

Social Fund Account 2019-20

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Presented to Parliament pursuant to Section 167(4) of the Social Security Administration Act 1992

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Foreword

Background information

The Social Fund was established in 1987 and continues under section 167 of the Social Security Administration Act 1992.

- Section 138(1) of the Social Security Contributions and Benefits Act (SSCBA) 1992 enables payments of prescribed amounts to be made out of the Social Fund to meet, in defined circumstances, maternity and funeral expenses.
- Payments of Budgeting Loans are paid in accordance with directions given or guidance issued by the Secretary of State, under the Social Security Act 1998.
- Section 138(2) of the SSCBA 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. Regulations provide for payments from the Social Fund to be made to certain customers following a period of cold weather or when cold weather is forecast.
- Winter Fuel Payments were introduced in 1997-98 and currently paid under Social Fund Winter Fuel Payments Regulations 2000, to provide automatic help to pensioner households to assist with fuel bills.
- Social Security Act 1998 enabled us to recover Social Fund overpayments with effect from April 1998.

HM Treasury introduced firmer spending controls in April 2014. Winter Fuel Payments and Cold Weather Payments contribute to expenditure within the constraints of the Welfare Cap and the funding provision for Sure Start Maternity Grants and Funeral Expenses Payments is subject to the Departmental Expenditure Limit.

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 Social Fund annual report, which is unaudited, is expected to be presented to Parliament in November 2020 (subject to change). The report will give a detailed account of the activities and expenditure on the Social Fund for 2019-20.

Basis for the preparation of the Account

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 HM Treasury may direct.

The HM Treasury Direction was amended in February 2020 to update the name of the Act. Previous to this administrative update, it had not changed since 2014-15 and the requirement for the continued production of the Account will be kept under review with HM Treasury.

Categories of Payments

Budgeting Loans

Interest free loans are available to customers in receipt of a qualifying benefit¹ to help them cope with the expenditure associated with the purchase of major items or services including, furniture and clothes.

1 <https://www.gov.uk/budgeting-help-benefits/eligibility>

Sure Start Maternity Grants

The Sure Start Maternity Grant (SSMG) is available to families in receipt of a qualifying benefit and who meet the eligibility criteria². The grant is worth £500 in respect of babies due, born, adopted or subject of a parental order on or after 16 June 2003. In December 2018, SSMG was replaced by Best Start Grant Pregnancy and Baby Payment for residents in Scotland. Best Start Grant Pregnancy and Baby Payments are administered and accounted for by Social Security Scotland and therefore not included in the Social Fund Account.

Funeral Expenses Payments

Funeral Expenses Payments are available to help with the cost of a funeral. They may be made for customers or their partners, who are in receipt of a qualifying benefit and meet the eligibility criteria³. Funeral Expenses Payments are recoverable from the estate of the deceased, even if the estate is not sufficient to permit full recovery. In September 2019, Funeral Expenses Payments were replaced by Funeral Support Payments for residents in Scotland. Funeral Support Payments are administered and accounted for by Social Security Scotland and therefore not included in the Social Fund Account.

Cold Weather Payments

Cold Weather Payments are payable to customers who are in receipt of a qualifying benefit and meet the eligibility criteria⁴. Customers receive payments of £25 for each period of seven consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in the area where the customer lives.

Winter Fuel Payments

Winter Fuel Payments are payable to people of state pension age who meet the eligibility criteria⁵, regardless of whether they are receiving a Social Security benefit. In 2019-20 this was customers born on or before 5 April 1954.

The total amount payable to a person eligible and under 80 years living alone in their own home was £200 for 2019-20 (£100 each if they shared a home with another eligible person aged under 80). For people aged 80 or over and living alone, the amount payable was £300 this year (£150 each if they shared a home with another eligible person aged 80 or over). Where one of the couple is over 80 and the other under 80 then the person over 80 receives £200 and the person under 80 receives £100.

COVID-19 Impacts

The global pandemic, COVID-19, has had no material impact on the receipts and payments shown in the financial statements for 2019-20. There are however, measures taken that will have impacts for 2020-21.

From 3 April 2020, the Department has paused all debt recovery for three months to provide relief to claimants. The paused recovery activity includes the recovery of Budgeting Loans, Crisis Loans, Funeral Expenses Payment loans, and overpayments of all Social Fund payments.

