

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

Social Fund Account 2003-2004

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JUNE 2005

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Foreword

Background information

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

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

Legislation was introduced with effect from April 1998 that allowed the recovery of Social Fund overpayments.

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

Categories of payment

Budgeting Loans

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

Crisis Loans

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

Community Care Grants

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

Maternity Payments and Sure Start Maternity Grants

2000-2001 saw the abolition of the Social Fund Maternity Payment scheme, which had been in existence since 1987, and its replacement by the Sure Start Maternity Grant scheme. The Sure Start Maternity Grant was introduced on 27 March 2000, it is available to families receiving Income Support, Jobseekers Allowance (Income Based), Working Tax Credit and Child Tax Credit for each child expected, born or the subject of a parental order on or after 11 June 2000. Rather than ceasing Maternity Payments and introducing Maternity Grants on one day, the two benefits ran in parallel until the end of the last possible claim period for Maternity Payment (10 September 2000). Initially worth £200 (double the old Maternity Payment), the Grant increased to £300 from 17 September 2000 in respect of babies due, born, adopted or subject of a parental order on or after 3 December 2000, and to £500 with effect from 31 March 2002 for expectant mothers with an expected week of confinement on or after 16 June 2002.

Funeral Expenses Payments

Payments to help with the cost of a funeral may be made to customers or to their partners, who are in receipt of Income Support or Jobseekers Allowance (Income Based), Working Tax Credit, Disability Working Allowance, Child Tax Credit, Housing Benefit or Council Tax Benefit. Payments are normally recoverable from the estate of the deceased, even if the estate is not fully sufficient to permit full recovery.

Cold Weather Payments

Customers in receipt of Income Support or Jobseekers Allowance (Income Based), with a pension or disability or disabled child premium or with a child under five years of age receive payments of £8.50 for each period of seven consecutive days during which the average temperature was or was forecast to be 0 degrees Celsius or below in the areas where customers live.

Winter Fuel Payments

The Winter Fuel Payments scheme was introduced by the Secretary of State by Regulations made in exercise of powers conferred by section 138(2) of the Social Security Contributions and Benefits Act 1992. These regulations, which came into force on 16 January 1998, allowed for payments to pensioner households, where a qualifying benefit was payable to one or more persons in that household for at least one day in the qualifying week. The qualifying week is usually in September. (In 2003-2004 the qualifying period was week commencing 15 September.)

The European Court of Justice announced on 16 December 1999 that the Winter Fuel Payments scheme discriminated against men between the ages of 60 and 64.

Following the judgement, the Government decided that help through Winter Fuel Payments would be extended to people aged 60 or over and ordinarily resident in Great Britain or Northern Ireland, regardless of whether they are receiving a social security benefit.

Where there is only one person in the household who is entitled, the full Winter Fuel Payment is paid. If there are other people in the household who qualify, the lower level of Winter Fuel Payment is paid to each qualifying person.

Financial performance

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

During 2003-2004 £615 million of recoverable loans were issued, which added to the debt owed to the Fund. Recovery of loans to the Fund during the year were £531 million against original forecast recoveries of £519 million.

The Social Fund closing balance will vary from year to year but the policy intention is to maintain within the Fund a minimum standing balance of £15 million. This balance, which was set by Treasury in 1988, represents a contingency to ensure that the Fund does not go into deficit. The purpose of the balance target is to ensure that should the level of recoveries not be as high as forecast, or should there be an unexpected surge in Cold Weather payments, which becomes apparent too late to be dealt with by Supplementary Estimates, these can be contained within the Fund.

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

The standing balance on the account has increased to £126 million. Any in year overfunding of the discretionary payments is adjusted for in the following year.

Secretary of State's report

The Secretary of State is required by section 167(5) and (6) of the Social Security Administration Act 1992 to prepare an annual report on the Social Fund and to lay a copy of the report before each House of Parliament. The latest annual report (Command 5807) was presented to Parliament in July 2004 and gives a detailed account of the activities and provisional expenditure on the Social Fund for 2003-2004.

