

Presented to Parliament pursuant to c.5, s.167(4) of the Social Security Administration Act 1992

Social Fund Account 2008-2009

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Social Fund Account 2008-2009

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Foreword

Background information

The Social Fund was established in 1987 and is controlled and managed under section 167 of the Social Security Administration Act 1992. Section 138(1) of the Social Security Contributions and Benefits Act 1992 enables payments of prescribed amounts to be made out of the Fund to meet, in prescribed circumstances, Maternity and Funeral expenses and payments of Budgeting Loans, Crisis Loans and Community Care Grants in accordance with directions given or guidance issued by the Secretary of State. Section 138(2) of the Act provides for payments to enable people who satisfy prescribed qualifying conditions to meet expenses for heating incurred or likely to be incurred during periods of cold weather.

The first phase of the Social Fund comprising Maternity and Funeral expenses came into operation on 6 April 1987. The second phase was introduced on 11 April 1988 and replaced all remaining Supplementary Benefit single payments and some urgent needs payments. Regulations were introduced in November 1988, which provided for payments from the Social Fund to be made to certain customers following a period of cold weather, enhanced by further regulations in November 1991 to include payments when cold weather is forecast. Winter Fuel Payments were introduced in 1997 to provide automatic help to pensioner households with fuel bills to pay. Legislation was introduced with effect from April 1998 that allowed the recovery of Social Fund overpayments.

Payments from the Fund are split into two broad categories, discretionary and regulated. Discretionary payments comprise Budgeting Loans, Crisis Loans and Community Care Grants and are cash limited. Regulated payments are Maternity and Funeral expenses payments, which are demand led, and Cold Weather and Winter Fuel Payments, which are paid automatically to qualifying customers.

Categories of payments

Budgeting Loans

Interest free loans may be made to customers in receipt of Income Support, Employment and Support Allowance (Income Related), Pension Credit or Jobseekers Allowance (Income Based) to help them cope with the expenditure associated with the purchase of major items or services.

Crisis Loans

Interest free loans may be made to any customer, primarily to help to relieve a serious risk to health or safety of customers and their dependants.

Community Care Grants

Payments may be made to promote the community care of customers qualifying for Income Support, Employment and Support Allowance (Income Related), Pension Credit or Jobseekers Allowance (Income Based). The main purpose is to help vulnerable groups lead an independent life in the community rather than go into institutional or residential care, or help such people re-establish themselves in the community following a period of such care; ease exceptional pressures on families; and to help with certain urgent travelling expenses.

Sure Start Maternity Grants

The Sure Start Maternity Grant is available to families receiving Income Support, Employment and Support Allowance (Income Related), Job Seekers Allowance (Income Based), Working Tax Credit where a disability or a severe disability element is included in the award, Pension Credit, and Child Tax Credit at a rate higher than the family element for each child expected, born or the subject of a parental order on or after 11 June 2000. Initially worth £200, the Grant is worth £500 in respect of babies due, born, adopted or subject of a parental order on or after 16 June 2002.

Funeral Expenses Payments

Payments to help with the cost of a funeral may be made to customers or their partners, who are in receipt of Income Support, Employment and Support Allowance (Income Related), Jobseekers Allowance (Income Based), Working Tax Credit where a disability or severe disability element is included in the award, Child Tax Credit at a rate higher than the family element, Housing Benefit or Council Tax Benefit. Payments are normally recoverable from the estate of the deceased, even if the estate is not fully sufficient to permit full recovery.

Cold Weather Payments

Payable to customers receiving Pension Credit, Income Support, Employment and Support Allowance (Income Related), or income based Jobseekers Allowance who also have a disability, or a pensioner premium, or who have a disabled child or a child less than five years of age. Customers receive payments of £8.50 (increased to £25.00 for 2008-2009 only) for each period of seven consecutive days during which the average temperature was or was forecast to be 0 degrees Celsius or below in areas where customers live.

Winter Fuel Payments

The Winter Fuel Payments scheme was introduced by the Secretary of State by Regulations made in exercise of powers conferred by section 138(2) of the Social Security Contributions and Benefits Act 1992. These regulations, which came into force on 16 January 1998, allow for payments to pensioner households, where a qualifying benefit was payable to one or more persons in that household for at least one day in the qualifying week. The qualifying week is usually in September. (In 2008-2009 the qualifying period was week commencing 15 September).

The European Court of Justice announced on 16 December 1999 that the Winter Fuel Payments scheme discriminated against men between the ages of 60 and 64. Following the judgment, the Government decided that help through Winter Fuel Payments would be extended to all people aged 60 or over, who are ordinarily resident in Great Britain or Northern Ireland, regardless of whether they are receiving a Social Security Benefit.

For winter 2008-2009 an additional Winter Fuel Payment was introduced bringing the total amount payable to a person aged 60-79 years living alone in their own home to £250 (£125 if they share a home with another eligible person). For people aged 80 or over the amount payable was £400 (£200 if they share a home with another eligible person aged 80 or over).

Financial performance

Section 78(1) of the Social Security Administration Act 1992 provides that an award from the Social Fund, which is repayable (Budgeting Loans and Crisis Loans), shall be recoverable by the Secretary of State. The Social Fund is financed by these recoveries and by payments made by the Secretary of State from RfR 3 of the Department's Vote. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

During 2008-2009 £627 million of recoverable loans were issued, which added to the debt owed to the Fund. Recoveries of loans paid back into the Fund during the year were £541 million, against original forecast recoveries of £464 million.

The Social Fund closing bank balance will vary from year to year. The policy intention is to maintain a minimum balance which will provide working capital to contribute to, for example, an unexpected surge in Cold Weather payments late in the financial year beyond the date for the Spring Supplementary Estimate. The value of this minimum balance was set at £25 million with the approval of HM Treasury.

The Social Fund is maintained by monies voted by Parliament under RfR 3 of the Department's Vote. Expenditure is estimated at the start of the year and, taking into account forecast recoveries, sufficient funds are transferred from RfR 3 to the Fund to meet the Department's expected liabilities to the paying agents. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

The standing balance on the account has decreased by £72 million. Any in year over funding of the discretionary payments is adjusted for in the following year.

Secretary of State's report

The Secretary of State is required by section 167(5) and (6) of the Social Security Administration Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before each House of Parliament. The latest annual report (Command 7483) was presented to Parliament in October 2008 and gives a detailed account of the activities and provisional expenditure on the Social Fund for 2008-2009.

Basis of preparation of Accounts

Under section 167(4) of the Social Security Administration Act 1992, Accounts of the Social Fund are to be prepared in such form and in such manner and at such times as the Treasury may direct.

Audit arrangements

The Comptroller and Auditor General is required under section 167(4) of the Social Security Administration Act 1992 to examine and certify the Social Fund Account and to lay copies of it, together with his report on it, before Parliament.