As a result of temporary reduced debt recovery in the coming year, there has been an impact on the impairment of debt calculation discussed further below.

In addition, due to the uncertainty of the full impact of COVID-19 on demand for Social Fund payments, along with some easements to the Funeral Expenses Payments, and the debt recovery suspension, the Department has kept a higher than usual cash surplus within the Social Fund. These impacts are referenced throughout the Account.

2 <https://www.gov.uk/sure-start-maternity-grant/eligibility>

3 <https://www.gov.uk/funeral-payments/eligibility>

4 <https://www.gov.uk/cold-weather-payment/eligibility>

5 <https://www.gov.uk/winter-fuel-payment/eligibility>

Financial Performance

During 2019-20 £396 million (2018-19: £462 million) of recoverable Budgeting Loan payments were issued. This decline in expenditure is due to a reduction in applications submitted to the Department, for example as an increasing proportion of working age claimants are on Universal Credit and are not eligible for Budgeting Loans. Recoveries of loans paid back into the Fund during the year were £459 million (2018-19: £511 million) for Budgeting Loans and £18 million (2018-19: £31 million) for recovering old Crisis Loans.

During the same period £34 million (2018-19: £44 million) Funeral Expenses Payments were issued, £0.2 million (2018-19: £0.1 million) was recovered and £30 million (2018-19: £41 million) was written off the total Funeral Expenses Payments debt, as there was no estate to recover from.

Regulated payments included Sure Start Maternity Grants costing £26 million (2018-19: £25 million) and Winter Fuel Payments costing £1,974 million (2018-19: £1,996 million). The total expenditure on Cold Weather Payments in 2019-20 was £0.3 million compared to £27 million in 2018-19. This was due to a very mild winter.

The Social Fund is maintained by loan recoveries and monies voted by Parliament. Expenditure is estimated at the start of the year and, taking into account forecast recoveries, sufficient funds are transferred to the Fund to meet the Department's expected liabilities to the paying agents⁶. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

In 2019-20 there has been a £81 million decrease in our debt stock which has generated a surplus position in the Fund. The majority of the debt stock decrease is due to the level of recoveries compared to the expenditure in year. Please refer to note 3 for more information on the debt balance, recoveries and write offs.

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 Supplementary Estimate.

The closing balance on the Fund is £261 million, increased by £81 million from £180 million in 2018-19. This is as a result of ensuring that there were sufficient funds available to cover the uncertainty around the impact of COVID-19 as we could see the number of eligible people rise. These funds are also to cover any potential surge in Cold Weather Payments.

The treatment of any surplus funds is to be kept under review with HM Treasury. The Department will ensure, however, that a sufficient working balance is retained to both cover future demands and to protect the overall solvency of the Fund.

Recoverability of Debt

All debt balances in this White Paper Account are disclosed before impairment is applied. The gross debt position is £411 million of which £72 million is impaired in line with the Department's impairment policy. The Social Fund debt is fully consolidated within the 2019-20 DWP Annual Report and Accounts (see note 13), where the debt is impaired in accordance with departmental policy.

In line with the Department's recovery policy debt is only written off in very limited circumstances. Our write off policy has been agreed with HM Treasury. The impairment for 2019-20 of £72 million has increased from £41 million (2018-19). Due to reduced recoveries and write offs this year caused by the temporary pause on recovering debt, the Department is forecasting a larger future debt stock reaching the 15-year mark, at which we will impair these debts. Please find more information in Note 4 to the accounts.

The decision to temporarily suspend debt recovery, a measure related to the impacts of COVID-19, has impacted the calculation of impairment of the debt. The level of collectable debt has been reduced as more forecast recoveries have moved into the over fifteen years bracket and thus impairment has been increased. This suspended recovery action has increased the impairment provision by 1% (£3.9 million).

⁶ The term 'Paying agents' cover both the customer and the funeral director in which we can pay on behalf of the customer to.

