

Social Fund Account 2023-2024

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

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Foreword

Background information

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

1. 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.
2. 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.
3. 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.
4. Winter Fuel Payments were introduced in 1997-98 and in 2023-24 were paid under Social Fund Winter Fuel Payments Regulations 2000, to provide automatic help to pensioner households to assist with fuel bills.
5. The Social Security Act 1998 enables us to recover Social Fund overpayments with effect from April 1998.
6. Section 168 of the Social Security Administration Act 1992 was amended and came into force on the 23rd July 2019 to include Children's Funeral Fund for England.
7. 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.

For 2023-24 there has been the continued modification of the Social Fund Winter Fuel Payment Regulations 2000. The Social Fund Winter Fuel Payment (Temporary Increase) Regulations came into force on 18th September 2023 and extended to England, Wales and Scotland. The regulations temporarily increased the Winter Fuel Payment lump sum by £300 per household for winter 2023-24. This is called the 'Pensioner Cost of Living Payment'.

There has also been an amendment for 2023-24 to The Social Fund Maternity and Funeral Expenses (General) and Social Security (Claims and Payments) (Amendment) Regulations 2023¹ which came into force on 8 June 2023. This amendment applies to people who have been given leave to enter or remain in the United Kingdom from Afghanistan, in connection with the fall of the Afghan

¹ <https://www.legislation.gov.uk/uksi/2023/545/made>

Government, and Ukraine following the Russian invasion of that country. The amendment allows certain people with an existing member of their family aged under 16 at the time of claim more time to claim a Sure Start Maternity Grant. The amendment also removes the requirement that a person must have obtained the advice of a healthcare professional before making a claim for all claimants.

Future Developments

The Winter Fuel Payment (Temporary increase) will not return for 2024-25 and there has also been a change to the Regulations. The Social Fund Winter Fuel Payment Regulations 2024, which were laid on 22 August 2024², limits eligibility to pensioners in England and Wales on the following means tested benefits:

- Pension Credit
- Universal Credit
- income-related Employment and Support Allowance (ESA)
- income-based Jobseeker's Allowance (JSA)
- Income Support
- Child Tax Credit
- Working Tax Credit

The Winter Fuel Regulations for 2024-25 no longer include citizens resident in Scotland as it has been devolved from 1 April 2024. Scottish Government had planned to introduce the Pension Age Winter Heating Payment (PAWHP) as a replacement for Winter Fuel Payment. However, due to the UK Government decision to limit eligibility to means tested benefit claimants it has been agreed the Department will make payments on behalf of the Scottish Government for Winter 2024-25. This will ensure there is no gap in provision of support for vulnerable pensioners in Scotland this year. The payments will mirror the DWP Social Fund Winter Fuel Payment Regulations but will be funded by Scottish Government.

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 2025. The report will give a detailed account of the activities and expenditure on the Social Fund for 2023-24. The Social Fund Annual Reports for 2021-22 and 2022-23 will also be presented at this time.

Categories of payments

In accordance with Devolution alternative arrangements for certain Social Fund categories exist for citizens resident in Scotland. Therefore where expenditure relates to England and Wales only, payments to Scottish citizens are not included in this account.

² The Social Fund Winter Fuel Payment Regulations 2024 ([legislation.gov.uk](https://www.legislation.gov.uk))

Budgeting Loans

Interest free loans are available to customers in receipt of a qualifying benefit³ 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 England and Wales in receipt of a qualifying benefit and who meet the eligibility criteria⁴. The grant is worth £500 in respect of babies due, born, adopted or subject of a parental order on or after 16 June 2003.

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, in England and Wales who are in receipt of a qualifying benefit and meet the eligibility criteria⁵. Funeral Expenses Payments are 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 England and Wales who are in receipt of a qualifying benefit and meet the eligibility criteria⁶. Customers receive payments of £25 for each period of seven consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in the area where the customer lives.

Winter Fuel Payments

Winter Fuel Payments were payable to people of State Pension age who meet the eligibility criteria⁷, regardless of whether they are receiving a Social Security benefit. In 2023-24 this was customers born on or before 25 September 1957.

The total amount payable to a person eligible and under 80 years living alone in their own home was £500 for 2023-24, this includes the 'Pensioner Cost of Living Payment' uplift (£250 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 £600 this year (£300 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 £350 and the person under 80 receives £250.