Statement of Accounting Officer's responsibilities

The Treasury has appointed me, the Chief Executive of Jobcentre Plus, as the Accounting Officer for the Social Fund. The relevant responsibilities of the Accounting Officer, including my responsibility for the propriety and regularity of the public finances for which I am answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money.

Mel Groves
Accounting Officer

7 July 2009

Statement on Internal Control

Scope of responsibility

As Accounting Officer for the Social Fund, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Social Fund, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

As Chief Executive of Jobcentre Plus I am also responsible for the administration of Social Fund payments which are delivered within a framework of policies developed by Ministers, and the Client Groups. The Fund is mostly administered by Jobcentre Plus, an Executive Agency of the Department for Work and Pensions (DWP) and, as such, operates under its internal control environment. My Board and Management Team, in managing the totality of its activities, applies this control environment to Social Fund activities as appropriate. The only exception is that The Pension, Disability and Carers Service (PDCS) administers Winter Fuel Payments, and as such these activities are carried out within its internal control environment. This statement incorporates an assurance provided by PDCS, to Jobcentre Plus that they had effective and efficient internal controls in place for the production of the Winter Fuel Payments paid on behalf of Jobcentre Plus.

Responsibility for Social Fund processing and delivery lies with the Jobcentre Plus Chief Operating Officer, whilst policy implementation, day to day delivery, change impact and improvements to the Fund fall under the remit of the Jobcentre Plus Director of the Transformation and Product Management Directorate. Both Directors are part of the Jobcentre Plus Board.

Performance of the Social Fund is reported to Parliament in the Annual Report on the Social Fund by the Secretary of State for Work and Pensions

The purpose of the system of internal control

The Jobcentre Plus system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's aims, objectives and policies (including Social Fund), to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The system of internal control has been in place in Jobcentre Plus for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

Capacity to handle risk

The Jobcentre Plus Board considered the strategic risks to Social Fund delivery and these were reported in the Strategic Risk Register. All risks captured on the Strategic Risk Register are managed through a process of independent challenge, initially through the Jobcentre Plus Performance, Planning and Risk Committee (JPPRC), with further review being undertaken by our Risk Assurance Division (RAD) before being actively managed by the Board.

Specific arrangements have recently been developed to strengthen the management of risks covering the administration and development of the Social Fund. These include formal quarterly risk reviews by the Social Fund Management Committee. Further work will be progressed throughout the course of 2009-2010 to ensure that these arrangements are fully embedded across Social Fund business.

The Jobcentre Plus Chief Operating Officer and the Director of Transformation and Product Management have specific Social Fund accountabilities to ensure that systems are in place to effectively manage Social Fund risks, and they are required to provide an assurance as to the effectiveness of their risk management arrangements through the Letter of Assurance (LoA) process.

This approach provides a framework for ensuring that those risks relating to Social Fund activity are managed at the most appropriate level in the organisation.

The risk and control framework

A specific Social Fund risk is included in the Strategic Risk Register. The Departmental methodology is used to identify and assess the risks and accountable risk owners who are nominated at Board Director level. Risks are rated and prioritised within agreed tolerance levels which demonstrate the Agency's risk appetite.

The system of internal control within the Social Fund is currently based on a framework of legislative duties, management information, financial regulations and a process of accountability and delegation as operated throughout Jobcentre Plus. In particular the Social Fund operates

- regular financial reporting against forecast;
- procedures to manage the balance on the discretionary part of the Fund through allocation of budgets to local level and by re-allocating budgets where necessary to ensure equality of access; and
- an annual quantification and reconciliation exercise to verify and validate accounting information.

A dedicated team within Finance Directorate provide oversight control over the financial management of the Social Fund.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control has been informed by the work of the Risk Assurance Division and the executive managers within Jobcentre Plus and The Pensions Disability and Carers Service who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their annual completion and other reports. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Jobcentre Plus Corporate Governance Committee incorporates the functions and responsibilities of an audit committee for the Agency and works with the Department's Risk Assurance Division (RAD) to focus on the areas of the business at greatest risk. The Board is chaired by Kenneth Ludlam, a non-executive Director. The Corporate Governance Committee received regular updates on actions to address previously identified weaknesses with the Social Fund system of internal control. This allowed them to assess the effectiveness of mitigation actions and, where appropriate, request further work to be undertaken to strengthen the control environment. For example, a Social Fund Assurance Action Plan was produced for the Corporate Governance Committee to allow better management of control weaknesses identified by National Audit Office and within the previous Statement on Internal Control.

RAD provides an overall assurance over key risk areas of Jobcentre Plus performance in-year. For 2008-2009 RAD have carried out a review of the significant control challenges which led to the Social Fund account qualification by NAO and their overall assessment remains at Limited Assurance.

The Independent Review Service, which is independent to the Department, carries out reviews of decisions made by Social Fund caseworkers and works closely with Jobcentre Plus to improve decision making.

Jobcentre Plus Board Directors with responsibility for specific Social Fund activity are required to comment on the effectiveness of their internal control systems and risk management procedures through the LoA process. Challenge or support to these statements is provided through the Assurance Framework Report. This report has identified Social Fund internal control issues which the Corporate Governance Committee has taken action on during the year. The report is presented quarterly to the Jobcentre Plus Corporate Governance Committee.

A specific Social Fund Management Committee, comprising senior stakeholders, oversees the operation of the Social Fund, providing early warning of emerging risks in order to strengthen the control environment. The Social Fund Management Committee is chaired by the Director of Transformation and Product Management Directorate.

There are currently five specific Social Fund mandatory checks designed to improve internal controls over Social Fund payment and decision making. Work is progressing to improve compliance with the Jobcentre Plus mandatory checking regime, including the Social Fund specific checks. This will allow more effective use to be made of management information available through the Business Control System.

Significant control challenges

The volume of applications to the Social Fund, particularly for Crisis Loans, has continued to increase across the year. Material increases in applications do impact upon all aspects of the Jobcentre Plus Social Fund business and changes the overall control environment in which our internal control regime has to function.

Within the Jobcentre Plus overall control framework, systems are in place to ensure that effective and proportionate risk mitigation action is taken to address the control challenges posed by the economic downturn.

An overarching risk is actively managed through the Strategic Risk Register and a specific cross Directorate Management Team has been set up to provide oversight control over actions to mitigate the effects of the downturn.

These proactive actions have resulted in securing additional resource from Treasury, process efficiency improvements and the development of effective estate and workforce planning arrangements. This work is increasing the capacity and capability within Jobcentre Plus, to respond quickly and effectively to the delivery challenges posed by the downturn.

