

Social Fund Account 2020-21

Social Fund Account 2020-2021

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

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The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2020, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £926 million.



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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.

Section 168 of the Social Security Administration Act 1992 was changed and came into force on the 23rd July 2019 to include Children's Funeral Fund for England.

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 by January 2022. The report will give a detailed account of the activities and expenditure on the Social Fund for 2020-21.

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.

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. This is for England and Wales with separate arrangements for Scotland under Devolution and therefore payments to Scottish citizens are 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. This is for England and Wales with separate arrangements for Scotland under Devolution and therefore payments to Scottish citizens are 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

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

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>

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 2020-21 this was customers born on or before 5 October 1954.

The total amount payable to a person eligible and under 80 years living alone in their own home was £200 for 2020-21 (£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.

Children's Funeral Fund

The Children's Funeral Fund will pay the fees charged by burial and cremation authorities and some associated expenses related to the funerals of children below the age of 18 and still-born children born after 24 weeks' gestation, when the funeral takes place in England. Payment is non-means tested, and has no nationality or residence requirement.⁶

These payments are wholly administered by Ministry of Justice and, in accordance with HM Treasury direction, are therefore not included in the receipts and payments account, the statement of balances or the associated notes to the account.

COVID-19 Impacts

From 3 April 2020, the Department paused all debt recovery for three months to provide immediate support to keep people in work, protect incomes and support businesses. This included the recovery of Budgeting Loans, Crisis Loans, Funeral Expenses Payments loans, and overpayments of all Social Fund payments.

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

A number of temporary policy and operational changes (also known as easements) were introduced as a result of COVID-19 to deal with the unprecedented surge of new claims and comply with face-to-face capacity restraints resulting from national restrictions.

In practice, this meant we had to ease some of our more stringent checks in order to process claims efficiently and safely while complying with public health guidance.

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

⁶ <https://www.gov.uk/child-funeral-costs/eligibility>

For Social Fund this applied to Funeral Expenses Payments (FEP) and Sure Start Maternity Grants. We have not automatically reverted to the pre-COVID-19 model but have taken the opportunity to continue to transform and improve the way Funeral Expenses Payments are delivered. Please refer to page 9 for more information on the FEP easements.

In addition, due to the uncertainty of the full impact of COVID-19 on demand for Social Fund payments, along with the easements described above, the Department has kept a higher than usual cash surplus within the Social Fund. These impacts are referenced throughout the Account.

Financial Performance

During 2020-21 £239 million (2019-20: £396 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 in receipt of Universal Credit and are not eligible for Budgeting Loans. Recoveries of loans paid back into the Fund during the year were £279 million (2019-20: £459 million) for Budgeting Loans and £10 million (2019-20: £18 million) for recovering Crisis Loans.

During the same period £62 million (2019-20: £34 million) Funeral Expenses Payments were issued, £0.5 million (2019-20: £0.2 million) was recovered and £46 million (2019-20: £30 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 £28 million (2019-20: £26 million) and Winter Fuel Payments costing £1,958 million (2019-20: £1,974 million). The total expenditure on Cold Weather Payments in 2020-21 was £99 million compared to £0.3 million in 2019-20. This was due to a cold spell across much of the country in early February 2021.

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 agents⁷. Adjustments are made to the balances due to and from the paying agents during the normal course of business.

In 2020-21 there has been a £38 million decrease in our debt stock which has generated a surplus position in the Fund. The decline in the balance is impacted by the COVID-19 related drop in recoveries due to the debt recovery pause, but this is offset by the longer-term decline in payment of new loans. This results in a greater value of recoveries than payments and a corresponding reduction in the debt balance. Please refer to note 3 for more information on the debt balance, recoveries and write offs.

⁷The term 'Paying agents' cover both the customer and the funeral director in which we can pay on behalf of the customer to.

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 £312 million, increased by £51 million from £261 million in 2019-20. 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.

We will undertake a thorough analytical review within 2021-22 to assess the impacts of reducing demand and recoveries as customers migrate to Universal Credit. The Department's aim will be, in conjunction with HM Treasury, to ensure 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 Social Fund Account are disclosed before impairment is applied. The gross debt position is £373 million (2019-20: £411 million) of which £78 million (2019-20: £72 million) is impaired in line with the Department's accounting policy. Social Fund debt is fully consolidated within the 2020-21 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.

In response to the COVID-19 pandemic the Department temporarily suspended most claimant debt recovery. The derivation of the expected credit loss has been updated accordingly with the impact being not material. All other evidence and assumptions used to calculate the Department's financial assets impairment are the best available at the time of the assessment.