³ <https://www.gov.uk/budgeting-help-benefits/eligibility>

⁴ <https://www.gov.uk/sure-start-maternity-grant/eligibility>

⁵ <https://www.gov.uk/funeral-payments/eligibility>

⁶ <https://www.gov.uk/cold-weather-payment/eligibility>

⁷ <https://web.archive.org/web/20230819170641/https://www.gov.uk/winter-fuel-payment/eligibility>

Crisis Loans

Repealed in 2013, the Crisis Loan was an interest-free repayable loan for eligible customers to help with essential costs after an emergency or disaster, e.g. a flood or fire in the home⁸. There was no set amount for the loan as it depended on: personal circumstances, savings and/or whether a loan had already been taken out through the Social Fund.

Children's Funeral Fund

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.⁹

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. Before 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.

Financial Performance

During 2023-24 £261 million (2022-23: £278 million) of recoverable Budgeting Loan payments were issued. Recoveries of loans paid back into the Fund during the year were £297 million (2022-23: £322 million) for Budgeting Loans.

For 2023-24 there is an adjustment to Crisis Loan payments of £12,000 due to customers moving to Northern Ireland from Great Britain¹⁰ and £13 million (2022-23: £19 million) was recovered for historic Crisis Loans.

During the same period £52 million (2022-23: £46 million) Funeral Expenses Payments were issued, £0.5 million (2022-23: £0.6 million) was recovered and £51 million (2022-23: £46 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 £24 million (2022-23: £25 million) and Winter Fuel Payments costing £4,655 million (2022-23: £4,566 million). Citizens entitled to a Winter Fuel Payment in 2023-24 have received a 'Pensioner Cost of Living Payment' which is an extra £300 per household to help as part of the cost of living support package.

⁸ <https://webarchive.nationalarchives.gov.uk/ukgwa/20121102165322/https://www.gov.uk/crisis-loans/overview>

⁹ <https://www.gov.uk/child-funeral-costs/eligibility>

¹⁰ Please refer to Note 2 in 'Notes to the Account'

The total expenditure on Cold Weather Payments in 2023-24 was £30 million compared to £140 million in 2022-23. This was due to having a milder winter and therefore significantly fewer cold weather periods which triggered a payment.

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 agents¹¹. Adjustments are made to the balances due to and from the paying agents during the normal course of business. Regulated Drawdown from Secretary of State in 2023-24 was £94 million (2022-23: £203 million) this reduction was mainly due to fewer Cold Weather Payment triggers.

In 2023-24 there has been a £52 million decrease in the debt stock. This is due to recovery of debts from customers who are not taking out additional loans because of the diminishing size of the eligible customer base as they migrate over to Universal Credit and are no longer eligible for Budgeting Loans and Crisis 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.

The closing balance on the Fund is £135 million, which has decreased by £399 million from £534 million in 2022-23. The surplus cash had accumulated over a number of years due to recoveries exceeding payments and there were no repayments to HM Treasury in recent years.

Following extensive analysis and discussions with HM Treasury, the Department and HM Treasury jointly agreed a repayment of £350 million which was paid in March 2024. The treatment of any surplus funds is to be kept under review with HM Treasury. The Department's aim is to ensure, in conjunction with HM Treasury, 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 £192 million (2022-23: £243 million) of which £48 million (2022-23: £52 million) is impaired in line with the Department's accounting policy. Social Fund debt is fully consolidated within the 2023-24 DWP Annual Report and Accounts¹² (see note 14).

In line with the Department's recovery policy, debt is only written off in very limited circumstances. The Department's write off policy has been agreed with HM Treasury.

All evidence and assumptions used to calculate the Department's financial assets impairment are the best available at the time of the assessment.

¹¹ The term 'Paying agents' cover both the customer and the funeral director which the Department can pay on behalf of the customer for Funeral Payments.

¹² DWP Annual Report and Accounts 2023-24 is available at www.gov.uk.