Basis of preparation of Accounts

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

Audit arrangements

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

Statement of Accounting officer's responsibilities

The Treasury has appointed me, the Permanent Secretary of the Department for Work and Pensions, as the Accounting Officer for the Social Fund. The relevant responsibilities of the Accounting Officer, including my responsibility for the propriety and regularity of the public finances for which I am answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Sir Richard Mottram
Accounting Officer

20 May 2005

Statement on the System of Internal Control

Scope of responsibility

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

The Social Fund is operated within Jobcentre Plus, an executive agency of the Department for Work and Pensions and as such operates under their internal control environment. The Fund is administered through the national network of Jobcentre Plus offices. Responsibility for Social Fund processing and delivery lies with the Jobcentre Plus Chief Operating Officer (COO) who has responsibility for field directorates, whilst policy, change impact and improvements to the Fund fall under the remit of the Director of Product and Business Design. Both of the above are Jobcentre Plus Board Directors.

The Fund also carries out work on behalf of the Pensions Agency. The processing of this work is carried out within Jobcentre Plus and once again adheres to their system of internal control.

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

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of Social Fund policies, aims and objectives. It also seeks to evaluate the likelihood of those risks being realised, the resultant impact, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Social Fund for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Risk management within the Social Fund has been strengthened by the actions undertaken by Jobcentre Plus across the agency. The processes and procedures supporting risk management and internal control have been progressed through 2003-2004 with the programme of work being monitored through the Jobcentre Plus and Working Age Client Group Corporate Governance Committee.

The Jobcentre Plus Board now operate a strategic level Risk Register. This register captures the high level risks that threaten the continued success of Jobcentre Plus. The Board have endorsed the register, have taken individual ownership of the risks and agreed a formal process and procedure for reviewing and managing the Agency's Corporate Risks.

The Board will actively manage the register through bi-monthly review, which requires them to raise any new risks that they have identified as requiring Board involvement and to report to their peers on progress in managing the risks that they individually and collectively own. Strategic risks to Social Fund operations are raised and managed at Board level in this way through the appropriate Jobcentre Plus Board Director.

Jobcentre Plus has ensured that all staff key to progressing the risk management agenda in the organisation have received training in managing risk. This group includes the Governance Manager network and those tasked with business planning. Each Field and National Tier Directorate within Jobcentre Plus, including those in which the Social Fund operates, have a Governance Manager or Governance Lead and these have received training on risk management and the wider governance agenda.

Risk management has been supported by comprehensive guidance, training and network groups, and has been incorporated into the Jobcentre Plus manager development framework. Although delays in converting the event into a 'blended learning' format have meant that this new intervention will not now be available to all staff until September 2004, training, education and awareness interventions are delivered through the Governance Manager network.

The risk and control framework

Jobcentre Plus has in place a Risk Management Strategy, which outlines its approach to risk, the benefits of effective risk management and the Board's involvement in the risk management process. The Jobcentre Plus Board has endorsed the Strategy, which has been implemented and communicated to staff via the Intranet.

The Jobcentre Plus strategic risks are identified, owned, and reviewed by the Board. As part of the Board's review of risks they carry out an evaluation of the risk based on Impact and Likelihood criteria in line with the principles laid out in the DWP Risk Management Framework. Where necessary the Board will request further work to bring the profile down to a level acceptable to their 'risk appetite'. The Jobcentre Plus risk appetite is determined by assessing the impact of the risk on key areas of the business. These would be: achievement of Performance and Resource Agreement (PRA) targets, misappropriation of funds, security of assets and compliance with legislation.

Risk management is embedded within the organisation through a risk-based business planning process, which identifies key risks to the achievement of business priorities using the evaluation criteria outlined above. The Social Fund business priorities are captured within their Directorate Business Plans, formulated in line with Jobcentre Plus planning guidance.

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

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

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the Internal Assurance Service, Jobcentre Plus and WACG Governance Division, and the executive managers within Jobcentre Plus who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Jobcentre Plus Board and the Jobcentre Plus and Working Age Client Group Corporate Governance Committee and plan to address weaknesses and ensure that continuous improvement of the system is in place.

The Corporate Governance Committee encourage and promote sound Governance practices and procedures across Jobcentre Plus and WACG. They act as audit committee for the Agency, working with the Department's Internal Assurance Service to focus audit resource on the areas of the business at greatest risk.

Jobcentre Plus has in place a Stewardship Reporting system that requires Directors to provide a Letter of Assurance based on their accountabilities. These letters are an assurance from Directors that key accountabilities such as those relating to budgetary control, protection of assets, compliance with policies and procedures are being discharged effectively and efficiently. They are required on a bi-annual basis and are informed by similar assurances provided to Directors from managers within their directorates. The Social Fund is covered by these arrangements.

