

# Social Fund Account 2014-15

# Social Fund Account 2014-15

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

Ordered by the House of Commons to be printed on 1 July 2015

The National Audit Office scrutinises public spending for Parliament and is independent of government.

The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB,  
is an Officer of the House of Commons and leads the NAO, which employs some 810 people.

The C&AG certifies the accounts of all government departments  
and many other public sector bodies.

He has statutory authority to examine and report to Parliament on whether departments and the bodies they  
fund have used their resources efficiently, effectively, and with economy.

Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and  
reports on good practice help government improve public services, and our work led to audited savings of  
£1.15 billion in 2014



© Crown copyright 2015

This publication is licensed under the terms of the Open Government Licence v3.0 except  
where otherwise stated.

To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3)  
or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU,  
or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the  
copyright holders concerned.

ISBN: 9781910305386

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office

# Contents

Foreword	2
Statement of Accounting Officer's responsibilities	5
Governance Statement	6
The Certificate of the Comptroller and Auditor General	10
Receipts and Payments Account	12
Statement of Balances	13
Notes to the Account	14
Annex – Accounts Direction given by HM Treasury	19

## 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 and currently payments of Budgeting Loans in accordance with directions given or guidance issued by the Secretary of State.

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 Cold Weather 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 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. Budgeting Loans are discretionary payments and are cash limited. Sure Start Maternity Grants and Funeral Expenses Payments are regulated payments and are demand led. Cold Weather Payments and most Winter Fuel Payments are paid automatically to qualifying customers.

### Categories of Payments

#### **Budgeting Loans**

Interest free loans are available to customers in receipt of Income Support, Employment and Support Allowance (Income Related), State Pension Credit or Jobseeker's Allowance (Income Based) to help them cope with the expenditure associated with the purchase of major items or services including, since 2012, funeral and maternity expenses.

#### **Sure Start Maternity Grants**

The Sure Start Maternity Grant is available to families in receipt of the following qualifying benefits: Income Support, Employment and Support Allowance (Income Related), Jobseeker's Allowance (Income Based), Universal Credit, Working Tax Credit where a disability or a severe disability element is included in the award, State Pension Credit, and Child Tax Credit at a rate higher than the family element. Payments are made for each child expected or aged 12 months or under, who is the child of the claimant or in certain other circumstances, including where the child is the subject of a parental order or a residence order; from 22 April 2014 contact orders and residence orders were replaced by a Child Arrangements Order. From June 2002 the Grant is worth £500.

Since 2011 the Grant has been limited to the first child for babies born on or after the 11 April 2011. A further associated policy change was introduced in 2012-2013 to allow payment of the Sure Start Maternity Grant for the children of subsequent multiple births where there is already a child under 16 in the family.

#### **Funeral Expenses Payments**

Funeral Expenses Payments are available to help with the cost of a funeral. Funeral Expenses Payments may be made for customers or their partners, who are in receipt of Income Support, Employment and Support Allowance (Income Related), Jobseeker's Allowance (Income Based), Universal Credit, State Pension Credit, 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 or Housing Benefit. Funeral Expenses Payments are normally recoverable from the estate of the deceased, even if the estate is not sufficient to permit full recovery.

## Cold Weather Payments

Cold Weather Payments are payable to customers in receipt of State Pension Credit. Customers in receipt of Income Support, Employment and Support Allowance (Income Related) or Jobseeker's Allowance (Income Based) who also have a disability, or a pensioner premium, or who have a disabled child or a child less than 5 years of age may also receive a payment.

Customers in receipt of Universal Credit will be entitled to a Cold Weather Payment if they receive, or have underlying entitlement to, the Limited Capability for Work element, the Limited Capability for Work element with a Work Related Activity element, receive a Disabled Child element, or have a child who is disabled or under the age of 5. In addition, they must also not be employed or self-employed, except where there is a child who is disabled in the benefit unit.