The impact of impairment on Social Fund debt excluding overpayment debt is illustrated in the following table¹³:

| | Budgeting Loans | Crisis Loans | Funeral Expenses Payments | Total |
|--------------------------|-----------------|--------------|---------------------------|----------|
| | £'000 | £'000 | £'000 | £'000 |
| Gross debt position | 123,624 | 39,684 | 28,421 | 191,729 |
| Provision for Impairment | (11,984) | (10,708) | (25,176) | (47,868) |
| Net debt position | 111,640 | 28,976 | 3,245 | 143,861 |

A customer may have multiple Budgeting Loans up to a maximum of £1,500 and to ensure repayments are affordable an individual payment plan is agreed with each customer. This means that it can take many years for loans to be recovered. Whilst the Department seeks to recover all outstanding debt, it is acknowledged that due to the age of some of the debt stock and the quality of information to support the debt and changes in customers' circumstances, not all debts may be recovered. In addition, for Funeral Expense Payments, recovery from the deceased's estate is not always possible in full and therefore the reason for impairment is due to the large number of loans written off where there is no estate to recover from. The Department believes that the impairment fairly reflects the collectability of the debt stock.

¹³ Please note the Social Fund debt reported in the DWP ARA Note 14 (£193m) differs slightly from this table, largely because the ARA includes Social Fund overpayments (£1.3m).

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 26). 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 analysis of age 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, 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 the 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 2023-24 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.

Sir Peter Schofield KCB
Accounting Officer
4 December 2024

The Social Fund Governance Statement

1 April 2023 – 31 March 2024

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 2023-24¹⁴ provides assurance on how the system of control has operated during 2023-24. 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 2023-24.

The System of Control

The Department is governed by:

1. the Secretary of State's overall responsibility for the Department and its public bodies;
2. 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
3. the Departmental Board's collective responsibility for advice on strategic and operational issues, and for scrutinising and challenging policies and performance

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

Risk, Controls & Compliance

The Department is monitoring and reviewing stored loan records and associated document retention policies to ensure compliance with General Data Protection Regulation (GDPR). Issues are discussed at the Data Protection Governance Board. There have been no referrals to the Information Commissioners Office in respect of the Social Fund.

Information Security

The Department had previously recognised the retention policy for GDPR could be enhanced to ensure adequate supporting customer records are retained to evidence and explain decisions. Consequently, in March 2023 the Data Protection Governance Board approved an increase to the retention period for supporting records to 24

¹⁴ DWP Annual Report and Accounts 2023-24 is available at www.gov.uk

months from the last outstanding activity. The Department formally updated the Information Management Policy (IMP) for Customer Records to 24 months as standard on 11 March 2024 on all new records. The Department recognises the legal obligation to retain supporting customer records to support decisions and considers the new policy of 24 months to be an appropriate period to comply with GDPR and Companies Act 2006.

Actions to address Regularity Error

Following the identification of errors during the audit of 2021-22 Winter Fuel Payment exercise the Department scaled up the continuous improvement process for the Seasonal Payment Service. There was a significant reduction in volumes and causes of error found during testing of the 2022-23 and 2023-24 payments, which the Department attributes to the improvements made.

There has been considerable work across the Department to iteratively improve the accuracy of Winter Fuel payments since the Seasonal Payment Service was introduced. The Department has invested significantly in improvements to data latency and system functionality, which it believes has had a positive impact on the accuracy of payments, showing sustained improvement. Improvements to case worker education and system restriction implemented in 2022-23 also made a substantial positive impact to accuracy. The Department also write to customers in advance to explain the payment decision and circumstances upon which it is based. This enables them to query and update information to ensure the correct amount of Winter Fuel Payment is paid.

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 2023-2024. There are no further specific Social Fund risks or control issues to report.

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.

Audit and other reports to management

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

There was one GIAA review relating to the Social Fund in 2023-24 which is the Winter Fuel Payments, Stage 2.

Winter Fuel Payments

Following on from the Government Internal Audit Agency report on Winter Fuel Payments that DWP commissioned in 2022-23, a subsequent GIAA report was commissioned for 2023-24. The follow up audit was limited to reviewing the additional

controls and improvement activities that DWP management had been able to plan and design since the Stage 1 audit.

The results were issued in December 2023 and the overall level of assurance was moderate with one medium priority recommendation and three low priority recommendations. These focused on enhancing controls with full performance measure reporting put in place linked to the Implementation Plan to track the effects of improvement activity against the recommendations from the 2022-23 NAO audit.

Assessing 2023-24 Regularity of expenditure (subject to audit)

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 Department's Quality Assurance Framework (QAF) aims to drive a consistent approach across the Department to improve service delivery and target improvements to the quality of service delivered to customers.

