,000	£8,926	£11,901
Single with 1 child	£23,000	£11,590	£15,454
Single with 2 children	£27,000	£14,255	£19,006
Single with 3 children	£31,000	£16,919	£22,559
Single with 4 children	£35,000	£19,583	£26,112
Partner with no children	£25,000	£13,322	£17,763
Partner with 1 child	£31,000	£15,986	£21,316
Partner with 2 children	£35,000	£18,651	£24,868
Partner with 3 children	£40,000	£21,315	£28,421
Partner with 4 children	£45,000	£23,980	£31,973

Tables 2, 3 and 4 set out the costs of implementing schemes based on the Joseph Rowntree model and against 60% and 80% of median income. These costs are for the sample size of just under 400 Caxton registrants which was used.

Table 2 - Cost of implementing a scheme based on Joseph Rowntree

Primary Beneficiaries & Bereaved	Cost	Number of people eligible
Skipton Stage 1	£2,829,500	253 out of 291
Skipton Stage 2	£966,500	78 out of 96
Total	**£3,796,000**	

Table 3 - Cost of implementing a scheme based on 60% median income

Primary Beneficiaries & Bereaved	Cost	Number of people eligible
Skipton Stage 1	£582,865	133 out of 291
Skipton Stage 2	£200,961	43 out of 96
Total	**£783,826**	

Table 4 - Cost of implementing a scheme based on 80% median income

Primary Beneficiaries & Bereaved	Cost	Number of people eligible
Skipton Stage 1	£1,284,420	192 out of 291
Skipton Stage 2	£433,423	58 out of 96
Total	**£1,717,843**	

Table 5 below sets out the total costs against the different benchmarks, firstly using the sample of 387, and then by scaling the sample up to 800 and 900 people to take into account Caxton's existing client community (approximately 550 primary beneficiaries and widows/widowers) and allowing for two scenarios of an increase of 250 and of 350 in client numbers which might occur once the existence of a regular payments scheme became known.

Table 5

Number of clients	Joseph Rowntree	60% median income	80% median income
387 (sample)	£3,796,000	£783,826	£1,717,843
800	£7,847,028	£1,620,312	£3,551,097
900	£8,827,907	£1,822,851	£3,994,984

As expected, the financial modelling showed that the Joseph Rowntree model would be extremely expensive, as well as being at a level which could act as a disincentive to independent living and encourage dependency amongst Caxton's client community. Whilst financial modelling was done against 60% of median income, Caxton feels that seeking only to raise people to the poverty line is not sufficient, and does not reflect the additional costs associated with living with Hepatitis C. Caxton did consider whether primary beneficiaries should be paid at a higher rate than the bereaved, eg at 80% of median income compared with 60% for the bereaved, to reflect the additional costs associated with living with infection. However, it felt uncomfortable with differentiating between the two groups.

3. Feedback from Caxton's Partnership Group on a proposed regular payment scheme

Caxton discussed the concept of a regular payments scheme with its Partnership Group (PG) on 28 November 2013; the PG currently comprises two representatives of Tainted Blood, the Manor House group, and the Contaminated Blood Campaign.

Overall, the PG would not want any regular payments scheme that Caxton might introduce to impede or replace discussions and consideration by DH of a full and final settlement and acknowledgement of the damage caused. They felt that the national living wage, augmented to reflect the additional costs of living with Hepatitis C, should be the financial benchmark used for calculating payments, and that payments should be made to individuals. They would like to see health-related state benefits excluded from calculations of income, and that the payments be linked to inflation. In addition, they would like any forms used to assess income to be straightforward to complete, and that details of what is included and excluded as income to be made explicit.

4. Proposal and financial implications

Caxton would therefore like to introduce a scheme based on 80% of median income for all primary beneficiaries (ie those at Stage 1 and Stage 2) and the bereaved. It would seek to top up household incomes to the appropriate level in relation to household composition (ie the number of adults and children in the household). In calculating payments under this scheme it would:

- exclude universal benefits (child benefit, disability living allowance and carers allowance), Skipton Stage 2 regular payments, and any savings, investment or capital which a household had, but would include all other forms of income;
- only include spouses'/partners' income, not that of parents (where a primary beneficiary was living at home) or adult, non-dependent children;
- support widows until such time as they remarried or had been cohabiting with a new partner for a year;
- not make payments to anyone eligible for, but not willing to take up, benefits.

It should be noted that Caxton does not yet have a fully established, fixed client base. An exercise to model the potential number of beneficiaries, taking into account estimates of factors such as the rate of mortality, the prevalence of asymptomatic Hepatitis C, and the success rate of anti-viral treatment, indicates that the potential number of primary beneficiaries might be in the region of 1600, with potentially 400 dependent families. Work will be done in 2014 to further publicise Caxton and reach potential clients who might not yet be aware of us. However, it is not possible to know whether Caxton has already reached its ceiling in terms of clients, or whether significant numbers of additional people will come forward for support.