Payments are not made where the claimant is resident in a care home or independent hospital.

Customers receive payments of £25 (maintained at a level of £25 for the seventh consecutive year) for each period of 7 consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in areas where the customer lives.

## Winter Fuel Payments

The Winter Fuel Payments scheme allows payments to pensioner households, where at least one person qualified by age in the qualifying week. For winter 2014-15 the qualifying week commenced 15 September 2014.

Initially Winter Fuel Payments were only made to eligible recipients ordinarily resident in Great Britain. They were subsequently also made payable to people habitually resident in other EEA countries or Switzerland where they had first become entitled to the benefit in the UK. However following the judgment of the Court of Justice of the European Union in the case of *Stewart*, the Regulations were amended so that it was no longer a requirement for those in other EEA countries and Switzerland that entitlement first arose in the UK. Recipients in other EEA countries and Switzerland do however have to demonstrate a genuine and sufficient link with the UK social security system and be subject to EU legislation.

The total amount payable to a person between women's state pension age and 79 years living alone in their own home was £200 for 2014-15 (£100 if they shared a home with another eligible person aged 60-79). For people aged 80 or over and living alone the amount payable was £300 this year (£150 if they shared a home with another eligible person aged 80 or over).

Where there is only one person in the household who is entitled, the full Winter Fuel Payment is made. If there is another eligible person in the household who qualifies, the lower level of £100 is made to the eligible person aged 60-79 and £200 is payable to the eligible person aged over 80.

The qualifying age for Winter Fuel Payments for men and women is increasing in line with the increase in women's state pension age which will equalise their state pension age with the male state pension age by November 2018.

Legislation has been introduced that means from winter 2015-16, Winter Fuel payments will no longer be payable in EEA countries (and associated territories) where the average winter temperature is higher than the warmest region of the UK (South West England). This temperature is 5.6 degrees.

The countries where this applies are Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain.

## 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 on-going Discretionary Social Fund is financed by these recoveries and, for the Regulated Fund, by payments made 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.

During 2014-15 £416 million of Budgeting Loans were issued. New Crisis Loan awards ceased for customers in Great Britain (GB) on 31 March 2013, however they are still payable in Northern Ireland (NI). 2014-15 Crisis Loan Payments represent the net transfer of debt for customers moving between NI and GB. Recoveries of loans paid back into the Fund during the year were £462 million for Budgeting Loans and £79 million for Crisis Loans.

During 2014-15 £44 million of Funeral Expenses Payments were issued, £0.2 million was recovered this year and £49 million was written off the total Funeral Expenses Payments debt as there was no estate to recover from.

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 agents. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

In 2014-15 the sustained focus on recovery of outstanding loan debt has reduced the debt stock and generated a surplus position in the Fund. This together with £50 million from prior years has enabled the Fund to make a substantial repayment to HM Treasury of £150 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 Supplementary Estimate. The value of this minimum balance was set at £25 million with the approval of HM Treasury.

The closing balance on the Fund is £70 million; £20 million lower than 2013-14 due to the repayment to HM Treasury. Within the Fund minimal triggers for Cold Weather Payments as a result of the mild winter reduced expenditure and continued positive performance on debt recovery has contributed to the financial position at the year end.

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.

## 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 will be presented to Parliament during 2015 and will give a detailed account of the activities and expenditure on the Social Fund for 2014-15.

## 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 HM Treasury may direct.

The HM Treasury Direction has been updated with minor changes to enable it to be used for future years. The requirement for the continued production of the Account will be kept under review with HM Treasury.

## 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 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. The accounts are prepared on a receipts and payments basis (including a Statement of Balances), and are properly presented, with notes to support the receipts and payments statement and the debt position.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, (FReM), 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 Government Financial Reporting Manual (FReM) have been followed, and disclose and explain any material departures in the accounts; and
- prepare the Account on a going concern basis.

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.