Social Fund decision-making and legitimacy of payments, particularly those of high risk, are subject to mandatory management checks. Jobcentre Plus has carried out a review of the mandatory controls in place across its operations to ensure that they were relevant and risk focussed. This review has considered the mandatory controls over the Social Fund and has confirmed the adequacy and effectiveness of the current suite of checks. As changes and improvements are made to Social Fund operations, these mandatory checks are reviewed with any additions or changes being processed through the Jobcentre Plus VAT2000 Change Control Board. Jobcentre Plus is currently working on a replacement for VAT2000 with a view to introducing an improved system of mandatory control. This will be introduced by the end of 2004-2005.

During the year work has been continuing to align the boundaries of the new Jobcentre Plus Districts with Local Authorities. This reorganisation has meant that previous district boundaries have had to be reconfigured and this has had a major impact on Social Fund budget management and the underpinning IT systems. However the necessary changes were made successfully with all core Jobcentre Plus district structures now created on the Social Fund Computer System.

The introduction of Direct Payment facility for SF customers has been a major change in operational process. This has been introduced with effective internal control mechanisms for payment file transfers to BACS and exception handling through Bank Liaison Section.

Work to improve the delivery of the Social Fund and to support changes which affect it have been undertaken with The Pensions Service, with a Service Level Agreement now in place. Both organisations have worked to ensure that frontline staff are fully aware of their responsibilities to customers of both organisations.

Functionality has been introduced to the Social Fund Computer System accompanied by associated procedural products to support the introduction of New Tax Credits, Pensions Credit and Direct Payments.

Social Fund have worked closely with Debt Management and field co-ordinators to develop processes to reduce the amount of off-system recovery in readiness for migration to Debt Management. Procedures will also be developed during 2004-2005 to support the migration process. Work is also continuing to progress development of a direct interface between the Social Fund Computer System and the 'Debt Manager' computer system for the automatic referral of cases and update of recovery information with a view to improving internal control.

An area for improvement raised in the 2002-2003 statement related to reliance on clerical records. The implementation of the Social Fund Accounting System will strengthen control in this area, replacing clerical activity with a central database using unique customer identifiers. Work on developing this system has continued through this year and rollout of the system will commence in 2004-2005.

Last year's statement identified that there were issues with the integrity of data used within the existing accounting system. Action to address these issues is progressing with the development of a system of resource accounting to replace the current cash accounting system. This work is currently in development and a set of resource accounts will be produced in 2004-2005 to run parallel to the cash accounts. On successful completion of parallel running the Social Fund will move to full resource accounting for 2005-2006.

During 2003-2004 Internal Assurance Services have undertaken two audits specifically related to the Social Fund

Social Fund funeral payments - The issues identified primarily related to non-compliance with guidance and instructions and recommendations made have all been taken on board and implemented by Social Fund Policy and field operations.

Social fund crisis loan access – Jobcentre Plus rollout and its move towards telephony as the means of first contact was raising issues about the accessibility of Crisis Loans for some customers. The IAS recommendations have been accepted and Jobcentre Plus management have already instigated work to develop a Standard Operating Model that will deliver a fair and robust service to all customers. Internal Assurance Services are actively involved in the development of the model, providing advice as required.

As part of their examination of the Social Fund, NAO were unable to locate a significant number of supporting case papers. Action to address this issue has been taken at DWP level with new record management and storage arrangements being introduced. We will review the effectiveness of these new arrangements and implement any further improvements necessary.

I welcome external recommendations for business improvement from the National Audit Office, Committee of Public Accounts, Work and Pensions Select Committee and the Standards Committee. A continuous improvement strategy is being further developed in 2004-2005 within Jobcentre Plus to ensure recommendations for business improvement arising from Business Excellence, Investors in People, Charter Mark and other sources are implemented as appropriate.

Sir Richard Mottram
Accounting Officer

20 May 2005

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

I certify that I have audited the financial statements on pages 12 to 16 under section 167(4) of the Social Security Administration Act 1992.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 4, the Accounting Officer is responsible for the preparation of the account and notes in accordance with the Social Security Administration Act 1992 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with the Social Security Administration Act 1992 and Treasury directions made thereunder, and whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 5 to 8 reflects compliance with Treasury's guidance 'Corporate governance: Statement on the system of internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Social Fund's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. However the Department were unable to provide all the evidence I considered necessary to complete my audit of

- £482.015 million of Budgeting Loan payments; and
- £117.827 million of Community Care Grants.

