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Chief Executive only****Caxton Trustee Ltd**

Report to: Board

Date of meeting: 15 December 2014

Report from: Chief Executive & Director of Operations

Subject: Regular Payments Scheme

Background

Board members will remember that the original plan, to base a regular payment scheme on making beneficiaries' income up to 80% median income, could not be implemented because the Department of Health declined to provide the funding for it.

As a result, a number of alternative proposals which would be affordable within existing budgets were presented to the board at its meeting on 4 June 2014. At that meeting, the board agreed a model which would make a regular payment to those below the official Government poverty line (60% median income), as follows:

Table 1

Household composition	Yearly income criteria*	Proposed payment per annum	Number of likely recipients	Total cost per annum
Single with no children	£9,198	£ 2,000	98	£ 195,349
Single with 1 child	£13,728	£ 2,500	28	£ 69,767
Single with 2+ children	£18,258	£ 3,000	26	£ 76,744
Partner with no children	£13,728	£ 2,500	107	£ 267,442
Partner with 1 child	£18,258	£ 3,000	30	£ 90,698
Partner with 2+ children	£22,788	£ 3,500	28	£ 97,674
Total			316	£ 797,674

*These figures have been updated to reflect the most recent HBAI figures, namely those for 2012/13, published in July 2014

Because of budget limitations, it was agreed that Skipton Stage 2 regular payments and all benefits except DLA would be taken into account when calculating household income, as the payments needed to be targeted at those in greatest need.

Process

Because of the Skipton Fund look-back exercise, sending out the census forms inviting people to apply for the regular payments scheme was delayed until after the October board meeting. All primary beneficiaries and widows were written to on 7 November 2014 with information about the scheme, inviting them to apply if they believed they were eligible. The documentation included

information about the income levels below which people would be eligible for a payment. Those wishing to apply were asked to return the form by the 24 November 2014. Everyone was advised that they did not need to return the form if they believed their income was over the eligibility level. To ensure as many forms were returned as quickly as possible, a clear cut off point of 24 November 2014 was given. Those unable to respond by the deadline, eg due to a hospital stay, were asked to inform us of this and a longer deadline for returning the form was given.

As one would expect, there was mixed reaction to the announcement about the scheme. We received a number of emails and calls from beneficiaries thanking us for the opportunity to apply but informing us that they were over the limit so would not be applying. We also received positive feedback to the scheme from many of those who returned the form or contacted us for more information. There was also some negative feedback. The main points of concern focused on how low the income level was for people to be eligible, the inclusion of all benefits including those not currently counted when considering income for grant decisions, the perceived unfairness of including housing benefit as this was an "income in, income out" benefit, and the inclusion of Skipton Stage 2 regular payments.

Details of the scheme were sent to Diana Johnson MP, Co-chair of the APPG in response to questions. We also received one enquiry from an MP on behalf of a constituent regarding when a decision would be made and communicated to beneficiaries. This, and the amount of money people will receive, have been common questions and expectations have been managed in this regard.

Response rate

The majority of forms that have been returned were sent to us by the deadline of 24 November. A number have continued to arrive after the deadline and there are a few which we know are due to be sent back but the beneficiary has been unwell or in hospital. As new beneficiaries register with the organisation they are informed of the scheme and given more time to return their forms. An initial assessment has been carried out on all forms.

As of 10 December 2014:

- 242 forms had been received
- 14 of these need further clarity regarding the information given before we can assess whether these beneficiaries are eligible for a payment
- 76 of these have not been accompanied by all the relevant supporting documentation, but for half of these there is enough provided to determine for our purposes if they meet the criteria or not, but we will need more information before confirmation is given to the beneficiary
- 102 people appear to be eligible for a payment based on the information we have received

Based on the income levels set out in Table 1, the cost of making payments to the 102 eligible beneficiaries would be £249,500 per annum.

Table 2 - Amount of regular payments provided and estimated cost to organisation

Household composition	Yearly income criteria	Proposed payment per annum	Number of likely recipients based on 2014 census	Total cost per annum
Single with no children	£9,198	£ 2,000	58	£116,000
Single with 1 child	£13,728	£ 2,500	5	£12,500
Single with 2 or more children	£18,258	£ 2,500	2	£5,000
Partner and no children	£13,728	£ 3,000	21	£63,000
Partner with 1 child	£18,258	£ 3,000	6	£18,000
Partner with 2 or more children	£22,788	£ 3,500	10	£35,000
Total			102	£249,500

When we did the initial financial modelling to assess the cost of running a scheme based on 60% median income, it was projected that approximately one third of beneficiaries would be eligible to receive a payment. The 13% eligibility that has resulted from the work so far is therefore significantly lower, although this could go up once we receive the supporting documentation from the 76 people referred to on the previous page. The lower eligibility is likely to be due to the fact that the modelling was based on early Part 2 Census data – the only data available on which to base it – which was not up to date, and the fact that statements of income on these forms were not backed up by documentary evidence (eg copies of benefits letters, wage slips, etc). The £249,500 cost that has resulted from the work so far is also significantly less than the ca £800,000 originally projected and the ca £900,000 available.