Robert Devereux  
Accounting Officer

22 June 2015

# The Social Fund Governance Statement

## 1 April 2014 – 31 March 2015

### Introduction

The administration and governance of the Social Fund during 2014-15 has adapted to changes due to Social Fund reforms and organisational change within the Department.

HM Treasury introduced the following 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 Department's Expenditure Limit (previously Annually Managed Expenditure).

As the Department phases in the new Universal Credit payment, the transition of Social Fund debt recovery from legacy benefit payments to Universal Credit is being managed within the Department's Fraud, Error and Debt programme to ensure timely and efficient recoveries of Social Fund debt continue.

The financial position is closely monitored to ensure any remedial action can be put in place swiftly with the objective of maintaining the solvency of the Fund.

### Delivery

The Social Fund provided over 996 thousand Budgeting Loans and 32 thousand Funeral Expenses Payments in 2014-15.

Additionally, regulated payments included over 66 thousand Sure Start Maternity Grants and around 12.4 million Winter Fuel Payments which were paid to eligible people.

Due to the mild winter Cold Weather Payments remained at a low level this season.

As referred to in the Foreword continued investment in recovery work has once again resulted in over £541 million of debt being recovered in the year. This has a number of positive outcomes;

- i contributes to a reduction in the overall debt stock of £142 million in 2014-15;
- ii allows a repayment of £150 million to HM Treasury; and
- iii ensures the continued solvency of the Fund.

## System of Control

The Corporate Governance Code<sup>1</sup> and *Managing Public Money* describe the role of an Accounting Officer and the need for the Accounting Officer to be responsible for the management and control of the resources used in their organisation. The Governance Statement is a key feature of both the Department's Annual Report and Accounts and the Social Fund White Paper Account. It demonstrates how these duties have been carried out. Completion of the Statement is the responsibility of the Accounting Officer.

This Statement has been endorsed by the Social Fund Management Group and in turn by the Departmental Audit and Risk Assurance Committee (DARAC).

The DARAC sub committee met twice in 2014-15 and was chaired by Non-Executive member Andrew Graham. The Sub-Committee's responsibilities included advice to the Departmental Audit and Risk Committee and Accounting Officer on the comprehensiveness of assurances and integrity of the Social Fund White Paper Account including the accounting policies and the process for review of the accounts prior to submission for audit. At the meeting in November 2014 the sub-committee agreed that with the progress made in addressing significant control challenges there was no longer a need for a separate sub-committee and it was disbanded. The main DARAC resumed responsibility for the Social Fund and the White Paper Account.

The Department's Executive Team, which I chair, has collective responsibility for the management of the Department and its business, in line with Ministers' aims and the business strategy and operational leadership set by the Departmental Board.

Detail of Board activity, membership and attendance is available within the Departmental Annual Report and Accounts.

The DARAC, chaired by a Non-Executive who also sat on the Board, provided an independent view of the appropriateness, adequacy and value for money of our governance, risk management, control and associated assurance processes. The Committee received and reviewed regular updates on our significant control issues. The Departmental Annual Report and Accounts again incorporates updates on these and also provides the required declarations around Board Attendance and that there are no conflicts of interest between the members of the Board and its Committees and the Department.

## Compliance with the Corporate Governance Code

The Department's Board is required to ensure that the Department complies with the provisions in the Corporate Governance Code or, where it has not, explains the reasons for that – the comply or explain approach. The Board is satisfied that the Department has complied with the Code.

The DARAC provides the overall independent view as to the appropriateness, adequacy and overall value for money of the governance, risk, control and associated assurance processes to support the Social Fund White Paper Account.

The Department's Operational Executive Team has also considered Quarterly Internal Audit updates and the Risk, Controls and Compliance Dashboard. Operational Executive Team also receives regular monthly management accounts including financial analysis and oversight of the Social Fund.