The Corporate Governance Committee, with input from RAD, identified the following key areas where further improvement action was required

- a Document retrieval:** The overall position is improving and Jobcentre Plus continues to be fully engaged with work at Departmental level to further improve performance, which includes agreeing service delivery indicators, enhancements to the document management storage system and the introduction of a documented 'track and trace' service which aligns with the new security guidance. Specifically within Jobcentre Plus a Single Point of Contact (SPOC) has been introduced within each site to better manage the process of retrieving documents. These actions have led to a much improved position compared to 2007-2008 and a near-100 per cent retrieval record for case papers and associated loan agreements. In order to further improve the accessibility of information, a pilot exercise to test the feasibility of the scanning of Social Fund documents has also recently commenced. Again retrieval results to date of scanned documents are encouraging.
- b Monetary loss through fraud and error:** To address previously identified weaknesses and bring the treatment of Social Fund closer to the treatment of other benefits an official Monetary Value of Error (MVE) was introduced from 1 April 2008. This replaced the Decision Making and Appeals (DMA) only sample with cases selected proportionate to benefit expenditure. Outcomes from this exercise are analysed centrally, with information also available at processing centre level. To improve the level of assurance that can be taken from the results of testing, further work has progressed across 2008-2009 to improve both the actual checking process and how information is used to identify and address improvement areas. As a result this internal measure of MVE will be fully operational for 2009-2010.

- c Debt management:** Despite high levels of debt recovery the overall Social Fund debt levels are increasing. A major factor for this increase is the continuing impact of the 2006 policy initiatives. These were designed to make the Social Fund more accessible to customers by both extending the repayment terms and increasing the amounts people might borrow. Accordingly, the amounts, lent and outstanding, grew as a consequence of these changes and corresponding injection of new resources into the Fund.

Following an analysis of the Social Fund debt, and associated recovery procedures, an Action Plan has been developed, endorsed by the Departmental Audit Committee, to review current arrangements. Specific action planned over the next operational year includes

- reviewing the existing Loan Recovery Policy to better quantify policy options;
- investigating the reasons for non recovery of debt managed by Jobcentre Plus operations thereby allowing targeted actions to be introduced;
- investigating the aging profile of Social Fund debt, including a review of the effectiveness of current processes allowing the introduction of targeted recovery action;
- integrating improvement action with work currently being undertaken at Departmental level on customer overpayment debt to identify whether further write-off action is appropriate; and
- a review of the accounting treatment of debt within both the Social Fund White Paper Account and the Social Fund Annual Report is underway. This review will consider potential system-based improvements.

- d Quality of decision making:** Errors continue to be identified by National Audit Office in their sample selections. To improve the quality of Social Fund decision making, a number of initiatives are progressing. These include

- the successful roll out of the Quality Assurance Framework (QAF) to all Benefit Delivery Centres over the course of 2008-2009 with a further roll out to Contact Centres delivering Social Fund during 2009-2010. The QAF was designed with the assistance of the Independent Review Service and provides checking officers with a mechanism to identify and cascade good practice to decision makers. It also alerts managers where remedial action might be appropriate. During the course of 2009-2010 systems will be developed to fully analyse findings and better target improvement activity to improve the quality of decisions made;
- ongoing improvements to the Social Fund processes, utilising staff experience and LEAN techniques which are then incorporated within the Social Fund Standard Operating Model;
- improved scripting to aid the full and effective capture of all relevant information providing the basis for sound decision making; and
- the introduction of new Intranet based blended learning to improve consistency and compliance in decision making.

- e Account production:** The Account Production process has become complex and some reliance does have to be placed upon manual procedures. There are also acknowledged limitations in the information technology infrastructure used to produce the Social Fund White Paper Account, and data has to be sourced from a number of different systems with a degree of estimation used to support some of the items in the account.

A joint Action Plan to review the end-to-end processes for the production of the account has been established between Jobcentre Plus and Accounting Shared Services. This will incorporate identification of the key areas for improvement and a complete documentation of the process. The Action Plan will also focus on the information technology limitations and options for short-term tactical solutions as well as a longer-term strategic solution.

Arrangements are also currently being put in place to implement changes to the Secretary of State Directions in the Discretionary Social Fund, with a view to tackling abuse of Crisis Loans, and operational pressures arising from increased volumes of applications as a result of the economic downturn. This work will start in March 2009 and will continue throughout the 2009-2010 operational year. Further reforms, of a longer term nature, have been consulted upon as part of the Welfare Reform Bill with further consultation planned. Once fully implemented these changes should improve the control environment across a number of the above areas and would allow more flexibility in delivery, potentially working in partnership with external providers, and to ensure best value for money from the Social Fund.

Mel Groves
Accounting Officer

7 July 2009

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the accounts of the Social Fund White Paper Account for the year ended 31 March 2009 under section 167(4) of the Social Security Administration Act 1992. The accounts comprise the Receipts and Payments Account, Statement of Balances and notes relating to receipts and payments and the debt position. The accounts have been prepared on a cash basis in accordance with the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Foreword and the accounts in accordance with section 167(4) of the Social Security Administration Act 1992 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounts properly present the receipts and payments and whether the accounts have been properly prepared in accordance with section 167(4) of the Social Security Administration Act 1992 and HM Treasury directions made thereunder. I also report to you whether, in my opinion, certain information given in the Foreword, which comprises Financial Performance is consistent with the accounts. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and consider whether it is consistent with the audited accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the accounts. It also includes an assessment of the significant estimates and judgments made by the Department and Accounting Officer in the preparation of the accounts, and of whether the accounting policies are most appropriate to the Social Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error, and that in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

Opinions

Audit opinion

In my opinion

- the accounts properly present, in accordance with the Social Security Administration Act 1992, the receipts and payments for the year ended 31 March 2009 and the balances as at that date;
- the accounts have been properly prepared in accordance with HM Treasury directions made under the Social Security Administration Act 1992; and
- information given within the Foreword which comprises Financial Performance is consistent with the accounts.

Qualified Audit opinion on Regularity due to substantial levels of error in discretionary awards and funeral expense payments

As described in more detail in my report, there was a substantial level of error in Social Fund discretionary awards and funeral expense payments made by the Department for Work and Pensions in 2008-2009. I have estimated the level of error at £78.9 million in 2008-2009. As these payments were not in accordance with the Secretary of State's directions, issued under the Social Security Administration Act 1992 and the Social Security Contributions and Benefits Act 1992, I have concluded that they have not been applied to the purposes intended by Parliament and do not conform to the authorities which govern them.

In my opinion, except for the irregular payments of discretionary awards and funeral expense payments referred to above, in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

My report on these accounts is on pages 12 to 20.

Amyas C E Morse
Comptroller and Auditor General

16 July 2009

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Report by the Comptroller and Auditor General

Introduction

- 1 The Department for Work and Pensions (the Department) is responsible for controlling and managing the Social Fund (the Fund) under the Social Security Administration Act 1992 and this work is performed by Jobcentre Plus (the Agency). The Social Fund White Paper Account records the payments made to customers for Budgeting Loans, Crisis Loans, Community Care Grants, maternity and funeral expenses in accordance with Directions issued by the Secretary of State for Work and Pensions under the Social Security Contributions and Benefits Act 1992. The discretionary awarded grants and repayable loans provide financial assistance to some of the most vulnerable in society. The same Act also provides for customers to receive Cold Weather Payments and Winter Fuel Payments in prescribed conditions.
- 2 During 2008-2009 payments totalled £3.858 billion as set out in Table 1 below. The large percentage change in Cold Weather Payments reflects the exceptionally cold winter which triggered a large increase in the number of customers becoming entitled to this regulatory payment.