As part of the annual audit of the Social Fund White Paper Account, testing of payments was carried out to check for compliance with the Secretary of State directions and regulations. This is to provide an estimate of the level of irregularity in Social Fund payments. In 2023-24 the gross level of irregularity within Social Fund benefit payments is estimated to be £40.527 million (2022-23: £50.026 million) which is less than 1% of total Social Fund expenditure.

Winter Fuel Payments

The majority of the estimate relates to errors found in Winter Fuel Payments which is estimated to represent £40 million. This is 0.9%¹⁵ of WF expenditure in 2023-24, compared with 1.1% in 2022-23 and 2.6% in 2021-22. During testing of a sample of payments made in 2023-24, some overpayments were identified. These were where some eligible customers were paid more than they were entitled to or where payments had been made to customers who were not eligible for any payment. Of 11m Winter Fuel Payments made in 2023-24, 501 were tested and six errors identified. These errors were due to delays in address updates, customer address error and a system data update after qualifying week.

Other Social Fund Payments

Errors found in the regularity testing of Funeral Expense Payments related to incorrect treatment of items in the deceased's estate in the award calculation. This is estimated to represent £0.527 million of underpayments (2022-23 £0.837 million of overpayments) or less than 1% of total payments in 2023-24.

The Information Management Policy for Customer Records in place during 2023-24 was 14 months (see page 9 for more detail). This policy resulted in the deletion of 28% (33% in 2022-23) of records from the beginning of the financial year and therefore a full set of evidence to support the regularity of some Funeral Expenses Payments could not be provided for audit.

¹⁵ With a lower bound of 0.2% and an upper bound of 1.7% at a 95% confidence interval

Regularity errors were not identified during testing of Budgeting Loans.

Losses and Special Payments (subject to audit)

Following HM Treasury approval, £193,182 of estimated Cold Weather Payments relating to 2023-24 were written off. These payments were 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 facility to identify and prevent payments to these ineligible customers and therefore they are deemed overpayments which cannot be recovered. This will be rectified when Cold Weather Payments move to the Seasonal Payment Service.

DWP has also identified a small cohort of European Union citizens resident in the EU and in receipt of a UK benefit, who are not expressly covered by Title III of Part Two of the Withdrawal Agreement and there is currently no statutory basis for payment. One of these benefits identified is Winter Fuel Payments and the estimated cost in 2023-24 is £99,880. These ex-statutory payments are disclosed in the Annual Report and Accounts¹⁶.

Sir Peter Schofield KCB
Accounting Officer
4 December 2024

¹⁶ DWP Annual Report and Accounts 2023-24 is available at www.gov.uk

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

Opinion on financial statements

I certify that I have audited the financial statements of the Social Fund for the year ended 31 March 2024 under section 167(4) of the Social Security Administration Act 1992.

The financial statements comprise:

- the Statement of Balances as at 31 March 2024;
- the Receipts and Payments Account for the year ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the Social Security Administration Act 1992 as interpreted by the Accounts Direction issued by HM Treasury thereunder.

In my opinion, the financial statements:

- properly present the balance on the Social Fund as at 31 March 2024 and its receipts and payments for the year ended; and
- 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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Social Fund and the Department for 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.

Other information

The other information comprises information included in the Foreword, Statement of Accounting Officer's Responsibilities, and the Social Fund Governance Statement but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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, based on the work undertaken in the course of the audit:

- the parts of the Social Fund Governance Statement subject to audit have been properly prepared in accordance with HM Treasury directions made under the Social Security Administration Act 1992;
- the information given in the Foreword, Statement of Accounting Officer's Responsibilities and the Social Fund Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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, Statement of Accounting Officer's Responsibilities or the Social Fund 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 by the Social Fund or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Social Fund 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons involved with the financial reporting process for the Social Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements and the Foreword, Statement of Accounting Officer's Responsibilities and the Social Fund Governance Statement which are in accordance with the applicable financial reporting framework; 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 either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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 section 167(4) of 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Social Fund's accounting policies.
- inquired of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to the Social Fund's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Social Fund and Department for Work and Pension's controls relating to the Social Fund and the Department's compliance with the Social Security Administration Act 1992, Managing Public Money and benefit legislation and regulations relevant to the Social Fund;
- inquired of management, the Government Internal Audit Agency and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and involving relevant internal specialists engaged on statistical methodology, coding and IT audit, regarding

how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Social Fund for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, bias in management estimates and irregular Social Fund payments and loans. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Social Fund's framework of authority and other legal and regulatory frameworks in which the Social Fund operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in 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 Social Security Administration Act 1992, Managing Public Money, and other benefit legislation and regulations relevant to the Social Fund.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Departmental Audit and Risk Assurance and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Departmental Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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 assess compliance with the relevant laws and regulations and to evaluate the level of error and non-compliance.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists 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.