There were no other satisfactory procedures that I could adopt to confirm that payments on Budgeting Loans and Community Care grants had been applied to the purposes intended by Parliament.

Accordingly, I have concluded that payments arising from Budgeting Loans and Community Care Grants have not been applied to the purpose intended by Parliament and do not conform with the authorities which govern them.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- except for any adjustments that might have been found necessary had I been able to obtain sufficient evidence concerning the assessment of Budgeting Loans and Community Care Grants, the financial statements properly present the receipts and payments of the Social Fund for the year ended 31 March 2004 and have been properly prepared in accordance with the Social Security Administration Act 1992 and directions made thereunder by Treasury, and
- except for any adjustments that might have been found necessary had I been able to obtain sufficient evidence concerning the payments of Budgeting Loans and Community Care Grants referred to above, in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Details of these matters are set out in my report on page 11.

John Bourn
Comptroller and Auditor General

13 June 2005

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Report by the Comptroller and Auditor General

Introduction

The Social Fund White Paper Account records payments of £2.7 billion made by the Department for Work and Pensions to customers in respect of

- regulated Winter Fuel Payments (£1.9 billion), Funeral Expenses (£47 million), Maternity Expenses (£120 million) and Cold Weather Payments (£3.9 million); and
- discretionary payments for Budgeting Loans (£482 million), Community Care Grants (£118 million) and Crisis Loans (£86 million).

The Account also includes receipts of £2.9 billion including £530 million from the repayment of Budgeting and Crisis Loans.

Audit opinion

I have qualified my opinion on the account because I was unable to confirm that the Department has maintained proper accounting records for certain Social Fund transactions and that I have received all the information and explanations I require for my audit. Specifically, the evidence made available by the Department to support amounts recorded in the account for Budgeting Loan payments (£482 million), Community Care Grants (£118 million) and Budgeting Loan repayments (£463 million), was limited to a significant degree.

Scope limitation

The National Audit Office planned their audit to obtain assurances about the accuracy and regularity of payments and receipts from several sources. This included a review of the Department's own estimates of the accuracy of decision making by officials for Social Fund benefits.

In 2003-2004 the Department estimated the overall accuracy level to be 76 per cent, with accuracy rates for individual categories of benefit ranging from 61 per cent for Funeral Payments and Crisis Loans to 92 per cent for Budgeting Loans. These figures derive from a programme of checks that the Department carries out to assess the accuracy of its decision-making and appeals processes. These checks cover more than just accuracy of payment and in many cases a recorded error in the way a case has been handled will not mean that the resulting payment was incorrect. However, the Department did not gather the underlying information in a way that could enable them to make a reliable estimate of the financial impact of incorrect decisions. As a result these estimates provided no assurance for the National Audit Office's examination. The Department is taking steps to introduce arrangements that will quantify the financial impact on the Social Fund of incorrect decision making.

Against this background the National Audit Office planned to examine a sample of the various types of payments made from the Social Fund to provide assurance that payments were accurate and regular, that is, in accordance with eligibility conditions approved by Parliament. Despite a thorough search, the Department were unable to locate the supporting papers in 44 of the 127 (35 per cent) Budgeting Loans in the National Audit Office's sample and in 52 of the 107 (49 per cent) Community Care Grants to be checked. As a result the National Audit Office could not verify the accuracy and regularity of the relevant payments.

The failure to provide these papers was due to various weaknesses in the document retrieval process including the management of the Department's document storage. The Department have taken steps to tackle these difficulties through the appointment of a new contractor to manage the storage facility, and the installation of a new IT system that will allow staff to view records in storage and retrieve them on-line.

Receipts and Payments Account for the year ended 31 March 2004

	2003-2004		2002-2003
	£000	£000	£000
Receipts			
<i>Receipts from the Secretary of State</i>			
RfR 3 - Discretionary	158,200		
RfR 3 - Regulated	291,660		
RfR 3 - Winter fuel payments (regulated)	1,891,040		
		2,340,900	2,000,200
Repayments of budgeting loans	463,204		458,365
Repayments of crisis loans	66,407		62,416
Repayments of funeral expenses payments	1,078		1,045
Refund of social fund overpayments discretionary	63		3
Refund of social fund overpayments regulated	61		3
		2,871,713	2,522,032
<i>Less</i>			
Payments			
<i>Discretionary</i>			
Budgeting loans	482,015		462,280
Community care grants	117,827		108,885
Crisis loans	85,678		85,147
<i>Regulated</i>			
Winter fuel payments	1,931,495		1,699,888
Funeral expenses	47,105		41,454
Maternity expenses	120,347		110,638
Cold weather payments	3,943		14,147
		2,788,410	2,522,439
Excess of receipts over payments	83,303		(407)