Payment Type	2008-2009 £000	2007-2008 £000	Percentage Change
Discretionary Awards			
Budgeting Loans	451,033	516,386	(12.7)
Community Care Grants	140,467	139,185	0.9
Crisis Loans	175,771	114,724	53.2
Regulated Payments			
Funeral Expense Payments	47,778	46,351	3.1
Sure Start Maternity Grants	132,974	122,671	8.4
Cold Weather Payments	210,176	4,012	5138.7
Winter Fuel Payment Scheme			
Winter Fuel Payments	2,699,472	2,067,811	30.5
Total	3,857,671	3,011,140	28.1

- 3 The Account also includes receipts of £3.786 billion including £540.671 million from the repayment of Budgeting and Crisis Loans.

Audit opinion

- 4 I have qualified my opinion on the Social Fund White Paper Account since 2003-2004 because of substantial levels of error in the award of discretionary payments covering Budgeting Loans, Crisis Loans and Community Care Grants. As a result of my audit of the 2008-2009 Account I have found it necessary to again qualify my opinion as a result of material irregularities in the discretionary payments. In addition I have also found it necessary to include Funeral Expense Payments within my qualification this year due to the level of error identified from the sample of payments reviewed. In the paragraphs below I have set out the reasons for my qualification.

Background

- 5 In 2008-2009 over 5 million applications for discretionary Social Fund awards were processed by Jobcentre Plus along with over 430,000 applications for regulated awards as set out in Table 2.

Award Type	2008-2009 ¹		2007-2008 ²	
	Applications £000	Awards £000	Applications £000	Awards £000
Budgeting Loans	1,548	1,098	1,552	1,168
Crisis Loans	2,895	1,965	2,105	1,431
Community Care Grants	588	252	543	247
Total Discretionary	5,031	3,315	4,200	2,846
Sure Start Maternity Grants	362	263	338	243
Funeral Expense Payments	69	41	65	40
Cold Weather Payments ³	N/A	8,416	N/A	472
Total Regulated (excluding Winter Fuel Payments)	431	8,720	403	755

- 6 Discretionary awards comprise Community Care Grants to help vulnerable groups lead independent lives; interest-free Budgeting Loans to help cope with expenditure associated with major items or services; and interest-free Crisis Loans to help relieve serious risks to health and safety of customers and their dependants.
- 7 The Social Security Administration Act 1992 and subsequent legislation and Directions specify entitlement criteria for each type of award and the method to be used to calculate the amount of each payment. By their nature discretionary awards require decision makers to exercise judgement as to whether an award is justified under the extant Directions and what value of an award is appropriate to the customer's circumstances. The Secretary of State provides guidance to decision makers which is regularly updated via bulletins and the Department's intranet, and is supplemented by advice from the Social Fund Commissioner through his inspectorate, the Independent Review Service. As such the guidance reflects the Directions as augmented by case law and other legal precedent.
- 8 The nature of difficulties faced by customers applying for discretionary awards means that decision makers have to exercise judgement under considerable time pressure if those difficulties are to be alleviated without giving rise to further hardship. Moreover, because of the cash limited nature of the Fund, decision makers are often called on to assess whether an award is the customer's only way of dealing with their difficulties and whether or not they may have access to other funds. Decision makers also need to consider whether a loan will put customers into further debt and cause longer term hardship.
- 9 This year as a result of the economic downturn there has been an increased demand from customers for awards from the Social Fund, particularly Crisis Loans, as Table 2 indicates. This has led to an increase in the volume of work being undertaken by decision makers who were already operating in a time pressured environment.
- 10 Regulatory awards include Funeral Expense Payments which are made to customers to help with the necessary costs of a funeral provided that they satisfy certain eligibility conditions, usually relating to being in receipt of low-income benefit or tax credit entitlement. Funeral Expense Payments made may subsequently be recoverable from the estate of the deceased.

Estimated level of error in discretionary awards

- 11 The National Audit Office reviewed a sample of awards from each payment stream within the Fund to determine whether payments were accurate and in accordance with the eligibility conditions. Based on its own independent testing the National Audit Office has concluded that the estimated most likely error in discretionary award payments during 2008-2009 totalled £71.7 million, some 9.3 per cent of discretionary award payments (2007-2008: £85.3m, 11.1 per cent).

1 Draft Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2008-2009.

2 Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2007-2008, Cm 7483, October 2008.

3 There is no requirement to make an application claim for Cold Weather Payments.

12 The estimates of most likely error are based on analysis of samples of award payments and are subject to a degree of statistical uncertainty. This is quantified in the form of confidence intervals and expressed as a percentage expectation that the true value of the estimated most likely error lies within a particular range. My staff have applied confidence intervals of 95 per cent and estimated that, whilst the best estimate of overpayments is £71.7 million, the true levels of overpayment could lie in the range from £39 million to £105 million.

13 The Department currently has no measure of its own of the level of estimated fraud and error in payments from the Fund. During 2008-2009 Jobcentre Plus commenced a programme which will allow it to determine an estimate of the level of official error in discretionary awards in future years. This work is being undertaken by the Department's Performance Measurement team and results will be available for the first time during 2009-2010. Whilst this work will provide a best estimate of official error, it will not provide information on the level of customer error and fraud. Initial estimates from this work do, however, correlate well with the National Audit Office's own independent results.

14 This is the third year I have qualified my opinion as a result of irregularity of discretionary award decisions. It is not possible, based on only three year's results, to accurately determine whether the situation is improving or not but I have noted in paragraphs 21 to 23 below the significant efforts being taken by the Agency to reduce the impacts of non-compliance.

15 The errors identified by the National Audit Office occur because of non-compliance by Jobcentre Plus staff with the qualifying conditions for each award type. An additional factor is that in a number of cases the quality of documentation supporting a decision was not sufficiently clear to demonstrate entitlement by the customer. In the Statement on Internal Control Jobcentre Plus have acknowledged the deficiencies in documenting decision making and outlined the steps taken during 2008-2009 to bring these to an acceptable standard. The National Audit Office did not find any specific evidence of misrepresentation by customers as a contributing factor to the erroneous payments, although the non-compliance identified is likely to have increased the Fund's exposure to such bogus claims.