For the purposes of this business case, Caxton is basing its costings on an assumption that its client numbers will increase to 800 people. A regular payments scheme benchmarked against 80% of median income would cost £3.55 million per annum to run. Smaller or greater increases in client numbers to either less or more than 800 would impact upon the level of funding required, and Caxton would therefore wish to discuss the implications of this unquantifiable risk further with the DH.

In terms of existing staffing levels, Caxton's current level of funding only supports 3.7 whole time equivalent staff. This includes the Chief Executive and newly created senior role to replace the Welfare Manager (both of which posts work less than 50% of the time on Caxton), a full-time Welfare Assistant who runs the day to day administration of the Caxton grants programme and other case management and support of clients, and percentages of time for Finance, IT and other administrative staff. It is a challenge for the team to manage the existing workload, and the pressures associated with juggling responsibilities for the Macfarlane Trust and other Alliance House entities. We know from the experience of running a regular payments scheme for the Macfarlane Trust that, administratively, it is a labour-intensive and time-consuming form of client support, and requires high levels of numeracy and "customer care" skills from the staff involved. Introducing and managing a regular payments system for Caxton would therefore not be possible without additional staffing. As part of this business case, provision would need to be made for a new member of staff with strong financial skills operating at a reasonably senior level, requiring a financial envelope of £50,000 including on-costs.

Caxton believes that the need to run a grants programme would continue even after the introduction of a regular payments system, although the criteria may need to be reviewed and refined once the regular payments system had been operating for a period of time. This would reflect the fact that some people might continue to need significant additional support until the scheme was established, and also requests from a potentially increased number of clients who might come forward.

If approved, Caxton would not anticipate being able to implement such a scheme until September 2014, which would have an impact on costs in the first year:

Table 6

	Projected outturn 2013/14	**First year operating scheme**	**Subsequent years**
Grants, advice, winter fuel payments	£950,000	£950,000	£950,000
Service delivery, management and governance costs – **Caxton only**	£255,000	£255,000	£255,000
Regular payments scheme based on 80% median income		£1,775,000	£3,550,000
Additional staffing		£50,000	£50,000
Service delivery, management and governance costs as percentage of total allocation	21%	10%	6%
Total	**£1,205,000**	**£3,030,000**	**£4,805,000**

To operate a scheme based on 80% of median income, Caxton would require an allocation of £3.03 million in the first year, when the scheme would only be operational for 6 months, and £4.805 million in subsequent years. These figures do not include any potential adjustments to grant expenditure that might be possible, nor inflationary increases, and do not include allocations for service delivery payments in respect of the other Alliance House entities.

Caxton is therefore submitting this proposal to the DH for consideration. Caxton has set out its preferred option for a scheme based on 80% of median income, which it believes will best meet its clients' needs without engendering dependency. However, Caxton understands that the DH may wish to discuss modifications to this and looks forward to having the opportunity to discuss the proposal in more detail.

Appendix 1

Case studies of Caxton clients on low incomes receiving regular support

1. **A single mother living in rented accommodation with her teenage son.** She also has a daughter at university. Her net household income is £9,137 pa. Her unavoidable expenditure is £12,766 pa, leaving her with a monthly shortfall of £302. She also has an outstanding Social Fund loan (balance unknown) and a debt of £900 outstanding to a friend/neighbour – a sum she borrowed from a local money lender and was unable to repay until her friend cleared the debt.

   Her health has deteriorated lately and she is suffering among other things from memory and fatigue problems, back problems, weak bladder, and fibromyalgia.

   Caxton's money adviser has reported that there is insufficient income to cover even the most basic of living costs. Caxton's benefits adviser is also working with her to appeal against her Employment Support Allowance being paid at the 'work related activity group' level. It is also possible that she may be able to claim Personal Independence Payments to fund her ongoing additional health costs. If successful, this will increase her income but not enough to meet all essential living costs.

   Since July 2012, Caxton has provided a total of £11,961 in grants, including debt repayment, furniture and white goods, university accommodation for the daughter, clothing, car repairs and household repairs.

2. **A 67 year old man living with his wife in a rural community in another European country in a property they own outright**. This couple relocated to mainland Europe where they purchased a property with some land to renovate. The husband hoped to use his experience as a builder to make a home for their retirement. However, his health has suddenly become much worse and the property is only part way through the renovation process.

   The couple's income comes from State Pension and Pension Credit, totaling approx. £12,000 pa. Caxton's money adviser has put together an income and expenditure budget for the couple and has concluded that this income is barely sufficient to cover even the most basic of living costs in the home and location where they live – food, fuel and transport costs in that part of the country are exceptionally high. The shortfall is currently between £1,000 and £1,500 a month.