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

	Budgeting Loans	Crisis Loans	Funeral Expenses Payments	Total
	£'000	£'000	£'000	£'000
Gross debt position	259,257	90,148	23,588	372,993
Provision for Impairment	(13,173)	(57,517)	(6,921)	(77,611)
Net debt position	246,084	32,631	16,667	295,382

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 25). 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 2020-21 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
9 July 2021

The Social Fund Governance Statement 1 April 2020 – 31 March 2021

The Department for Work and Pensions (DWP) Accounting Officer System Statement (AOSS), available on www.gov.uk, 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 2020-21⁸ provides assurance on how the system of control has operated during 2020-21. The statement 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 2020-21.

The System of Control

We are governed by

- the Secretary of State's overall responsibility for the Department and its public bodies;
- 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

There has been specific governance around Social Fund easements either by HM Treasury / Ministerial approval or the Retirement Services Delivery Assurance Board – with decisions noted by Service Delivery Easements Group.

The System of Control also includes the departmental board sub-committees, details of which can be found in the DWP Annual Report and Accounts.

Risk, Controls & Compliance

Easements for Funeral Expenses Payments

In order to provide for the expected rise in Funeral Expenses Payment (FEP) claims and to ensure public expectations were met as a result of the COVID-19 pandemic, we reviewed our processes and policies to enable faster processing, working under a 'Trust and Protect' regime. 'Trust and Protect' is a temporary COVID-19 measure introduced to protect our customers and colleagues whereby we accept the information the claimant provides and seek

⁸ DWP Annual Report and Accounts 2020-21 is available at www.gov.uk

to verify all evidence later when possible. The application of these temporary policy changes resulted in faster processing and increased the capacity for claims processing which enabled FEP decision makers to better keep up with increased demand. All of these COVID-19 driven changes put in place were assessed against four key criteria; Regularity, Propriety, Value for Money and Feasibility. Where compliance with these principles could not be met the proposed change was not implemented. We received appropriate HM Treasury approval for the easements which had the potential to result in additional expenditure and increased risk.

The following easements were agreed:

- FEP – Universal Credit claims – basing the entitlement to FEP based on whether the claimant received the UC award in the previous assessment period instead of waiting until the end of the current assessment period
- FEP – Burial and Cremation costs – On receipt of an invoice or signed contract, the amount claimed is accepted as being ‘reasonable and necessary’ rather than using the invoice/signed contract to check the costs at other locations in the local areas, a lengthy manual process. As a safeguard, any unusual high value awards are subject to further investigation
- FEP – Nearest Relative Test – The customer is required to make a declaration that they are responsible for paying for the funeral and there is no other immediate or close family that is not getting a qualifying benefit. Previously the Department would proactively check that there is no-one else in the immediate or close family that is not in receipt of a qualifying benefit

As agreed with HM Treasury the Department reviewed the effectiveness and financial impact of the temporary changes to policy. Our analysis found no clear evidence to suggest an increased risk of fraud and error. However, if we subsequently identify any such cases we would pursue through the Department’s normal overpayment recovery processes. We saw a very small increase in FEP average awards as fewer cases were restricted on reasonableness grounds. The combined easements were instrumental in reducing processing times from a peak of 50 days to 12.5 days. Feedback from external stakeholders (including Cabinet Office) and claimants has also been resoundingly positive. Consequently, we submitted a request to HM Treasury for the FEP easements to be made permanent. This was approved during Spending Review 21 to move into FEP standard processes.

Easement for Sure Start Maternity Grants

A process was introduced to allow alternative sources of evidence to determine entitlement to SSMG in order to reduce the burden on the health service during the initial stages of the COVID-19 pandemic. Previously, a written signed statement from a healthcare professional was required to confirm that the claimant (or partner) is pregnant or has had a child.

Suitable alternative evidence was available upon which to decide eligibility and payment. This avoided the need to stockpile claims and delay payments for what was an unknown period of time. The easement was assessed as very low risk against increased expenditure or fraud and error. However, if we subsequently identify any such cases we would pursue through the Department’s normal overpayment recovery processes.

Seasonal Payment Service

Winter Fuel Payments were previously administered through multiple benefit systems which required several manual steps to avoid duplicate and erroneous payments. In order to improve efficiency and accuracy a standalone system has been developed, the Seasonal Payment Service (SPS) system successfully delivered Winter Fuel payments for 2020-21. It is also planned to be used for several other annual benefit payments. SPS includes enhanced data matching and eligibility calculations. A new process was also introduced to advise citizens of their payment in advance which was designed to reduce potential over or under payments.