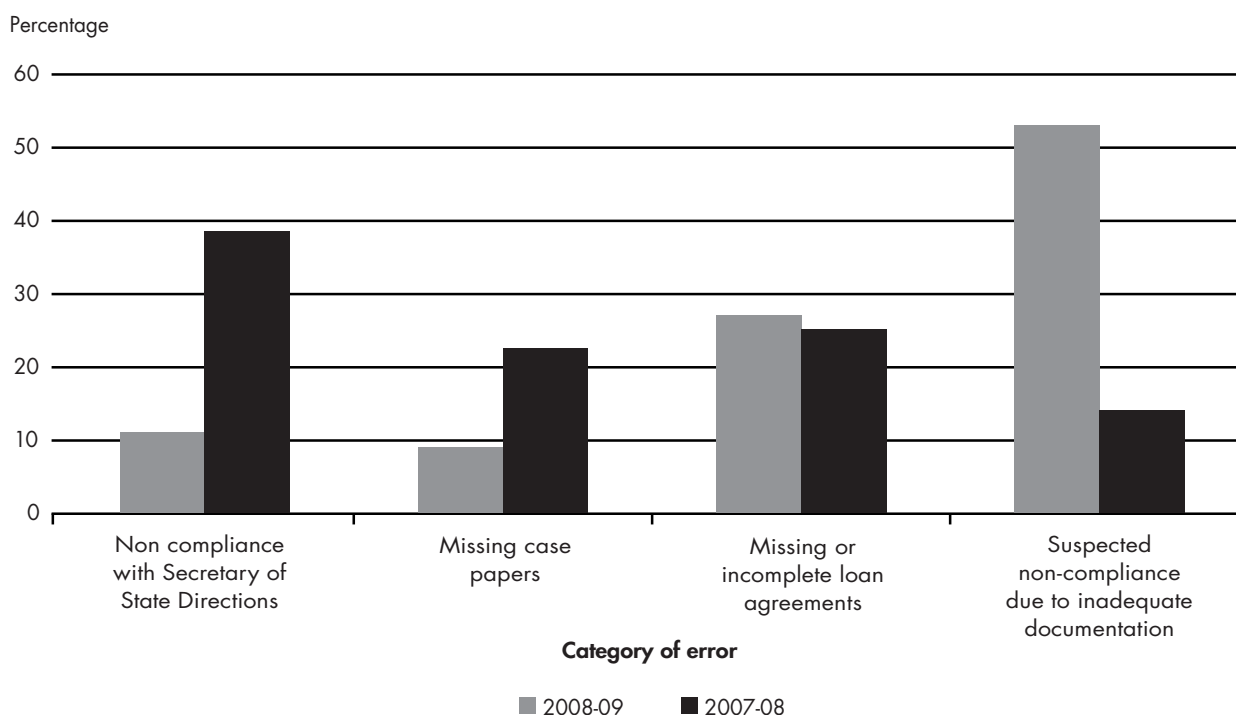
Types of errors identified in discretionary awards

16 Before concluding on whether an error has been identified, those cases sampled with potential errors have been discussed by the National Audit Office with Agency officials. This process has allowed Jobcentre Plus the opportunity to search for missing case papers and loan agreements which may not have been filed with the original case papers subjected to audit.

17 The National Audit Office has analysed the sample results into four main categories detailed in diagram 1. These are the same categories used in my 2007-2008 report and the comparative results have been provided. Evident in this year on year comparison is the Agency's success in tackling the more clear cut weaknesses (e.g. complying with well defined rules and retrieving paperwork), but as a consequence compliance failures in the underlying documentation account for a greater proportion of the errors.

18 The background to each error type is discussed in more detail in paragraphs 20 to 29:

Diagram 1: Discretionary Awards: Percentage distribution of most likely errors arising in 2008-2009 and 2007-2008 analysed by category



19 The estimated most likely value of error associated with each of these categories is detailed in Table 3.

Most likely error evaluation by award type and error category	Non-compliance with Secretary of State Directions £m	Missing case papers £m	Missing or incomplete loan agreements £m	Suspected non-compliance due to inadequate documentation £m	Overall most likely error £m
Budgeting Loans	0	0	6.1	3.4	9.5
Crisis Loans	6.2	6.6	13.6	18.7	45.1
Community Care Grants	1.4	0	0	15.7	17.1
Overall most likely error	7.6	6.6	19.7	37.8	71.7

Non-compliance with Secretary of State Directions

20 The discretionary part of the Social Fund is based on a series of 47 Secretary of State Directions, established under s168(5) of the Social Security Administration Act 1992 and s140(2) of the Social Security Contributions and Benefits Act 1992. These Directions set out eligibility requirements and circumstances in which decision makers may exercise discretion over the amount of any award. Case 1 highlights how decision makers may fail to comply with relevant Secretary of State Directions.

Case 1: A Crisis Loan which does not comply with Secretary of State Direction 3(1)(a)

Direction 3(1)(a) requires the decision maker to satisfy themselves that the customer needs assistance in meeting expenses 'in an emergency or as a consequence of a disaster, provided that the provision of such assistance is the only means by which serious damage or serious risk to the health or safety of that person may be prevented'.

In this example the customer stated he had lost his train ticket and was stranded in Oxford without money. The claim was originally rejected as the decision maker judged there to be no serious risk to health or safety. The customer later appealed this decision and following a local appeal was awarded a Crisis Loan of £40. The appeal was conducted 23 days after the original decision and by this point the emergency situation referred to in Direction 3(1)(a) no longer existed as the customer had managed to safely return home.

The consequence is that an award was made after the serious risk to health or safety had passed. The award for what may have been a lower priority claim thereby reduced funds available to others who were still suffering a crisis or emergency.

21 Key to achieving accurate award decisions is the training and supervision of decision makers at local level. Following the completion of a pilot exercise in two locations, Jobcentre Plus commenced the roll out in June 2008 of a Quality Assurance Framework (QAF) across the Benefit Delivery Centres administering Social Fund applications.

22 The QAF, together with training and ongoing development for staff, is directed at improving the standard of Social Fund decision making. The QAF aims to deliver the right decision for the customer at the first opportunity. The framework provides a consistent approach to quality assurance that involves all decision makers and their managers; includes a thorough and reasoned check of the standard of decision making and uses timely feedback to staff regarding the decisions they have made.

23 Jobcentre Plus aims for the roll out of the QAF to be completed by September 2009 and for its principles to be embedded fully into the day to day decision making processes. My staff have been reviewing the progress of the QAF roll out and considering its impact on the quality of decision making. I will report on this in the future.

Missing case papers

24 In 2008-2009, Jobcentre Plus processed 5 million Social Fund discretionary award applications and around 66 per cent of these resulted in a payment. On completion of work by the relevant Benefit Delivery Centre, all Social Fund case papers are sent to a remote storage facility administered by an external contractor. The contract specifies that the contractor must be able to retrieve when required at least 98 per cent of records.

25 Historically the Department has encountered problems in retrieving Social Fund case papers and has not met this target, but in 2008-2009 the target was achieved. Whilst the incidence of missing papers has not been fully eradicated, Jobcentre Plus has made significant progress during the year, and for the sample selected by the National Audit Office, only two case papers were confirmed as missing or incomplete.

