

Confidential**Caxton Trustee Ltd**

Report to: Board
Date of meeting: 13 May 2015
Report from: Chief Executive
Subject: Budget 2015/16

Income

Caxton has received an allocation of £2,532,000 for 2015/16. This is an increase of £152,000 compared with the 2014/15 allocation of £2,380,000 and reflects an increase to the allocation received in respect of Scotland. The allocation is broken down as follows:

	Allocation	Percentage of total allocation
England	£2,000,000	79%
Scotland	£329,000	13%
Wales	£152,000	6%
Northern Ireland	£51,000	2%

The allocation percentages now match the respective percentage of beneficiaries for each country. Previously, the Barnett formula had been used, which had meant we were only receiving 8% of total funding for Scotland, compared with 13% of beneficiaries.

Expenditure

Before 2014/15 Caxton had underspent against its allocation quite considerably each year. As a result, we were able to present and monitor the budget as a global figure. However, at the end of the last financial year, with the introduction of the regular payments scheme, we had to monitor spend by individual country extremely closely to ensure that it was kept within the allocation for each country. For 2015/16 we have therefore had to prepare the budget by constructing detailed budgets at individual country level, which then feed into the overall budget. During 2015/16 we will also need to monitor expenditure in this level of detail to ensure that we are not in danger of overspending in any individual country.

Charitable expenditure

The board confirmed in February when discussing the draft budget options that it wished to continue to meet need in relation to grant requests. The budgets for NWC grants and Office grants have therefore been set with the assumption that grant criteria will not need to be tightened or grants "rationed" in any way for financial reasons. The significant areas of charitable expenditure with flexibility are therefore regular payments and winter fuel payments.

For all areas of charitable spend except regular payments, the budget has been set by apportioning expenditure by country in line with the percentage of beneficiaries (England 79%, Scotland 13%, Wales 6%, Northern Ireland 2%). As Appendix 3, giving the breakdown of expenditure in 2014/15 shows, charitable

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spend in areas such as grants and benefits/money management advice does not always occur in line with these percentages, but for budget-setting purposes we believe apportioning according to beneficiary percentages is the best approach, combined with close monitoring during the year.

Trustee grants

The budget has been kept at £500,000, the same as the budget for 2014/15. In February, we had anticipated reducing this budget to £450,000 to reflect expenditure in 2014/15 whilst still allowing for some growth due to the increased number of beneficiaries. This proposed reduction was due to the fact that from October 2014 onwards average spend on NWC grants had decreased to £35,595 per meeting and at that stage, the significant number of additional beneficiaries had not led to a proportionate rise in grant applications. However, the last two NWC meetings have seen a significant rise in applications being considered again, and during April 2015, grants approved by NWC totalled in the region of £60,000. We therefore need to make provision in the budget should this trend continue and monitor expenditure closely.

Office grants

The budget has been increased to £300,000 to reflect expenditure in 2014/15. Whilst for the period from 1 April 2014 to 31 January 2015, average monthly spend on office grants was £17,160, from October 2014 onwards average spend on office grants had increased to over £22,000 per month. Expenditure on office grants increased in 2014/15 because a number of grant areas previously reserved for NWC were delegated to staff through Office Guidelines, including straightforward requests for financial support whilst undergoing treatment, and requests for respite breaks. Complex cases are still referred to NWC.

Regular payments and winter fuel payments

We have based the budget for regular payments on what was Option 1 in the report which the board discussed in February 2015 (payments ranging from £2000-£3500, depending on the size of the household). The figures assume the same number of people as in 2014/15 being eligible, and assumptions have been made for a percentage of new beneficiaries (estimated at 120 people) also being eligible to receive regular payments. However, this is extremely difficult to predict, as beneficiary numbers are continuing to increase, albeit at a lower rate than previously. We also modelled Option 2 (payments ranging from £2500 to £4000) and Option 3 (payments ranging from £3000 to £4500). Taking the rest of the budget into account, if we made regular payments in line with Option 2, the absolute maximum winter fuel payment we would be able to make would be £350; if we paid in line with Option 3, the absolute maximum winter fuel payment we would be able to make would be £270.