The impact of impairment on Social Fund debt excluding overpayment debt is illustrated in the following table:

	Budgeting Loans £000	Crisis Loans £000	Funeral Expenses Payments £000	Total £000
	£'000	£'000	£'000	£'000
Gross debt position	302,659	101,535	7,264	411,458
Provision for Impairment	<u>(21,643)</u>	<u>(42,795)</u>	<u>(7,076)</u>	<u>(71,514)</u>
Net debt position	<u>281,016</u>	<u>58,740</u>	<u>188</u>	<u>339,944</u>

A customer may have multiple Budgeting loans up to a maximum of £1,500 and, in order to ensure repayments are affordable an individual payment plan is agreed with each customer meaning that it can take many years for loans to be recovered. Whilst we seek to recover all outstanding debt, we acknowledge that, due to the age of some of our debt stock and the quality of information to support the debt and changes in customers' circumstances, not all debts will be recovered. We believe that the impairment fairly reflects our collectability of the debt stock.

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

Under the Social Security Administration Act 1992, HM Treasury has appointed me, the Permanent Secretary of the Department for Work and Pensions, as the Accounting Officer for the Social Fund and has directed me to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction (Annex page 18). The accounts are prepared on a receipts and payments basis (including a Statement of Balances), and are properly presented, with notes to explain the financial basis, a statement of loans including an age of analysis of loans outstanding, a statement of losses and the policy on maintaining a standing balance.

In preparing the accounts, the Accounting Officer shall observe relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FReM), in so far as it applies to a receipts and payments account, and any other guidance issued by HM Treasury, and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts and;
- prepare the Account on a going concern basis.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Social Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that the Social Fund Account 2019-20 is, as a whole, fair, balanced and easy to understand. I take personal responsibility for the Social Fund Account and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable for keeping proper records and for safeguarding the Social Fund's assets, are set out in *Managing Public Money*, published by HM Treasury.

Peter Schofield
Accounting Officer

24 June 2020

The Social Fund Governance Statement 1 April 2019 - 31 March 2020

The Department for Work and Pensions (DWP) Accounting Officer System Statement (AOSS), published in 2019 sets out how the Permanent Secretary fulfils his responsibilities as Principal Accounting Officer, and describes the accountability system in place for the Department's expenditure which includes the Social Fund. The Department's Governance Statement in the DWP Annual Report and Accounts 2019-20⁷ provides assurance on how the system of control has operated during 2019-20. The Department's Governance Statement in the DWP Annual Report and Accounts 2019-20 outlines the departmental board's performance and its assessment of effectiveness, information regarding quality of information presented to the board and any committee reports.

Detail of Departmental Board membership attendance and activity is also available within the DWP Annual Report and Accounts 2019-20.

The System of Control

We are governed by

- the Secretary of State's overall responsibility for the Department;
- the Permanent Secretary's responsibility, both to the Secretary of State and directly to Parliament, as the Accounting Officer for the Department's expenditure and management; and
- the Departmental Board's collective responsibility for advice on strategic and operational issues, and for scrutinising and challenging policies and performance.

The System of Control also includes the Departmental Board sub-committees, details of which can be found in the DWP Annual Report and Accounts. In addition, the Social Fund has its own management group which meets regularly to oversee strategic governance of the Social Fund. The group ensures Social Fund operational activity meets policy intent and risks are managed.

Risk, Controls & Compliance

The re-platforming of the Social Fund Computer Service (SFCS), by the Virtual Machine Environment Replacement (VME-R) programme, was completed successfully on 15 July 2019. SFCS is now hosted on a modern, robust and supportable platform.

Pre go-live, rigorous tests and rehearsals were undertaken to prove the Data Migration Strategy, gaining 100% data validation and verification by business users on the go-live weekend. Our approach also covered extensive testing against key interfaces. For the post go-live approval, file content in terms of data listing, financial payments generated at both numerical and financial levels were validated.

Feedback confirmed the re-platformed SFCS provides quicker online responsiveness, reduction in batch timings by approximately 50%, and better and easier access to data.

The Social Fund is subject to the same governance and risk management as set out in the Governance Statement within the DWP Annual Report and Accounts 2019-2020. There are no further specific Social Fund risks or control issues to report.

Regularity

Where payments are not made in accordance with the legislation they are irregular. The Department continues to keep the regularity of payments under review to ensure continual improvements are identified and developed. The Quality Assurance Framework (QAF), introduced into Social Fund to raise the standard of Social Fund decision making, involves the stakeholders and includes a thorough and reasoned check of the standard of decision making.