Missing or incomplete loan agreements

26 Customers awarded Budgeting or Crisis Loans are required to sign an agreement when they collect an award accepting the value of the loan and agreeing to repay the amount advanced, usually by an agreed deduction from their on-going benefit payments. In some cases repayment is deferred because the customer may already be repaying previous loans. The National Audit Office noted several cases in the sample where loan agreements were missing from case files and the loan was not in repayment. This situation is most likely to have occurred where the loan agreement was returned by the customer after the case papers had been prepared for despatch from the Benefit Delivery Centre to a remote storage facility. Nevertheless the agreement is important because it represents the Department's means of enforcing recovery should the customer move off benefit or subsequently challenge deductions from their benefit. Case 2 highlights an example.

Case 2: A Budgeting Loan with a missing loan agreement

Direction 5 requires the decision maker to confirm that a Budgeting Loan is repayable. The signed loan agreement between the customer and Jobcentre Plus is the key evidence necessary to demonstrate that the customer has agreed the value and repayment terms of the loan. Without a signed loan agreement, Jobcentre Plus remains at risk of the customer repudiating the loan.

In this example, the customer applied for a Budgeting Loan for £800 for furniture and household equipment, clothing and footwear. A loan of £315 was awarded. Jobcentre Plus were unable to locate the customer's signed loan agreement. In the absence of the loan agreement, the National Audit Office could not conclude on whether Direction 5 had been satisfied and whether this loan was recoverable.

The consequences of a missing or incomplete loan agreement are that recovery of the award cannot be legally enforced should the customer decline to repay it or challenges deductions from their benefit.

27 As part of on-going developments to better serve customers, the Agency is taking a number of initiatives. One of these involves a pilot of a signature-less loan application performed over the telephone. If the results of this pilot are considered successful and regulations allow, then a national roll out may remove the need for signed loan agreements to be obtained and held securely. I will consider this again and report on developments.

Suspected non-compliance due to inadequate documentation

28 In making awards decision makers must exercise their discretion on eligibility, the priority of the case and the value of the award that is reasonable to the customer's circumstances. My audit has continued to raise concerns about the adequacy with which decision makers document how their discretion has been exercised and in some of these cases the lack of evidence or conflicts in the available evidence raises doubts as to whether the award complies with the relevant Directions as highlighted in Case 3.

Case 3: Community Care Grant where documentation of discretion is inadequate

Direction 3(1)(a) requires the decision maker to be satisfied that the payment of a Crisis Loan must be 'in an emergency, or as a consequence of a disaster, provided that the provision of such assistance is the only means by which serious damage or serious risk to the health and safety of that person, or to a member of his family, may be prevented'.

In this example, the customer claimed a Community Care Grant for a washing machine and TV licence due to the stress suffered as a result of her son's behavioural problems. This Community Care Grant application was disallowed by the decision maker but Direction 49 allows for a Community Care Grant application to be treated as a Crisis Loan application. As a result, a Crisis Loan was granted for the washing machine. In the documentation, the decision maker stated that

'there is no health issues within the family that would indicate the necessity of a washing machine or TV licence, which I have given medium priority to, as although the provision of these items would have a desirable impact on improving the customer's circumstances, they are not considered so important in fulfilling the aims of Direction 4 and are of insufficient priority to warrant payment'.

The documentation of discretion is contradictory however as it states there is 'no necessity of a washing machine' but a subsequent payment is then made to the customer for one. There is also no apparent disaster or emergency present which is one of the conditions required by Direction 3(1)(a).

Without clear supporting evidence documenting how the decision maker discretion was applied, the consequences are that bogus claims could be paid thereby reducing funds available for other genuine claims.

29 The Agency expects that its main initiative, the Quality Assurance Framework, outlined at paragraph 21 to 23 above, will also assist with suspected non-compliance due to inadequate documentation.

Estimated level of error in Funeral Expense Payments

30 The Secretary of State issued the Social Fund Maternity and Funeral Expenses (General) Regulations 2005 under the Social Security Contributions and Benefits Act 1992. The Regulations set out the eligibility criteria and the amount of Funeral Expense Payments that can be made.

31 The National Audit Office reviewed a sample of Funeral Expense Payments to determine whether the payments were accurate and in accordance with the eligibility conditions. Based on its own independent testing the National Audit Office has concluded that the estimated most likely error in Funeral Expense Payments during 2008-2009 totalled £7.2 million, some 15.1 per cent of payments (2007-2008: £2.2m, 4.8 per cent). The initial results of the Department's own testing of Funeral Expense Payments also correlate with the National Audit Office's results, as noted at paragraph 13.

32 The errors identified from this work all related to non-compliance with Secretary of State Directions. Case 4 provides an example.

Case 4: Funeral Expense Payment which does not comply with the Social Fund Maternity and Funeral Expenses (General) Regulations 2005

In this example, the customer applied for a funeral payment of £8,943.50 for their partner's funeral. A payment of £4,375 was awarded for the burial costs for a specific London cemetery plus other funeral expenses of £700.

Under The Social Fund Maternity and Funeral Expenses (General) Regulations 2005 a funeral expense payment may be made for relevant expenditure which includes the *necessary costs* of purchasing a new burial plot, the fees levied in respect of a burial plus certain other costs with any other funeral expenses capped at £700.

Although the amount awarded was restricted to the minimum for a particular cemetery, these costs were greater than the cost of a standard burial (comprising site fee, interment and digging) within the London Borough of Enfield. The amount awarded was thus in excess of the necessary burial costs of £1,510 for the area in which the deceased was resident.

The consequence is that an award was made for a higher amount than the necessary costs provided for in the Regulations.

33 The Quality Assurance Framework, outlined at paragraph 21 to 23 above, will also assist the Agency's efforts to enhance compliance with the Regulations and administration of Funeral Expense Payments.

Overall estimated level of error in discretionary awards and Funeral Expense Payments

34 The National Audit Office has concluded that the overall estimated most likely error in discretionary award payments and Funeral Expense Payments during 2008-2009 totalled £78.9 million, some 9.7 per cent of aggregate discretionary awards and Funeral Expense Payments.

35 As noted in paragraph 12 above, the estimates of error are based on analysis of samples of award payments and are subject to a degree of statistical uncertainty. My staff have applied confidence intervals of 95 per cent and estimated that, whilst the best estimate of overpayments is £78.9 million, the true levels of overpayment could lie in the range from £34 million to £124 million.

Current pressures

36 While overall spending on discretionary awards fell some 0.4 per cent during 2008-2009, demand for Crisis Loans rose to unprecedented levels. As shown in Table 2 on page 13, application volumes rose 37.5 per cent, awards rose by 37.3 per cent and the amount paid rose 53.2 per cent. In addition, under current regulations the maximum permitted loan balance available to a customer at any one time is £1,500. For those customers who were successful in their application for Crisis Loans, there would be a cash limit on the future availability of Budgeting Loans or Crisis Loans available to them up to this £1,500 amount.