Other auditor's responsibilities

I am required to obtain sufficient appropriate evidence 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.

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 I identify during my audit.

Gareth Davies
Comptroller and Auditor General

7 December 2024

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

Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1 The Department for Work and Pensions (the Department) is responsible for managing the Social Fund under the Social Security Administration Act 1992. Under the Social Fund Winter Fuel Payment Regulations 2000, the Department is responsible for paying Winter Fuel Payments to eligible claimants.

2 The Social Fund White Paper Account (the Account) is a White Paper Receipts and Payments Account administered by the Department in accordance with the directions issued by HM Treasury under the Social Security Administration Act 1992. This directs that Winter Fuel Payments should be included in the Account.

The purpose of my report

3 The purpose of this report is to:

- explain the circumstances which led me to conclude that the qualification of my audit opinion on the regularity of the Social Fund White Paper Account that has been necessary in recent years is not required for 2023-24; and
- provide a brief update on actions taken by the Department to reduce the level of irregularity in Winter Fuel Payments.

Opinion on regularity

4 In 2023-24, the Department paid £4.7 billion in Winter Fuel Payments. These payments are made to eligible pensioners in accordance with the Social Fund Winter Fuel Payment Regulations 2000, which outline the criteria for eligibility and value of payments. Entitlement is largely determined by residential status (including whether customers live alone or in care homes). The Department relies on the accuracy of existing customer address data it holds to determine eligibility for awarding automatic Winter Fuel Payments.

5 To estimate the gross irregularity in these payments, the Department performed a sampling exercise to test a selection of cases and extrapolated the results of this testing over the Winter Fuel Payments population. My audit approach for this estimate comprised selecting and re-performing testing for a sample of cases from the Department's exercise to assess whether I could rely on the results of this work as input data for the irregularity estimate. I also performed procedures to:

- evaluate the method and mechanics of the Department's extrapolation; and
- assess the uncertainty of its estimate of the level of irregularity within the Winter Fuel Payments population.

From this work, the best estimate of irregularity in Winter Fuel Payments is £40 million (0.9% of total Winter Fuel Payment expenditure). I do not consider the estimated error in Winter Fuel Payments to be material to my regularity opinion.

Actions to reduce Winter Fuel Payment irregularity

6 Material irregularity in Winter Fuel Payments was first identified in 2021-22, at 2.6% of Winter Fuel Payment expenditure. Since then the estimated irregularity has declined each year to 1.1% in 2022-23 and 0.9% this year. The Department attributes the reduction in error to control improvements made in the last two years, as explained in the Social Fund Governance Statement on page 9.

7 I consider the key control improvements the Department has made to be:

- the recording of better quality address data used to more accurately determine the residential status of customers;
- improved accuracy and timeliness of customer data in the award calculation; and
- system-mandated review of manual calculations.

These improvements have contributed to the declining rate of regularity error in Winter Fuel Payments since 2021-22.

Changes to Winter Fuel Payment legislation

8 The Social Fund Winter Fuel Payment Regulations 2024 will be effective for the 2024-25 financial year. Under this new legislation, only residents of England and Wales who have reached State Pension Age by the end of the qualifying week and are entitled to a qualifying benefit or Tax Credit will be eligible for a Winter Fuel Payment. In light of these changes, I will assess my approach for considering the risk of material irregularity in Winter Fuel Payments during my 2024-25 audit of the Social Fund White Paper Account.