Central Payment System

The Central Payment System (CPS) receives information from the benefit systems and is then responsible for making and recording Social Fund payments to customers. It is also used to record recoveries from benefits to pay off Social Fund loans. In September 2020 we successfully modernised CPS, bringing it up to date with the latest supported software and refreshing every aspect of the underlying technology. The migration project was significant for the Department and followed extensive testing and assurance over the completeness and accuracy of the conversion. We successfully migrated all payments and recoveries with no impact to our customers.

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 2020-2021. 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 2020-21, the NAO estimated the gross level of irregularity within Social Fund benefit payments as £0.661 million (2019-20 £7.7 million). This estimate has an upper error limit of £1.538 million (2019-20 £8.7 million). The estimate includes irregularities in Funeral Expenses Payments and errors arising from non-referral of debt where overpayments have occurred. The reduction in this estimate compared to 2019-20 is largely due to the introduction of a new payment system for Winter Fuel Payments, removing an error estimated at £6.3 million in 2019-20.

We received HM Treasury approval to write off £187,000 Cold Weather Payments made to citizens who are in receipt of Universal Credit but are believed to be resident in residential care homes. The Universal Credit computer system does not currently have the capability to

identify and prevent payments to these ineligible customers. We intend to resolve the issue when Cold Weather Payments move to the Seasonal Payment Service. Unfortunately, this migration has been delayed due to COVID-19.

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 2021-22.

Audit and other reports to management

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

In 2020-21 the GIAA reviewed Budgeting Loans and the Seasonal Payment Service.

Budgeting Loans

The report was issued on the 21 December 2020 and considered assurance over the end to end payment process. It also included the quality and accuracy of management information in supporting effective management and understand performance.

The overall level of assurance was moderate and provided three low and two medium priority recommendations. These focused on improving management information, process controls and resource.

Seasonal Payments Service

The report was issued on 28 January 2021 and considered the effectiveness of the migration of the Winter Fuel Payments Service to the new Seasonal Payments IT platform. The overall level of assurance was moderate and no recommendations were provided.

COVID-19 Impacts

The COVID-19 pandemic has affected the lives of everyone in the country and has had a profound effect on businesses, jobs and unemployment. In response the government took unprecedented action to provide immediate support to keep people in work, protect incomes and support businesses.

As a regular part of the Executive Team meetings, the team discuss external risks to departmental business. As such, the Department and its senior leadership team were well placed to respond quickly to the COVID-19 pandemic and its impact on departmental business. 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 the Department's 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 2020-21 DWP Annual Report and Accounts.

Peter Schofield
Accounting Officer
9 July 2021

The Certificate and Report 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 2021 under the Social Security Administration Act 1992. The financial statements comprise: the Receipts and Payments Account, 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 2021; 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. 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 of 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

In auditing the financial statements, I have concluded that the Social Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Social Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Social Fund is adopted in consideration of the requirements set out in the Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Foreword and the Governance Statement, but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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:

- the parts of the Foreword to be audited have been properly prepared in accordance with HM Treasury directions made under the Social Security Administration Act 1992; 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 have been prepared in accordance with the applicable legal requirements

Matters on which I report by exception

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 material misstatements in the Foreword and the Governance Statement. 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

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 in accordance with the applicable financial reporting framework;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Social Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Social Fund will not continue to be provided in the future

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Social Fund and the Department of Work and Pensions' policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Social Fund and the Department of Work and Pensions' controls relating to the Social Security Administration Act 1992, the Social Security Contributions and Benefits Act 1992, the Social Security Act 1998, other relevant benefit regulations and Managing Public Money.
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and irregular benefit expenditure
- obtaining an understanding of the Social Fund's framework of authority as well as other legal and regulatory frameworks that the Social Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Social Fund. The key laws and regulations I considered in this context included the Social Security Administration Act 1992, the Social Security Contributions and Benefits Act 1992, the Social Security Act 1998, other relevant benefit regulations and Managing Public Money; and
- obtaining an understanding of how the COVID-19 pandemic affected the Social Fund's control environment and identifying where measures taken in response may have resulted in an increased risk of fraud in Social Fund payments and loans

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, Internal Audit and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud and error in Social Fund payments and loans, testing a sample of these to ensure compliance with the relevant laws and regulations