37 A major factor in the increase in demand for Crisis Loans was undoubtedly the economic downturn. Other contributing factors also include

- improvements in the telephony used by Jobcentre Plus Benefit Delivery Centres which has allowed greater volumes of customers to make telephone based claims;
- Budgeting Loans are based on an available credit score which in turn is based on a multiplier of an individual customer's benefit entitlement - successive Budgeting Loans use up a customer's available credit resulting in their being more likely to apply for Crisis Loans; and
- increased demand for Crisis Loans has put pressure on other cash limited discretionary awards, particularly Budgeting Loans to the extent that Jobcentre Plus has been forced to decrease the amounts available, which in turn may have encouraged greater numbers of customers in need of help to apply for Crisis Loans.

38 These cumulative pressures have a consequential impact on the processing times available to Jobcentre Plus staff to deal with applications and may in turn impact on the overall level and type of error made by decision makers when considering discretionary award and Funeral Expense Payment applications.

Actions to improve the situation and reduce error

39 Jobcentre Plus has already commenced recruitment so that operational staffing levels are increased in response to the increase in demand for a large number of its services. As discussed in the 2007-2008 report, Jobcentre Plus has acknowledged that non-compliance remains an issue and in response has started the national roll out of the Quality Assurance Framework. The elements of this initiative aim to address the four categories of errors that I have identified in my Report. Specific measures include

- enhanced management and supervision over the quality and documentation of decision making and compliance with Secretary of State Directions;
- temporary local storage to ensure that all paper work relating to an application, including the signed loan agreement, has been returned and collated before the case is sent for remote storage; and
- better completion of archiving documentation to improve case retrieval rates and retrieval times.

Summary and conclusions

40 The National Audit Office acknowledges that the Social Fund exists to provide financial assistance to some of the most vulnerable in society and the judgement associated with making discretionary awards is highly subjective. For those Benefit Delivery Centres where the Quality Assurance Framework has become embedded, compliance with the framework has started to improve the quality of documentation of decision making. However, these improvements have not yet been in operation for a full year and thus have not yet impacted the overall level of documentation across the Fund in 2008-2009. In addition, Jobcentre Plus have managed to secure an improvement in the retrieval of case papers which has been a particular problem identified by the National Audit Office's work over the last few years.

41 With the improvement in the retrieval of case papers, the majority of the errors identified in 2008-2009 related to actual or suspected non-compliance with Secretary of State Directions. With the roll out of the Quality Assurance Framework continuing, I look forward to Jobcentre Plus being able to realise their aim of a marked improvement in the quality of decision making which should lead to a reduction in the level of error in these categories over the next few years.

42 The availability of a best estimate of official error during 2009-2010 following work by the Department's Performance Measurement team will also be an important move forward. To supplement this, the Department should also undertake a review to determine the level of customer error and fraud in Social Fund payments.

43 The National Audit Office will continue to monitor the progress of Jobcentre Plus in implementing these measures and I will provide an update in my Report on the 2009-2010 Social Fund White Paper Account.

Amyas C E Morse
Comptroller and Auditor General

16 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Receipts and Payments Account for the year ended 31 March 2009

	2008-2009	2007-2008
	£000	£000
Receipts		
Receipts from the Secretary of State		
RfR 3 – Discretionary	218,200	
RfR 3 – Regulated	362,968	
RfR 3 – Winter Fuel Payments (Regulated)	2,662,775	
	3,243,943	2,482,825
Repayments of Budgeting Loans	456,030	471,813
Repayments of Crisis Loans	84,641	69,776
Repayments of Funeral Expenses Payments	792	791
Refund of Social Fund Overpayments Discretionary	22	23
Refund of Social Fund Overpayments Regulated	233	210
	3,785,661	3,025,438
<i>Less</i>		
Payments		
<i>Discretionary</i>		
Budgeting Loans	451,033	516,386
Community Care Grants	140,467	139,185
Crisis Loans	175,771	114,724
<i>Regulated</i>		
Winter Fuel Payments	2,699,472	2,067,811
Funeral Expenses	47,778	46,351
Sure Start Maternity Grants	132,974	122,671
Cold Weather Payments	210,176	4,012
	3,857,671	3,011,140
Excess of payments over receipts	72,010	
Excess of receipts over payments		14,298

Statement of Balances

	2008-2009	2007-2008
	£000	£000
Opening Balance	85,305	71,007
Excess of payments over receipts	72,010	
Excess of receipts over payments		14,298
Closing Balance	13,295	85,305

The notes on pages 22 to 24 form part of this Account.

Notes to the Account

1 Accounting policies

The Account has been prepared in accordance with sections 167(4) of the Social Security Administration Act 1992. It has been prepared on a cash basis with no provision for accruals and in a form directed by the Treasury shown as an annex to this Account. The figures for 2007-2008 are given for comparison and are taken from the Account for that year (House of Commons Paper No. HC1018 of 2007-2008).

2 Financial Basis of the Social Fund

Payments from the Fund are split into two broad categories, Discretionary and Regulated. Discretionary payments comprise Budgeting Loans, Crisis Loans, and Community Care Grants and are cash limited. Regulated payments are Maternity Expenses Payments, Sure Start Maternity Grants and Funeral Expenses Payments, which are demand led, and Cold Weather payments and Winter Fuel payments, which are paid to qualifying customers. Section 78(1) of the Social Security Administration Act 1992 provides that, an award from the Social Fund, which is repayable, shall be recovered by the Secretary of State. The Social Fund is financed by these recoveries and payments made by the Secretary of State from RfR 3 of the Departmental Vote. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

3 Statement of Loans

	Budgeting Loans £000	Crisis Loans £000	Total £000
Amount outstanding at 1 April 2008	641,431	264,499	905,930
Amount loaned	451,033	175,771	626,804
Amount recovered	(456,030)	(84,641)	(540,671)
Adjustments and amounts written off	(1,354)	(582)	(1,936)
Amount outstanding at 31 March 2009	<u>635,080</u>	<u>355,047</u>	<u>990,127</u>

The amount for loans outstanding at 31 March 2009 shown in this note is based on cumulative advances and repayments disclosed in the receipts and payments account less accounting adjustments and amounts written off.

4 Bank Balance

The Social Fund closing bank balance will vary from year to year. The policy intention is to maintain a minimum balance which will provide working capital to contribute to, for example, an unexpected surge in Cold Weather Payments late in the financial year beyond the date for the Spring Supplementary Estimate. The value of this minimum balance was set at £25 million with the approval of HM Treasury. For 2008-2009 much of this balance was utilised as a contribution to the significantly increased Cold Weather Payments.

5 Cold Weather Payments

For 2008-2009 the exceptionally cold winter resulted in a total of over 8 million Cold Weather Payments being made, compared with an average over the last ten years of fewer than 1 million per year. The combination of an increase in the amount paid, from £8.50 to £25.00, and the range of payment triggers being experienced across the whole country, including major city conurbations with high populations of eligible customers, resulted in the total payment of £210 million. Additional funds were drawn down into the Social Fund at the Spring Supplementary stage to cover these payments.