We are therefore advocating a cautious approach using Option 1, combined with provision for a £450 winter fuel payment at this stage. We feel it would be too great a financial risk to pay at a higher level from the beginning of the financial year, as there are too many unknowns, and it would be difficult to cease payments part-way through the year if circumstances changed significantly. As can be seen from Appendix 3 attached, even with Option 1, the budget anticipates an underspend of only £2,117 for Northern Ireland.

We recommend starting to make regular payments to those eligible in June, backdated to April. The board can then make a decision on the actual level of winter fuel payments to make at the November 2015 board meeting in the light of expenditure in each of the 4 UK countries at that point. At the February 2016 meeting the board can then decide whether to make a one-off "top-up" to regular payments if it is affordable due to expenditure in other areas of charitable spend being lower than expected.

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Benefits advice and debt advice

The budget for benefits advice has been set slightly higher, at £30,000, to reflect increased spend in 2014/15. Similarly, the budget for money management/debt advice has been increased to £40,000 to reflect increased spend in 2014/15, as demand has continued to rise. A large part of the increase in 2014/15 was due to referrals for new beneficiaries. We can therefore monitor the budget to see whether these budget lines can be adjusted later in the year.

Partnership Group meetings

The budget has been set at the same level as for 2014/15 and allows for 2 meetings in the year.

Service Delivery Payments and Management Costs

As the letter from the Department of Health of 7 April 2015 sets out, whilst the allocation per UK country now reflects the percentage of beneficiaries for each country, we are still required to apportion SDP costs and management costs on the basis of the Barnett formula (England 84%, Scotland 8%, Wales 5%, Northern Ireland 3%). The detail of this is shown in Appendix 1.

Service Delivery Payments

Salaries

Provision has been made for those contractually entitled to progress by one spine point to do so (2 out of 10 staff this year), and for a 2% cost of living increase. The board will need to discuss in Part B of the meeting what cost of living increase it wishes to make to staff for 2015/16.

Premises

The budget is consistent with previous years. Rent costs remain the same.

Management costs

The management costs budget is higher than the budget for 2014/15 because it includes provision for the costs of Chair and board member recruitment (ca £20k). Provision has also been made for an upgrade to the Great Plains accounting system and refinements to the database.

	Budget 2015/16	Actual 2014/15	Budget 2014/15	Variance 2014/15
	£	£	£	£
Income				
DH Grant	2,532,000	2,265,939	2,380,000	114,061
Interest		535	0	535
Total Income	2,532,000	2,266,474	2,380,000	114,596
Charitable Expenditure				
Winter Fuel payments	495,000	459,500	325,000	(134,500)
Regular payments	526,500	600,979	985,030	384,051
Trustee grants	500,000	360,896	500,000	139,104
Office Grants	300,000	236,395	200,000	(36,395)
Benefit Advice	30,000	33,672	25,000	(8,672)
Debt Advisor	40,000	44,538	15,000	(29,538)
Partnership Group	2,000	1,519	2,000	481
Client events	0	0	45,000	45,000
Total Charitable Expenditure	1,893,500	1,737,499	2,097,030	359,531
Service Delivery Payments				
Rent, service charge and rates	24,570	25,235	26,107	872
Salaries	149,926	168,367	180,353	11,986
	174,496	193,602	206,460	12,858
Management Costs				
Staff recruitment	0	11,692	3,510	(8,182)
Training	2,000	581	2,000	1,419
Insurance	4,500	3,921	7,000	3,079
Premises, heat & light, maintenance	3,000	2,623	3,000	377
Postage	6,500	6,425	4,000	(2,425)
Telephone & fax	2,000	1,256	2,000	744
Photocopier	2,000	1,597	1,000	(597)
Stationery	3,500	3,193	3,000	(193)
Bank charges	600	568	500	(68)
Computer, software & office renewables	9,000	5,248	9,000	3,752
Travel and subsistence	1,500	1,387	1,500	113
Membership subscriptions	500	0	1,500	1,500
Conferences, meetings and seminars	1,000	0	1,000	1,000
Legal & Consultancy fees	19,000	22,421	19,000	(3,421)
Audit & Accountancy support	6,500	6,500	6,500	0
Trustee expenses - travel, recruitment	32,000	24,047	12,000	(12,047)
	93,600	91,459	76,510	(14,949)
Total Expenditure	2,161,596	2,022,560	2,380,000	357,440
Operational Surplus	370,404	243,914	0	(242,844)
SDP Income & Costs Other Entities				
MFT	176,532	161,533	209,980	48,447
MFET	20,541	22,589	20,066	(2,523)
ET	23,294	24,090	23,172	(918)
Skipton	124,049	124,920	121,731	(3,189)
	344,416	333,132	374,949	41,817