---

<sup>1</sup> Corporate Governance in Central Government Departments; Code of Good Practice 2011

## Risk, Controls & Compliance

The Department's Finance Director General has specific accountabilities for Social Fund management to ensure that systems are in place to effectively manage Social Fund risks and provides assurance to the Accounting Officer on the effectiveness of the risk management arrangements through a Letter of Assurance.

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

A dedicated team within Financial Control provide oversight and control over the financial management of the Social Fund and work with a range of stakeholders across the Department to drive financial control improvement activities.

The Independent Case Examiner aims to provide an impartial complaints review and resolution service for decisions made by Social Fund caseworkers. Regulated payments are reviewed through the DWP reconsideration and appeal process.

The Internal Audit Division provides overall assurance over key areas of Departmental performance and during 2014-15 they undertook reviews of a number of Social Fund processes.

## Audit and Other Reports to Management

In previous years the C&AG has issued a report on these accounts. However, as noted in his audit certificate, he has decided not to issue a report on these 2014-15 accounts. This is because, for the second year in a row, he has not qualified his audit opinion.

In 2014-15 the Internal Audit Division undertook a review of Winter Fuel Payment claims, a review of passported debt actions and a review of debt case control procedures.

The review of Winter Fuel Payment claims considered the resources available to manage customer enquiries. This review provided a 'moderate' assurance with the two recommendations focussing on improved use of management information for management decisions; both have been accepted and are under implementation.

The review of passported debt activity found a significant improvement in passported debt referrals once enhanced guidance and improved awareness were delivered. A 'moderate' assurance was given at this time as there were delays in the Fraud & Error Service implementing the learning recommendations.

The final review on debt case controls examined the move of Social Fund Recoveries from Social Fund Operations and into Debt Management and how good management of case controls is significant in the maximisation of recoveries. Overall the report provided a 'moderate' assurance with improvements to the management of case controls; further work is being carried out to review the flexibility of recovery policy and procedures within legislative constraints.

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.

## Risk Assessment

### Regularity

The Department undertook to keep the regularity position under review and ensure further improvements are identified and developed; refinements were identified in the Pensions system with regard to Winter Fuel Payments and will be progressed during 2015-16.

This year's result of the National Audit Office's testing of compliance with Secretary of State directions and regulations demonstrates these improvements have been maintained. The National Audit Office have estimated the value of most likely error to be marginally higher than last year at £2.7 million, 0.1%, (2013-14: £2.4 million, 0.09%). Consequently, the Comptroller and Auditor General has once again not qualified his opinion on regularity within the account.

### Debt

#### *a Debt Reconciliation*

In 2013-14 the substantial work overseen by the Debt Project Board provided assurance of the Social Fund debt balance and the Comptroller & Auditor General did not limit the scope of his audit opinion as he had done in previous years. This year the Debt Project Board has continued oversight of the completeness, existence and valuation of the debt under two broad areas;

##### *i Operational Work*

The main focus of this work is on updating the customer record to ensure accuracy and completeness. Work is continuing with good progress already made.

##### *ii Accounting and Systems-based Work*

The Debt Project Board continues to work the comprehensive plan drawn up to address the issues identified last year. This considers both preventative measures and also routines and processes for timely identification of causes of debt difference where they arise.

The principle that the debt balance is correct on the Social Fund Computer System is used to maintain the supporting account balance.

#### *b Passported Debt*

Passported debt arises when the recipient of a Social Fund grant is no longer eligible due to no longer qualifying for the underlying qualifying benefit. In April 2014 a process for referral of passported debt was implemented in the normal course of business. During the year this has been reported to the Debt Project Board and followed up with local management checks.

### Financial Position

The continued strong performance on loan recovery rates ensured a surplus was generated on the Fund. This allowed for the repayment of £150 million to HM Treasury this year.

The overall solvency of the Fund will remain a risk in coming years and focus will remain on both demand and recovery measures as the debt stock reduces.