As part of the annual audit of the Social Fund Account, the National Audit Office (NAO) carries out testing of payments to check for compliance with the Secretary of State directions and regulations in order to provide an estimate of the level of irregularity in Social Fund benefit payments. In 2019-20, the NAO estimated the gross level of irregularity within Social Fund benefit payments as £7.7m (2018-19 £10.8m). This best estimate has an upper error limit of £8.7m (2018-19 £15m). The estimate includes irregularities in Winter Fuel Payments (WFP), Funeral Expense Payments and errors arising from non-referral of debt where overpayments have occurred.

In 2018-19, NAO found a payment error in Winter Fuel Payments (WFP) and for this error in 2019-20, we estimate £6.3 million is our maximum possible error in Winter Fuel Payments and this is included in the NAO's estimate. In working to resolve this issue, the Department has undertaken additional maintenance scans of customer records to correct address data and made changes to improve the accuracy of manually input address data. This has resulted in over 10,000 cases having corrective action taken. For the 2020-21 Winter Fuel payment exercise, a new payment system will be in place. The new system will use more accurate and precise address data sources increasing the amount of automatic payments we are able to make, whilst increasing security against fraudulent claims.

The departmental fraud and error activities included in the DWP Annual Report and Accounts include actions taken to resolve issues with the Social Fund. We will continue to review our systems and procedural controls. Regular updates on progress against audit recommendations will be made to Departmental Audit Risk and Assurance Committee and NAO during 2020-21.

Audit and other reports to management

The Government Internal Audit Agency (GIAA) provides overall assurance over key areas of departmental performance.

In 2018-19 the GIAA reviewed Sure Start Maternity Grants (SSMG) and the overall level of assurance given was limited. In 2019-20, the GIAA carried out a follow-up review of SSMG to ensure the recommendations from the previous year's review had been adequately implemented. No other reviews were carried out by GIAA within the Social Fund in 2019-20.

The SSMG initial report was issued on 1 March 2019 and provided five medium priority recommendations. These focused on the development of a SSMG Quality Assurance Framework, continued work on resourcing levels, evaluation of the success of changes to customer claim forms and increasing management information to support effective performance management.

The SSMG follow-up review issued a management letter on 15 October 2019 and it found all five recommendations from the initial report had been effectively implemented.

COVID-19 Impacts

The COVID-19 pandemic has created significant challenges for individuals, businesses and public services across the country. People across the Department have played a vital role – alongside other critical workers such as nurses, doctors, firefighters and police – in ensuring that citizens are properly supported throughout the current pandemic.

Discussion of external risks to departmental business formed a regular part of Executive Team (ET) meetings. As such, the Department and its senior leadership team was well placed to respond quickly to the COVID-19 pandemic and its impact on our business. Our well-rehearsed business continuity plans, first for a pandemic and, second, for an economic downturn that leads to a surge in demand for our services, provided the framework for our response.

The significant challenges posed by the COVID-19 pandemic, and the Department's responses, are documented within the performance report and the governance statement of the 2019-20 Annual Report and Accounts.

Overall we have considered the financial impacts for the 2019-20 reporting period are not material to these statements.

Peter Schofield
Accounting Officer

24 June 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of the Social Fund for the year ended 31 March 2020 under the Social Security Administration Act 1992. The financial statements comprise: the Receipts and Payment Account (including the Statement of Balances) and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements properly present the receipts and payments of the Social Fund for the year ended 31 March 2020; and
- the financial statements have been properly prepared in accordance with the Social Security Administration Act 1992 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Social Fund and the Department of Work and Pensions in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- Management's use of the going concern basis of accounting in the preparation of the Social Fund financial statements is not appropriate; or
- Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Social Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they are properly presented.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Social Security Administration Act 1992.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Work and Pensions internal control as it relates to Social Fund.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Social Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Social Fund to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Foreword and the Governance Statement. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in the light of the knowledge and understanding of the Social Fund and its environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword; and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