   Caxton's money adviser has provided advice on options to decrease the couple's spending and increase their income and has recommended that they work with Caxton's benefits adviser to see if they might qualify for Attendance Allowance and Carers Allowance. However, even if successful, this would still leave the couple with a substantial budget deficit.

   Since December 2011 Caxton has provided over £30,000 in grants to this couple. This included the cost of travelling to the UK for treatment and help with fuel bills and car repairs. But the bulk of the grant expenditure has been in fixed term monthly living expenses payments in recognition of the particular problems faced by this couple. Caxton agreed a series of monthly payments that would reduce over time, with intention of giving this couple breathing space to get back on their feet financially. However, the couple's situation has not improved, prompting Caxton to insist that the couple consult the money adviser before further payments were considered.

   The money adviser's recent report notes that "...sourcing the £1,000 to £1,500 per month shortfall on a sustainable basis continues to allude the family. This means that they are constantly living hand to mouth and the constant financial pressure from juggling bills, overdrafts, vehicle repairs and applications to the Caxton Foundation for ad hoc payments is beginning to tell on their overall well-being".

The couple were told in May 2013 that Caxton was not in a position to continue providing on-going financial assistance to meet their deficit. A payment of £500 a month for three months was awarded subject to the couple working with the benefits adviser. But the couple were told that no further payments would be made to meet their deficit unless they worked with the money adviser to address the significant ongoing imbalance between their income and expenditure.

3. **A 47 year old divorced woman living on her own in rented accommodation.** This lady received infected blood following the birth of her son in 1986. She was unaware of her condition until after many years of symptoms she was finally diagnosed in January 2012. She received treatment for hepatitis C in October 2012 but is now unable to work due to her deteriorating health. She made an application for Disabled Living Allowance in late 2012 but this was refused. She is currently appealing the decision supported by Caxton's benefits adviser. Meanwhile, her annual income is £6,325 from Employment Support Allowance plus housing benefit and a small amount of discretionary housing payment that tops up the rent shortfall. She has debts totaling £8,250.

The money adviser's report states that this lady has had period of ill health over the years "and after her divorce has had to rely on her own means to support herself. This has meant periods...of little or no household income. Fortunately she is surrounded by good friends but has found herself having to rely on their goodwill to give her access to affordable credit......Even if her application for DLA is successful...her situation will not be significantly different. Also the likelihood that she will return to good health and be able to earn income is not realistic."

Caxton has agreed to pay off this lady's debts as she has no realistic hope of repayment.

Appendix 2

Adjusting median household income to reflect household composition

The internationally recognised definition of poverty is 60% of median household income. In the Households Below Average Income report, which is published each year, the reference point for median income calculations is a couple with no children.

At 2011/12 prices (the latest available), the annual income before housing costs for a couple with no children is:

Median: £22,204
60% of Median: £13,322
80% of Median: £17,763

The HBAI calculations use Organisation for Economic Co-operation and Development (OECD) scales to make adjustments to income so that standards of living can be compared between different household types. These scales have been modified so that the reference point is a couple with no children.

The modified OECD equivalence scale before housing costs is:
First adult: 0.67
Spouse or Partner: 0.33
Children aged under 14 years 0.20
Children aged 14 years and over 0.33

This scale is straightforward to apply as a multiplier. Taking the reference point as a couple with no children, 60 per cent of annual median income is:

Couple with no children (0.67+0.33=1.00)	£13,322
Single person with no children (0.67)	£8,926
Single with one child under 14 (0.67+0.20=0.87)	£11,590
Single with two children under 14 (0.67+0.20+0.20=1.07	£14,255
Single with one child under 14 and one 14 or over (0.67+0.20+0.33=1.20)	£15,986
Couple with one child under 14 (1.00+0.20=1.20)	£15,986
Couple with two children under 14 (1.00+0.20+0.20=1.40)	£18,651
Couple with one child under 14 and one 14 or over (1.0+0.20+0.33=1.53)	£20,383

The same applied to 80 per cent of median income would be:

Couple with no children (0.67+0.33=1.00)	£17,763
Single person with no children (0.67)	£11,901
Single with one child under 14 (0.67+0.20=0.87)	£15,454
Single with two children under 14 (0.67+0.20+0.20=1.07	£19,006
Single with one child under 14 and one 14 or over (0.67+0.20+0.33=1.20)	£21,316
Couple with one child under 14 (1.00+0.20=1.20)	£21,316
Couple with two children under 14 (1.00+0.20+0.20=1.40)	£24,868
Couple with one child under 14 and one 14 or over (1.0+0.20+0.33=1.53)	£27,177