Receipts and Payments Account for the year ended 31 March 2024

| | 2023-24 £000 | 2022-23 £000 |
|---|------------------|------------------|
| Receipts | | |
| Receipts from the Secretary of State | | |
| Discretionary | 0 | 0 |
| Regulated | 93,651 | 203,168 |
| Winter Fuel Payments (Regulated) | <u>4,567,486</u> | <u>4,666,261</u> |
| | 4,661,137 | 4,869,429 |
| Repayments of Budgeting Loans | 296,602 | 322,367 |
| Repayments of Crisis Loans | 12,707 | 18,702 |
| Repayments of Funeral Expenses Payments | 539 | 583 |
| Refund of Social Fund Overpayments Discretionary | 688 | 1,130 |
| Refund of Social Fund Overpayments Regulated | <u>632</u> | <u>365</u> |
| | 4,972,305 | 5,212,576 |
| <i>Less</i> | | |
| Payments | | |
| <i>Discretionary</i> | | |
| Budgeting Loans | 260,601 | 277,699 |
| Crisis Loans | (12) | 8 |
| Community Care Grants | 0 | 0 |
| <i>Regulated</i> | | |
| Winter Fuel Payments | 4,654,950 | 4,566,343 |
| Funeral Expenses Payments | 51,771 | 46,177 |
| Sure Start Maternity Grants | 23,674 | 25,353 |
| Cold Weather Payments | <u>29,996</u> | <u>139,825</u> |
| | 5,020,980 | 5,055,405 |
| Excess receipts over payments / (payments over receipts) | <u>(48,675)</u> | <u>157,171</u> |
| <i>Less</i> | | |
| Repayment of surplus funds by Secretary of State to HM Treasury | <u>350,000</u> | <u>0</u> |
| Total excess receipts over payments / (payments over receipts) | (398,675) | 157,171 |

Statement of Balances as at 31 March 2024

| | 2023-24 £000 | 2022-23 £000 |
|---|-----------------|-----------------|
| Opening Balance | 534,080 | 376,909 |
| Excess receipts over payments after repayment to HMT | (398,675) | 157,171 |
| Excess of Payments over receipts after repayment to HMT | 0 | 0 |
| Closing Balance | <u>135,405</u> | <u>534,080</u> |

The Notes on pages 22 to 25 form part of this Account.

Sir Peter Schofield KCB
Accounting Officer
4 December 2024

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 2022-23 are given for comparison and are taken from the Account for that year (House of Commons Paper No.263 of 2022-23).

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. The Department continues to pay Budgeting Loans to customers on legacy income related benefits and Pension Credit. The Department plans to replace legacy benefits with Universal Credit by the end of 2028. There will be a corresponding reduction in the volume of Budgeting Loans issued leaving only customers eligible through Pension Credit.

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 2023-24 these transfers have resulted in a small negative payment relating to Crisis Loans due to customers transferring to Northern Ireland from Great Britain.

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. Budgeting Loans are financed by these recoveries and, the Regulated Fund is financed by the Secretary of State. In addition, section 78(4) of the Act provides that payments to meet funeral expenses may be recovered from the estate of the deceased.

3. Statement of Loans and Funeral Expenses Payments

| | Budgeting Loans | 2023-24 | | Total | 2022-23 |
|-------------------------------------|--------------------|-----------------|---------------------------------|-----------|-----------|
| | | Crisis Loans | Funeral Expenses Payments | | Total |
| | £000 | £000 | £000 | £000 | £000 |
| Amount outstanding at 1 April 2023 | 161,816 | 53,404 | 28,130 | 243,350 | 310,852 |
| Amount loaned | 260,601 | (12) | 51,771 | 312,360 | 323,884 |
| Transferred to overpayments | (617) | (49) | (187) | (853) | (1,171) |
| Amount recovered | (296,602) | (12,708) | (538) | (309,848) | (341,652) |
| Adjustments and amounts written off | (1,574) | (951) | (50,755) | (53,280) | (48,563) |
| Amount outstanding at 31 March 2024 | 123,624 | 39,684 | 28,421 | 191,729 | 243,350 |

The amount for loans outstanding at 31 March 2024 shown in this note is based on cumulative loans and repayments disclosed in the Receipts and Payments Account minus accounting adjustments and amounts written off. The statement of loans reflects the gross total debt balance before impairment, not all of which are considered 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 to Northern Ireland from Great Britain.

The amount outstanding also incorporates £299,000 of loans showing a credit balance. This credit represents over recovery, which the Department will seek to repay to the customer. Where it is 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 2023-24 adjustments and write offs was mainly due to a higher volume of Funeral Expense Payment write offs which is in line with the increased volume of Funeral Expense Payments.