Robert Devereux  
Accounting Officer

22 June 2015

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

I certify that I have audited the financial statements of the Social Fund White Paper Account for the year ended 31 March 2015 under the Social Security Administration Act 1992. The financial statements comprise: the Receipts and Payments Account (including the Statement of Balances) and notes relating to receipts and payments and the debt position. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Social Security Administration Act 1992 and HM Treasury directions made thereunder. My responsibility is to audit, certify and report on the financial statements in accordance with the Social Security Administration Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Social Fund and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Social Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword and the Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

## 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.

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the Social Fund for the year ended 31 March 2015; 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 other matters

In my opinion, the information given in the Foreword and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 and the part of the Remuneration Report to be audited 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.

*Sir Amyas C E Morse*  
Comptroller and Auditor General

22 June 2015

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

# Receipts and Payments Account for the year ended 31 March 2015

	2014-15 £000	2013-14 £000
<b>Receipts</b>		
Receipts from the Secretary of State		
Discretionary	0	
Regulated	88,428	
Winter Fuel Payments (Regulated)	<u>2,121,000</u>	
	<b>2,209,428</b>	2,165,250
Repayments of Budgeting Loans	461,812	446,058
Repayments of Crisis Loans	78,695	102,053
Repayments of Funeral Expenses Payments	222	255
Refund of Social Fund Overpayments Discretionary	943	534
Refund of Social Fund Overpayments Regulated	<u>634</u>	<u>808</u>
	<b>2,751,734</b>	<b>2,714,958</b>
<i>Less</i>		
<b>Payments</b>		
<i>Discretionary</i>		
Budgeting Loans	415,935	415,729
Crisis Loans	209	(3,457)
Community Care Grants	1	8,783
<i>Regulated</i>		
Winter Fuel Payments	2,116,906	2,140,081
Funeral Expenses Payments	44,387	44,354
Sure Start Maternity Grants	33,852	37,117
Cold Weather Payments	<u>11,036</u>	<u>8,407</u>
	<b>2,622,326</b>	<b>2,651,014</b>
Excess of receipts over payments prior to repayment	<u>129,408</u>	<u>63,944</u>
<b>Less</b>		
Repayment of surplus funds by SoS to HM Treasury	<u>150,000</u>	<u>114,000</u>
Total excess payments over receipts	<b>20,592</b>	<b>50,056</b>

## Statement of Balances

	2014-15	2013-14
	£000	£000
Opening Balance	<b>90,230</b>	140,286
Excess of payments over receipts	<b>20,592</b>	50,056
Closing Balance	<b><u>69,638</u></b>	<u>90,230</u>

*The notes on pages 14 to 18 form part of this account.*

Robert Devereux  
Accounting Officer

22 June 2015

# Notes to the Account

## 1 Accounting Policies

The Account has been prepared in accordance with section 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 HM Treasury shown as an annex to this Account. The figures for 2013-14 are given for comparison. They are taken from the Account for that year, (House of Commons Paper No. HC 423 of 2014-15).

## 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 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.

Transfer of customer debt is recorded as Payments of Crisis Loans and Budgeting Loans in the Receipts and Payments schedule where the customer has moved to or from Northern Ireland (NI). 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.

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 Social Fund is financed by these recoveries and payments made 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 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.

The balance in the main bank account is £72.8 million as at 31 March 2015. This is primarily due to continued strong recovery of the Social Fund loan debt. A repayment of £150 million was made to HM Treasury during 2014-15 and further repayments of funds are expected to take place in future years.

## 4 Cold Weather Payments

2014-15 saw another mild winter, consequently the total expenditure on Cold Weather Payments was just £11.0 million compared to £8.4 million in 2013-14.

## 5 Statement of Loans

	Budgeting Loans £000	Crisis Loans £000	Total £000
Amount outstanding at 1 April 2014	651,307	422,203	1,073,510
Amount loaned	415,935	209	416,144
Transferred to overpayments	(832)	(364)	(1,196)
Amount recovered	(461,812)	(78,695)	(540,507)
Adjustments and amounts written off	(9,009)	(7,041)	(16,050)
Adjustments and amounts written back	–	–	–
Amount outstanding at 31 March 2015	<u>595,589</u>	<u>336,312</u>	<u>931,901</u>

The amount for loans outstanding at 31 March 2015 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.