26 June 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2020

	2019-20	2018-19
£000	£000	£000
Receipts		
Receipts from the Secretary of State		
Regulated	61,372	92,542
Winter Fuel Payments (Regulated)	<u>1,970,949</u>	1,988,775
	<u>2,032,321</u>	<u>2,081,317</u>
Repayments of Budgeting Loans	458,736	511,423
Repayments of Crisis Loans	18,431	31,193
Repayments of Funeral Expenses Payments	229	146
Refund of Social Fund Overpayments Discretionary	1,230	1,280
Refund of Social Fund Overpayments Regulated	560	724
	<u>2,511,507</u>	<u>2,626,083</u>
<i>Less</i>		
Payments		
Discretionary		
Budgeting Loans	396,080	461,835
Crisis Loans	(7)	17
<i>Regulated</i>		
Winter Fuel Payments	1,974,017	1,996,031
Funeral Expenses Payments	34,217	44,468
Sure Start Maternity Grants	25,919	24,831
Cold Weather Payments	254	26,978
	<u>2,430,480</u>	<u>2,554,160</u>
Excess of receipts over payments prior to repayment	<u>81,027</u>	71,923
<i>Less</i>		
Repayment of surplus funds by SoS to HM Treasury	<u>0</u>	0
Total excess receipts over payments (payments over receipts)	<u>81,027</u>	<u>71,923</u>

Statement of Balances as at 31 March 2020

	2019-20	2018-19
	£000	£000
Opening Balance	179,773	107,850
Excess receipts over payments after repayment to HMT	81,027	<u>71,923</u>
Closing Balance	<u>260,800</u>	<u>179,773</u>

The notes on pages 15 to 17 form part of this account.

Peter Schofield
Accounting Officer

24 June 2020

Notes to the Account

1 Accounting Policies

The Account is prepared per the accounts direction which is provided by HM Treasury in accordance with section 167(4) of the Social Security Administration Act 1992. This Account has been prepared on a cash basis with no provision for accruals. The figures for 2018-19 are given for comparison and are taken from the Account for that year (House of Commons Paper No.53 of 2018-19).

2 Financial Basis of the Social Fund

Payments from the Fund are split into two broad categories, discretionary and regulated. Historically, discretionary payments have comprised of Budgeting Loans, Crisis Loans, and Community Care Grants and were cash limited. The Welfare Reform Act 2012 abolished the Discretionary Fund on 31 March 2013, payment of Budgeting Loans will continue until the full roll out of Universal Credit to help those still receiving the current income related benefits.

Where the customer has moved to or from Northern Ireland (NI), the transfer of customer debt is recorded as payments of Crisis Loans and Budgeting Loans in the receipts and payments schedule. Under current legislation a reciprocal arrangement between Great Britain and NI allows a customer debt to move to or from NI with the customer, this enables collection of the debt through the host country's benefit system. For 2019-20 these transfers have resulted in a small negative payment relating to Crisis Loans due to customers transferring from Great Britain to Northern Ireland.

Regulated payments are 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 ongoing discretionary Social Fund is financed by these recoveries and, the Regulated Fund is financed by the Secretary of State. 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 and Funeral Expenses Payments

	Budgeting Loans	Crisis Loans	Funeral Expenses Payments	2019-20 Total	2018-19 Total
	£000	£000	£000	£000	£000
Amount outstanding at 1 April 2019	367,512	120,706	3,698	491,916	574,289
Amount loaned	396,080	(7)	34,217	430,290	506,320
Transferred to overpayments	(1,103)	(48)	(12)	(1,163)	(1,279)
Amount recovered	(458,736)	(18,431)	(229)	(477,396)	(542,762)
Adjustments and amounts written off	(1,094)	(685)	(30,410)	(32,189)	(44,652)
Amount outstanding at 31 March 2020	<u>302,659</u>	<u>101,535</u>	<u>7,264</u>	<u>411,458</u>	<u>491,916</u>

The amount for loans outstanding at 31 March 2020 shown in this note is based on cumulative loans and repayments disclosed in the Receipts and Payments Account less accounting adjustments and amounts written off. The statement of loans reflects the gross total debt balance before impairment, not all of which we consider recoverable. Please see the Recoverability of Debt section in the Foreword.

Crisis Loans have not been payable in Great Britain since April 2013. The balance for amounts loaned for Crisis Loan debt is relating to customers transferring from Great Britain to Northern Ireland.