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 2024, £15,422 million loans have been paid. Over this period, £14,847 million of these loans have been recovered and £396 million written off. This, and other adjustments, leaves a balance of £192 million outstanding at 31 March 2024. 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 the age of loans and Funeral Expenses Payments outstanding is summarised below:

| | 2023-24 | | | Total | 2022-23 |
|---------------------------------|--------------------|-----------------|---------------------------------|----------------|----------------|
| | Budgeting Loans | Crisis Loans | Funeral Expenses Payments | | Total |
| | £000 | £000 | £000 | £000 | £000 |
| Five years and over | 43,534 | 39,683 | 2,797 | 86,014 | 102,025 |
| Between one year and five years | 19,130 | 1 | 16,501 | 35,632 | 49,879 |
| Less than one year | 60,960 | 0 | 9,123 | 70,083 | 91,446 |
| | <u>123,624</u> | <u>39,684</u> | <u>28,421</u> | <u>191,729</u> | <u>243,350</u> |

5. Statement of losses

| | Volume | £'000 |
|-------------------------------|---------------|---------------|
| Funeral Expense Payments | 26,437 | 50,755 |
| Budgeting Loans/Crisis Loans | 20,005 | 2,525 |
| Overpayments | 10,983 | 3,120 |
| Cold Weather Payment Estimate | 7,727 | 193 |
| Total | 65,152 | 56,593 |

DWP write off funeral expense payments when there are not enough assets in the estate to recover the loan.

Budgeting and crisis loans which can't be recovered are also written off subject to strict criteria.

Overpayments which cannot be recovered are also subject to write off under stringent policies agreed with HM Treasury

This year the Department also wrote off non recoverable Cold Weather Payments which it estimates were made to Universal Credit customers in Care Homes. More detail on losses due to irregular payments can also be found in the Governance Statement on page 12 of this account.

6. Statement of assets and liabilities

| | Liabilities £'000 | Assets £'000 |
|--|----------------------|-----------------|
| Government Banking Service | | 130,443 |
| Net balance with the Parliamentary Vote | | 4,593 |
| Net balance with DWP Administration | | 0 |
| Net balance with the National Insurance Fund | | 387 |
| Other Government Creditors / Debtors (NET) | 18 | |
| Balance of Social Fund | 135,405 | |
| | 135,423 | 135,423 |

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

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

A minimum balance is kept in the bank as a contingency; this is currently set at £25 million with the approval of HM Treasury. Following discussions with HM Treasury DWP returned £350m to the consolidated fund in 2023-24, leaving a balance of £135m. To mitigate the risk of having insufficient cash in the future HM Treasury has agreed to discuss a new minimum balance for the Social Fund bank account, aiming to resolve this in time for the end of the 2024-25 financial year.

Events after the Reporting Date

There were no events after the reporting period.

The Accounting Officer authorised these financial statements 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 2023 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 (FReM), in so far as it applies to a receipts and payments account, and any other guidance issued by HM Treasury, as amended or augmented from time to time.
4. The format of the statement of account and the disclosure requirements are in the attached schedule.
5. The Accounting Officer shall sign the foreword and account.
6. The Accounts Direction shall be produced as an annex to the accounts.

Charlotte Goodrich
Deputy Director,
Government Financial Reporting,
HM Treasury,
26 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

| £'000 | 20XX-XX £'000 | 20XX-XX £'000 |
|--|------------------|------------------|
| Receipts | | |
| Receipts from the Secretary of State | | |
| Discretionary | | |
| Regulated | | |
| Winter Fuel Payments (Regulated) | | |
| Repayments of Budgeting Loans | | |
| Repayments of Crisis Loans | | |
| Repayments of Funeral Expenses Payments | | |
| Refund of Social Fund Overpayments Discretionary | | |
| Refund of Social Fund Overpayments Regulated | | |
| <i>Less</i> | | |
| Payments | | |
| <i>Discretionary</i> | | |
| Budgeting Loans | | |
| Crisis Loans | | |
| Community Care Grants | | |
| <i>Regulated</i> | | |
| Winter Fuel Payments | | |
| Funeral Expenses Payments | | |
| Sure Start Maternity Grants | | |
| Cold Weather Payments | | |
| Excess of receipts over payments/ (Excess of payments over receipts) prior to repayment | | |
| <i>Less</i> Repayment of Surplus Funds by Secretary of State to HM Treasury | | |
| Total Excess of receipts over payments/ (Excess of payments over receipts) after repayment | | |

Statement of Balances

| | 20XX-XX £'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.