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 13 July 2021

Comptroller and Auditor General

National Audit Office

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SW1W 9SP

Receipts and Payments Account for the year ended 31 March 2021

	2020-21	2019-20
	£000	£000
Receipts		
Receipts from the Secretary of State		
Regulated	178,025	61,372
Winter Fuel Payments (Regulated)	<u>1,967,359</u>	1,970,949
	<u>2,145,384</u>	2,032,321
Repayments of Budgeting Loans	279,447	458,736
Repayments of Crisis Loans	10,244	18,431
Repayments of Funeral Expenses Payments	465	229
Refund of Social Fund Overpayments Discretionary	1,022	1,230
Refund of Social Fund Overpayments Regulated	<u>267</u>	<u>560</u>
	<u>2,436,829</u>	<u>2,511,507</u>
<i>Less</i>		
Payments		
<i>Discretionary</i>		
Budgeting Loans	238,752	396,080
Crisis Loans	(30)	(7)
<i>Regulated</i>		
Winter Fuel Payments	1,957,667	1,974,017
Funeral Expenses Payments	62,486	34,217
Sure Start Maternity Grants	27,905	25,919
Cold Weather Payments	<u>98,763</u>	<u>254</u>
	<u>2,385,543</u>	<u>2,430,480</u>
Excess of receipts over payments prior to repayment	<u>51,286</u>	<u>81,027</u>
<i>Less</i>		
Repayment of surplus funds by SoS to HM Treasury	<u>0</u>	<u>0</u>
Total excess receipts over payments (payments over receipts)	<u>51,286</u>	<u>81,027</u>

Statement of Balances as at 31 March 2021

	2020-21	2019-20
	£000	£000
Opening Balance	260,800	179,773
Excess receipts over payments after repayment to HMT	51,286	<u>81,027</u>
Closing Balance	<u>312,086</u>	<u>260,800</u>

The Notes on pages 21 to 24 form part of this Account.

Peter Schofield
Accounting Officer
9 July 2021

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 2019-20 are given for comparison and are taken from the Account for that year (House of Commons Paper No.573 of 2019-20).

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 2020-21 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

Statement of Loans/FEP

	2020-21			2019-20	
	Budgeting Loans	Crisis Loans	Funeral Expenses Payments	Total	Total
	£000	£000	£000	£000	£000
Amount outstanding at 1 April 2020	302,659	101,535	7,264	411,458	491,916
Amount loaned	238,752	(30)	62,486	301,208	430,290
Transferred to overpayments	(751)	(143)	(26)	(920)	(1,163)
Amount recovered	(279,447)	(10,244)	(465)	(290,156)	(477,396)
Adjustments and amounts written off	(1,956)	(970)	(45,671)	(48,597)	(32,189)
Amount outstanding at 31 March 2021	259,257	90,148	23,588	372,993	411,458

The amount for loans outstanding at 31 March 2021 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 £0.143 million of loans showing a credit balance. This credit represents over recovery, which we will seek to repay to the customer. 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.

The increase in adjustments and write-offs was due to the increase in Funeral Expense Payments due to the COVID-19 pandemic. Consequently, this increase is expected to continue into 2021-22.

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 2021, £14,433 million loans have been paid. Over this period, £13,829 million of these loans have been recovered and £248 million written off. This, and other adjustments, leaves a balance of £373 million outstanding at 31 March 2021. 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:

Age of Loan/Funeral Expenses Payments

	2020-21			Total	19-20
	Budgeting Loans	Crisis Loans	Funeral Expenses Payments		Total
	£000	£000	£000	£000	£000
Five years and over	72,872	90,126	95	163,093	177,157
Between one year and five years	75,718	22	6,906	82,646	34,689
Less than one year	110,667	0	16,587	127,254	199,612
	259,257	90,148	23,588	372,993	411,458

5 Statement of losses

Social Fund losses have been fully disclosed in the Accountability Report within the Department's Annual Reports and Accounts⁹.

6 Statement of assets and liabilities

	Liabilities £'000	Assets £'000
Government Banking Service		299,896
Net balance with the Parliamentary Vote	(11,633)	
Net balance with DWP Administration	(10)	
Net balance with the National Insurance Fund		536
Other Government Creditors / Debtors (NET)	(11)	
Balance of Social Fund	312,086	
	<u>300,432</u>	<u>300,432</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.

⁹ DWP Annual Report and Accounts 2020-21 will be available at www.gov.uk

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 2020-21, the Department has retained a closing bank balance that is larger than usual. We have agreed to work jointly with HM Treasury during 2021-22 to agree an appropriate balance for the coming year.

Events after the Reporting Date

There were no events after the reporting period.

The accounts were authorised for issue on the same date that the Comptroller and Auditor General signed his Certificate.

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 under section 167(4) of the Act in respect of the transactions of the Social Fund, shall be prepared for the financial year ended 31 March 2021 and each subsequent financial year, and 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 relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FRM), 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.

**Michael Sunderland,
Deputy Director,
Government Financial Reporting,
HM Treasury,
26th January 2021**

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 Act. 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 preparation and laying before each House of Parliament of the Secretary of State's annual report on the Social Fund under paragraphs (5) and (6) of section 167 of the Act;
- (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	20XX-XX
	£'000	£'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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