The amount outstanding also incorporates £0.048 million of loans showing a credit balance. Where we have been unable to trace the customer to make a repayment to them, the Department will retain the liability for six years. If at that point no repayment has been able to be made, action would be taken to clear the credit balance.

Social Fund continues to pursue recovery of Funeral Expenses Payments where there is an estate, or a likelihood of one, but for applications where no estate or other asset is declared, abandonment action is taken immediately.

4 Age of Loans and Funeral Expenses Payments Analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2020, £14,132 million loans have been paid. Over this period, £13,539 million of these loans have been recovered and £199 million written off. This, and other adjustments, leaves a balance of £411 million outstanding at 31 March 2020. Loans are normally recovered by deduction from Social Security benefits including State Pension and where this is not possible, by instalments through other means e.g. direct debit or deduction from earnings. 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 continue to be kept under review.

An analysis of age of loans and Funeral Expenses Payments outstanding is summarised below:

				2019-20	2018-19
	Budgeting Loans	Crisis Loans	Funeral Expenses Payment	Total	Total
	£000	£000	£000	£000	£000
Five years and over	75,609	101,479	69	177,157	210,248
Between one year and five years	31,714	54	2,921	34,689	62,859
Less than one year	195,336	2	4,274	199,612	218,809
	<u>302,659</u>	<u>101,535</u>	<u>7,264</u>	<u>411,458</u>	<u>491,916</u>

5 Statement of Losses

Social Fund losses have been fully disclosed in the Accountability Report within the Department's Annual Reports and Accounts⁸.

8 DWP Annual Report and Accounts 2019-20 will be available at www.gov.uk

6 Statement of Assets and Liabilities

	Liabilities	Assets
	£000	£000
Government banking service		270,741
Net balance with the Parliamentary Vote	9,995	
Administration and Miscellaneous Services Vote	1	0
National Insurance Fund		68
Other Government Payables /Receivables (Net)	13	
Balance of Social Fund at 31 March 2020	<u>260,800</u>	<u>270,809</u>
	<u>270,809</u>	<u>270,809</u>

The Balance of Social Fund represents the cumulative excess of receipts over payments since the inception of the Fund. The equity balance is held as a liability, representing payable accounts which includes repayments back to HM Treasury.

The Government Banking Service is a shared government function which provides critical banking services across central government and for wider public sector customers. The net balance with the parliamentary vote is money owed to working-age benefits and the Pension Service.

A minimum balance is kept in the bank as a contingency; this was set at £25 million with the approval of HM Treasury. Due to the uncertainty in both demand and recoveries from the impacts of COVID-19 beyond 2019 20, the Department has retained a closing bank balance that is larger than usual.

Peter Schofield
Accounting Officer

24 June 2020

Annex

Accounts Direction given by HM Treasury in accordance with section 167(4) of the Social Security Administration Act 1992.

- 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 for Work and Pensions to prepare in respect of the transactions of the Social Fund for the financial year ended 31 March 2020 and subsequent financial periods, shall comprise:
 - i a foreword
 - ii an account of receipts and payments
 - iii a statement of balancesand shall include any such notes as may be necessary for the purposes referred to in the attached schedule.
- 3 The Accounting Officer shall observe relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FReM), in so far as it applies to a receipts and payments account, 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.

Vicky Rock
Director, Public Spending Group
HM Treasury

14 February 2020

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

	20XX-XX £'000	20XX-XX £'000	20XX-XX £'000
Receipts			
Receipts from the Secretary of State			
Discretionary			
Regulated			
Winter Fuel Payments (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 Payments			
Sure Start Maternity Grants			
Cold Weather Payments			
Excess of receipts over payments/ (Excess of payments over receipts) prior to repayment			
<i>Less</i> Repayment of Surplus Funds by Secretary of State to HM Treasury			
Total Excess of receipts over payments/ (Excess of payments over receipts) after repayment			

Statement of Balances

	20XX-XX	20XX-XX
	£'000	£'000
Opening Balance		
<i>Plus</i>		
Excess of receipts over payments after repayment		
<i>Less</i>		
(Excess of payments over receipts after repayment)		
Closing Balance		

The Notes on pages x to x form part of this Account.

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