Caxton Foundation budget 2015/16 - Apportionment of costs by country

Appendix 2

SDP & Management Costs

	Total allocation	% apportionment	SDP costs	Management costs	Total SDP & Mgmt Costs	Balance for charitable spend
	£		£	£	£	£
England	2,000,000	84%	146,577	78,624	225,201	1,774,799
Scotland	329,000	8%	13,960	7,488	21,448	307,552
Wales	152,000	5%	8,725	4,680	13,405	138,595
Northern Ireland	51,000	3%	5,235	2,808	8,043	42,957
Total	2,532,000	100%	174,497	93,600	268,097	2,263,903

Caxton Foundation budget 2015/16 - Apportionment of costs by country

Appendix 3

Charitable Expenditure

	Available after SDP/Mgmt costs	% apportionment	NWC grants	OG	Debt advice	Benefit advice	PG	Winter fuel	Regular payments	Total	Balance remaining
	£		£	£	£	£	£	£	£	£	£
England	1,774,799	79%	395,000	237,000	31,600	23,700	1,580	391,050	445,000	1,524,930	249,869
Scotland	307,552	13%	65,000	39,000	5,200	3,900	260	64,350	37,000	214,710	92,842
Wales	138,595	6%	30,000	18,000	2,400	1,800	120	29,700	31,000	113,020	25,575
Northern Ireland	42,957	2%	10,000	6,000	800	600	40	9,900	13,500	40,840	2,117
Total	2,263,903	100%	500,000	300,000	40,000	30,000	2,000	495,000	526,500	1,893,500	370,403

Actual spend 2014/15 - for comparison

	NWC grants	OG	Debt advice	Benefit advice	PG	Winter fuel	Regular payments	Total
	£	£	£	£	£	£	£	£
England	312,018	190,596	43,758	31,888	1,519	362,750	515,355	1,457,884
Scotland	35,075	22,860	78	1,495		59,050	38,750	157,308
Wales	13,304	12,137	468	289		26,850	35,792	88,840
Northern Ireland	500	10,802	234	-		10,850	11,083	33,469
Total	360,897	236,395	44,538	33,672	1,519	459,500	600,980	1,737,501

Beneficiary numbers - modelling for regular payments scheme

Appendix 4

	PBs Number @ 31.3.15	PBs % @ 31.3.15	Widows Number @ 31.3.15	Widows % @ 31.3.15	Total PBs & widows @ 31.3.15	Assumed growth in beneficiaries 2015/16	Total beneficiaries by end 2015/16
England	693	79%	75	76%	768	95	863
Scotland	117	13%	13	13%	130	16	146
Wales	51	6%	5	5%	56	7	63
Northern Ireland	18	2%	6	6%	24	2	26
Total	879		99		978	120	1098

Regular payments scheme - modelling for additional beneficiaries in 2015/16

	Number received reg pay in 2014/15	As % of total receiving reg pay	As % of total eligible beneficiaries in country	Total beneficiaries by end 2015/16	If 120 new, potential no of new reg pays based on % in country receiving in 2014/15	Additional reg pay Cost @ £3500 p.p. (= top end, option 1) cf 2014//15 £
England	158	85%	21%	863	20	70,000
Scotland	13	7%	10%	146	2	7,000
Wales	10	5%	18%	63	2	7,000
Northern Ireland	4	2%	17%	26	1	3,500
Total	185		19%	1098	25	87,500

Regular payments scheme - costs for 2015/16

	Option 1 based on 2014/15 no's £	Plus new beneficiaries in 2015/16 £	Total £
England	375,000	70,000	445,000
Scotland	30,000	7,000	37,000
Wales	24,000	7,000	31,000
Northern Ireland	10,000	3,500	13,500
Total	439,000	87,500	526,500