6 Age of Loans analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2009, loans of some £8,515 million have been paid. Over this period, £7,485 million of these loans have been recovered and £40 million written off, leaving a balance of £990 million outstanding at 31 March 2009. Loans are normally recovered by deduction from Social Security benefits and, where this is not possible, by cash instalments. Where a customer has more than one loan, the earliest loan is normally recovered first, with recovery of later loans following automatically. A number of loans may take several years to recover fully and recovery procedures and arrangements are under review.

An Analysis of age of loans outstanding is summarised below

Age of loan	Budgeting Loans £000	Crisis Loans £000	Total £000
Five years and over	74,363	49,221	123,584
Between 1 year and 5 years	262,842	156,231	419,073
Less than 1 year	297,875	149,595	447,470
	<u>635,080</u>	<u>355,047</u>	<u>990,127</u>

7 Statement of Funeral Expenses payments outstanding

	£000
Amount outstanding at 1 April 2008	110,166
Payments made	47,778
Amount recovered	(792)
Adjustments and amounts deemed irrecoverable	(117,460)
Amount outstanding at 31 March 2009	<u>39,692</u>

Practice on the treatment of Funeral Payments was amended during 2008-2009 to reflect the low level of recoveries that are typically received. The treatment is to continue with recovery procedures for applications where there is an estate, or a likelihood of one, but that, for applications where no estate or other asset is declared, abandonment action is to be taken immediately. This procedural change, combined with a drive to reduce the level of historic debt where recovery is no longer possible, has reduced the overall Funeral Payment debt to £40 million.

8 Age Analysis of Funeral Expenses payments outstanding

An analysis of the age of Funeral Expenses payments outstanding is summarised below

	£000
Age of Funeral payment	
Five years and over	261
Between 1 year and 5 years	22,649
Less than 1 year	16,782
	<u>39,692</u>

9 Statement of Losses

	£000
Recoverable loans impracticable to pursue (15,468 cases)	1,852
Claims for recoverable Funeral Expenses payments abandoned due to insufficient estate (76,687 cases)	88,547
Claims for recoverable Funeral Expenses abandoned because they are impossible/unreasonable to pursue (25,042 cases)	28,914
Losses due to irrecoverable overpayments (Non-loans) recorded during the year (1,493 cases)	275
	<u>119,588</u>

10 Fraud and Error

Jobcentre Plus has trialled a mechanism in 2008-2009 to provide an estimate of Monetary Value of Error (MVE) in Social Fund payments. This will be developed further during 2009-2010.

11 Disclosure on the Face of the Account

From 5 October 1998, new legislation under Section 75 of the Social Security Act 1998 inserted a new section 71ZA into the Social Security Administration Act 1992, which enabled the Secretary of State to recover Discretionary Social Fund payments which have been overpaid as a result of misrepresentation or failure to disclose. As a result figures relating to subsequent recovery of Social Fund overpayments have been included on the face of the receipts and payments account. The Secretary of State has always been able to recover overpayments relating to Regulated payments and classification between Regulated and Discretionary overpayment recoveries has been included for clarity.

12 Extra Statutory

Winter Fuel Payments (WFP) were introduced in 1997-98 and provide a lump sum benefit to qualifying people aged 60 or over who are ordinarily resident in GB or NI. One group of people who do not qualify for WFPs are those who have been resident in a care home for more than 13 weeks and who are in receipt of IS/JSA. This is because it is assumed that they already get help for their accommodation costs through IS/JSA.

13 Social Fund Balance

	Liabilities £000	Assets £000
HM Paymaster General		7,832
Social Security Benefits and other Payments Vote	9,114	
Alliance and Leicester Commercial Bank	3,247	
Administration and Miscellaneous Services Vote		1,411
National Insurance Fund		797
Other Government Creditors / Debtors (Net)	19	
Timing Difference *		15,635
Balance of Social Fund	<u>13,295</u>	
	<u>25,675</u>	<u>25,675</u>

* The timing difference is a resource adjustment. This has arisen as the data for the Social Fund White Paper account is taken from different systems rather than one single accounting system.

Mel Groves
Accounting Officer

7 July 2009

Annex

Accounts Direction given by HM Treasury

- 1 The Treasury in accordance with section 167(4) of the Social Security Administration Act 1992 hereby gives the following direction.
- 2 The statement of account, which it is the duty of the Department of Social Security to prepare in respect of the transactions of the Social Fund for the financial year ended 31 March 1996 in respect of any subsequent financial year, shall comprise
 - i a foreword;
 - ii an account of receipts and payments;
 - iii a statement of balances;
 and shall include any such notes as may be necessary for the purposes referred to in the attached schedule.
- 3 The Accounting Officer shall observe all relevant accounting and disclosure Requirements in 'Government Accounting' and any other guidance issued by HM Treasury, as amended or augmented from time to time.
- 4 The format of the statement of account and the disclosure requirements are in the attached schedule.
- 5 The Accounting Officer shall sign the foreword and account.
- 6 The Accounts Direction shall be produced as an annex to the accounts.

Jamie Mortimer
Treasury Officer of Accounts

Schedule – Format of Account and Disclosure Requirements

- 1 The foreword shall state that the account has been prepared in accordance with a direction issued by Treasury in pursuance of section 167(4) of the Social Security Administration Act 1992. The foreword will also include details of the following
 - a a brief history of the Social Fund and its Statutory background;
 - b categories of payment;
 - c financial performance;
 - d the publication of the Secretary of State's report;
 - e audit arrangements; and
 - f Responsibilities of the Accounting Officer.
- 2 The receipts and payments account and statement of balances shall conform to the formats shown in the Annex, although minor variations may be made.
- 3 The notes shall include
 - a an explanation of the financial basis of the Social Fund;
 - b a statement of loans including an age analysis of loans outstanding;
 - c a statement of losses; and
 - d the policy on maintaining a standing balance.

Receipts and Payments Account for the year ended 31 March XXXX

	£000	20XX-XX £000	20XX-XX £000
Receipts			
Receipts from the Secretary of State			
RfR – Discretionary			
RfR – Regulated			
RfR – Winter Fuel (Regulated)			
Repayments of Budgeting Loans			
Repayments of Crisis Loans			
Repayments of Funeral Expenses Payments			
Refund of Social Fund Overpayments Discretionary			
Refund of Social Fund Overpayments Regulated			
<i>Less</i>			
Payments			
<i>Discretionary</i>			
Budgeting Loans			
Crisis Loans			
Community Care Grants			
<i>Regulated</i>			
Winter Fuel Payments			
Funeral Expenses			
Maternity Expenses			
Cold Weather Payments			
Excess of receipts over payments			
(Excess of payments over receipts)			

Statement of Balances

	20XX-XX £000	20XX-XX £000
Opening Balance		
<i>Plus</i>		
Excess of receipts over payments		
<i>Less</i>		
(Excess of payments over receipts)		
Closing Balance		
<i>The notes on pages x to x form part of this Account.</i>		

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