Options

In the light of the lower levels of eligibility and uptake for the scheme based on the 60% median income levels, the board may wish to consider a number of alternative options. **For all of these options, the two major considerations are the balance between the board's previously expressed desire to spend as much of the 2014/15 allocation as possible, versus establishing a scheme which does not over-commit the organisation – not least in terms of beneficiary expectations – for future years.** The latter may be even more of a consideration in light of the Department of Health's suggestion at the annual review meeting that Caxton's allocation could go down in 2015/16 (see CEO report, agenda item 185.14). We also need to bear in mind that beneficiary numbers continue to increase.

Option 1

The board may wish to decide that the 60% median income/poverty line is still an appropriate level below which to make regular payments to beneficiaries, as it is an officially recognised benchmark of financial need. It may also decide it would be appropriate to increase the amount made in regular payments by, for example, £1,000 per household. This would increase the cost to approximately £350,000. Keeping the median income level would mean that there would be a significant projected underspend at the year end. However, the board could revisit its decision regarding the winter fuel payment and increase this back up to £500 from the £350 agreed at the

last meeting. Depending on spend against other budget lines, eg grants, pursuing option 1, including increasing the payments by £1,000 and increasing the winter fuel payment to £500, could result in an underspend at the year end of somewhere in the region of £500,000-£550,000 against the allocation of £2.38 million, possibly less, depending on how many of the 76 people who have yet to send us their supporting documentation are eligible.

Option 2

To increase the income level below which beneficiaries would be eligible for a regular payment. Table 3 below sets out the levels comparing 60% median income with 65%, 70%, 75% and 80%.

Table 3

Household composition	60% median income	65% median income	70% median income	75% median income	80% median income
Single with no children	£9,198	£9,964	£10,730	£11,497	£12,263
Single with 1 child	£13,728	£14,872	£16,016	£17,160	£18,304
Single with 2+ children	£18,258	£19,779	£21,301	£22,822	£24,344
Partner with no children	£13,728	£14,872	£16,016	£17,160	£18,304
Partner with 1 child	£18,258	£19,779	£21,301	£22,822	£24,344
Partner with 2+ children	£22,788	£24,687	£26,586	£29,485	£30,384

There are a number of sub-options if the board wished to pursue Option 2, which are set out below.

Option 2a

To increase the income level for eligibility to 70% median income and write to everyone who did not return a form in the first round asking them to do so if they believe they would be eligible. This would be likely to increase the number of people who would qualify for a payment. However, given that the results so far have not reflected the expectations from the initial modelling, there is no way of knowing exactly how many people would be eligible and therefore what the additional cost might be. It might enable us to spend the full £900,000; it might still leave an underspend against the 2014/15 allocation. Because of timing issues as we enter the fourth quarter of the financial year, we would not be able to write to everyone for a third time if the 70% median income level did not significantly increase the number of people eligible.

Option 2b

To increase the income level for eligibility to 80% median income and write to everyone who did not return a form in the first round. This would be likely to generate a far higher response rate of people who would qualify than raising the level to 70%. However, it may well identify a greater number of people than we could actually afford to make payments to. If we could then only afford to make payments to people who were, say, below the 70% median income level, the negative response and publicity would be significant from those who weren't given a payment, and we would be accused of gathering data on people's income for underhand reasons and failing them when we didn't make a payment. However, there would be less risk of an underspend against allocation.

Option 3

To exclude housing benefit from calculations of household income. As discussed above, this has been raised as an issue of unfairness in the scheme, and excluding it would undoubtedly bring a number of people who are not eligible under the current arrangements under the 60% median income level. However, we do not feel it is appropriate to single out any one particular benefit/income source for exclusion from income calculations. We also feel that if we were to increase the level above 60% median income for everyone, those people who are currently excluded because of their housing benefit would become eligible, and therefore this is not a preferred option.

Logistical considerations

- If the board wishes to pursue Option 2, we would need to send out another letter to beneficiaries before Christmas, with a return date of approximately 16 January 2015. However, this would still make it difficult to do all the analysis in time for the proposed February board date of 11 February. It might therefore be prudent to delay the board meeting for 2 weeks.
- If the board wishes to pursue Option 2, we would recommend that payments are not made to those who are eligible at 60% median income until the second round of forms are returned and analysed, and a final board decision is made in February. This will ensure that payments are not made which may later need to be adjusted. However, this will mean that those beneficiaries who are eligible now will be waiting several months for confirmation of the level of support they will be receiving. We would therefore like to be able to advise these beneficiaries that in spite of the delay, payments will be backdated to 1 April 2014, or to the date they received their Skipton Stage 1 payment, if that was after 1 April 2014.
- We will still need to ensure payments are made by the end of the financial year.

The board is asked to consider how it wishes to proceed.