Crisis Loan payments have not been payable in Great Britain since April 2013. The £0.2 million shown in Payments is, in the main, for Crisis Loan debt relating to customers transferring from Northern Ireland to Great Britain. Budgeting Loan Payments also includes £0.2 million debt transfer from Northern Ireland.

The amount outstanding also incorporates £0.7 million (26,093 by volume) of loans showing a credit balance. Where we have been unable to trace the customer to make a repayment, the Department will retain the liability for six years. If at that point no repayment has been able to be made, action will be taken to clear the credit balance.

## 6 Age of Loans Analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2015, loans of some £11,894 million have been paid. Over this period, £10,917 million of these loans have been recovered and £69 million written off. This, and other adjustments, leaves a balance of £932 million outstanding at 31 March 2015. 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	148,879	151,373	300,252
Between one year and five years	219,165	184,902	404,067
Less than one year	<u>227,545</u>	<u>37</u>	<u>227,582</u>
	<u>595,589</u>	<u>336,312</u>	<u>931,901</u>

**7 Statement of Funeral Expenses Payments Outstanding**

£000

Amount outstanding at 1 April 2014	8,126
Payments made	44,387
Transferred to overpayments	(29)
Amount recovered	(222)
Adjustments and amounts deemed irrecoverable	(49,169)
Amount outstanding at 31 March 2015	<u>3,093</u>

The treatment of Funeral Expenses Payments debt 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.

**8 Age Analysis of Funeral Expenses Payments Outstanding**

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

**Age of Funeral Expenses Payment**

£000

Five years and over	74
Between one year and five years	2,505
Less than one year	<u>514</u>
	<u>3,093</u>

**9 Impairment of Debt**

All debt balances disclosed in this White Paper Account are unimpaired.

The Social Fund debt is fully consolidated within the 2014-15 Annual Report and Accounts for the Department for Work and Pensions, where the debt is impaired in accordance with Departmental policy. The impairment calculation takes prior year recoveries and write-offs arising in the current year, to project amounts that will be recovered in the following 15 year period. Recoveries and write-offs are analysed by the age of the debt to which they relate and this analysis is used to estimate the value of recoveries in future periods, before being discounted to their present value. 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
Gross debt position	595,589	336,312	3,093
Provision for Impairment	(102,534)	(98,848)	(2,777)
Net debt position	<u>493,055</u>	<u>237,464</u>	<u>316</u>

## 10 Statement of Overpayments

	Regulated £000	Discretionary £000	Total £000
Amount outstanding at 1 April 2014	868	1,220	2,088
New overpayments made	1,759	1,370	3,129
Amount recovered	(634)	(943)	(1,577)
Adjustments and amounts written off	(1,109)	(35)	(1,144)
Amount outstanding at 31 March 2015	<u>884</u>	<u>1,612</u>	<u>2,496</u>

The amount for overpayments outstanding at 31 March 2015 shown in this note is based on the cumulative overpayments which have been identified less the repayments disclosed in the receipts and payments account less accounting adjustments and amounts written off.

Budgeting Loans represent the largest of these overpayments at £0.76 million (31%) with Winter Fuel Payments being the next largest at £0.61 million (25%) the remaining £1.12 million is spread across the other award types with Crisis Loans being the next largest at £0.46 million (19%).

In line with Departmental policy and procedures for the referral of benefit overpayment, Social Fund overpayments are referred to the Department's Debt Management service for recovery. They are also incorporated within the debt disclosed in the Department for Work and Pensions Annual Report and Accounts.

Previous reviews of the potential for omitted debt relating to Winter Fuel overpayments have indicated a low incidence. Further consideration of this during 2014-15 has again not shown any significant degree of omitted debt. The estimate for 2014-15 is a total of £0.7 million for the year.

With effect from April 2014 the Department has had a process in place for identification and referral of omitted debt in the normal course of business.

For Winter Fuel omitted debt and passported debt it was established that there was not a cost-effective means of identifying and recovering this debt and it was agreed with HM Treasury not to pursue debt prior to March 2014.

## 11 Passported Debt

Specific Social Fund Awards, namely Sure Start Maternity Grants, and Cold Weather Payments, (and previously Community Care Grants), are, under normal circumstances, non-recoverable. When, however, an individual's qualifying benefit, (for example Income Support), is withdrawn, then any grant that this benefit 'passport' entitlement to should be treated as an overpayment.

In addition Sure Start Maternity Grants can also be awarded if the claimant is in receipt of particular Tax Credits, (described in the Foreword), administered by HM Revenue & Customs.

These awards, therefore, could result in Passported Debt.

The established process for identifying and recovering any new instances of passported debt is for the business to refer overpayments for decision making and then refer on to Debt Management.

The estimate for passported debt in the year 2014-15 was £0.22 million on Sure Start Maternity Grants, arising from the withdrawal of Department for Work and Pensions (DWP) benefits of £0.2 million and Her Majesty's Revenue and Customs Tax Credits £0.02 million. There was a further £0.03 million of passported debt on Cold Weather Payments for DWP customers.

The Department considers that nearly all of the passported debt shown above would be classified as official error loss with any remaining recoverable amounts being small.

**12 Statement of Losses**

£000

Recoverable loans impracticable to pursue (163,381 cases)	16,050
Claims for recoverable Funeral Expenses Payments abandoned due to insufficient estate (36,743 cases)	49,169
Losses due to irrecoverable overpayments recorded during the year (5,767 cases)	<u>1,144</u>
	<u>66,363</u>

Loans impracticable to pursue are higher than last year (2013-14 £5.33 million) due to improved management information enabling the Department to investigate debt where the customer is deceased. A backlog of cases have been reviewed and written off.

Claims for recoverable Funeral Expenses Payments abandoned due to insufficient estate include payments that may be impossible or unreasonable to pursue.

**13 Statement of Assets and Liabilities**

	Liabilities £000	Assets £000
Government Banking Service		72,794
Social Security Benefits and other Payments Vote	3,873	
Administration and Miscellaneous Services Vote		53
National Insurance Fund		728
Other Government Creditors / Debtors (Net)	64	
Balance of Social Fund at 31 March 2015	<u>69,638</u>	
	<u>73,575</u>	<u>73,575</u>

The Balance of Social Fund represents the cumulative excess of receipts over payments since the inception of the Fund. This balance has been reduced this year by the repayment of £150 million back to HM Treasury as it was no longer required to support the activity of the Fund. The balance is held as current assets or liabilities in the above bank, debtors and creditors accounts.

The main bank account for the Social Fund is the Government Banking Service. The Social Security Benefits and other Payments Vote is money owed to other Benefits.

Robert Devereux  
Accounting Officer

22 June 2015

## Annex

### Accounts Direction given by HM Treasury in accordance with section 167(4) of the Social Security 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 2015 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.
- 3 The format of the statement of account and the disclosure requirements are in the attached schedule.
- 4 The Accounting Officer shall sign the foreword and account.
- 5 The Accounts Direction shall be produced as an annex to the accounts.

*Ross Campbell*  
Deputy Director, Government Financial Reporting  
HM Treasury

5 March 2015

## 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
<b>Receipts</b>			
Receipts from the Secretary of State			
Discretionary			
Regulated			
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>			
<b>Payments</b>			
<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			
<b>Statement of Balances</b>			
		20XX-XX £000	20XX-XX £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

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

DG Ref: 10741

ISBN 978-1-910305-38-6



9 781910 305386