Statement of Balances

	2003-2004	2002-2003
	£000	£000
Opening balance	43,085	43,492
<i>Plus</i>		
Excess of payments over receipts	83,303	(407)
Closing balance	126,388	43,085

The notes on pages 13 to 16 form part of this Account.

Sir Richard Mottram
Accounting Officer

20 May 2005

Notes to the Account

1 Accounting policies

The Account has been prepared in accordance with section 167(4) of the Social Security Administration Act 1992. It has been prepared on a cash basis with no provision for accruals and in a form directed by the Treasury shown as an annex to this Account. The figures for 2002-2003 are given for comparison and are taken from the Account for that year (House of Commons Paper No. HC662 of 2002-2003).

2 Financial basis of the social fund

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

3 Statement of loans

	Budgeting loans £000	Crisis loans £000	Total £000
Amount outstanding at 1 April 2003	416,409	144,749	561,158
Amount loaned	482,016	85,677	567,693
Amount recovered	(463,204)	(66,407)	(529,611)
Adjustments and amounts written off	(1,209)	11	(1,198)
Amount outstanding at 31 March 2004	434,012	164,030	598,042

The amount for loans outstanding at 31 March 2004 shown in this note is based on cumulative advances and repayments disclosed in the receipts and payments account less accounting adjustments and amounts written off.

4 Standing balance

The Social Fund closing balance will vary from year to year but the policy intention is to maintain within the Fund a minimum standing balance of £15 million. This balance, which was set by Treasury in 1988, represents a contingency to ensure that the Fund does not go into deficit. The purpose of the balance target is to ensure that should the level of recoveries not be as high as forecast, or should there be an unexpected surge in Cold Weather payments which becomes apparent too late to be dealt with by Supplementary Estimates, these can be contained within the Fund.

The Social Fund is maintained by monies voted by Parliament in the RFR 3 of the Department's Vote. Expenditure is estimated at the start of the year and, taking into account forecast recoveries, sufficient funds are transferred from RFR 3 to the Fund to meet the Department's expected liabilities to the paying agents.

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

5 Age of loans analysis

Between April 1988, when the Social Fund loans scheme was introduced, and March 2004, loans of some £5,390 million have been paid. Over this period, £4,767 million of these loans have been recovered and £25 million written off, leaving a balance of £598 million outstanding at 31 March 2004. Loans are normally recovered by deduction from Social Security benefits and, where this is not possible, by cash instalments. Where a customer has more than one loan, the earliest loan is normally recovered first, with recovery of later loans following automatically. A minority of loans may take several years to recover fully. This may be due to the customer losing entitlement to benefit and recovery being deferred until a further claim is made.

An analysis of age of loans outstanding is summarised below.

	Budgeting loans £000	Crisis loans £000	Total £000
Age of loan			
Five years and over	35,294	23,001	58,295
Between one year and less than five years	117,170	72,541	189,711
Less than one year	281,548	68,488	350,036
	<u>434,012</u>	<u>164,030</u>	<u>598,042</u>

6 Statement of funeral expenses payments outstanding

	£000
Amount outstanding at 1 April 2003	69,560
Payments made	47,105
Amount recovered	(1,078)
Adjustments and amounts deemed irrecoverable	(25,670)
Amount outstanding at 31 March 2004	<u>89,917</u>

The amount for Funeral expenses payments outstanding at 31 March 2004 shown in this note is based on cumulative payments and repayments disclosed in the receipts and payments account, less accounting adjustments and amounts deemed irrecoverable.

Funeral expenses payments are recoverable only from the estate of the deceased, even if the estate is not fully sufficient to permit full recovery. However in the majority of cases the estate is insufficient for the Funeral expenses payments to be recovered. Accordingly the amount shown above as outstanding does not reflect the amount that may be recovered.

7 Age analysis of funeral expenses payments outstanding

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

	£000
Age of funeral payment	
Five years and over	1,026
Between one year and five years	46,064
Less than one year	42,827
	<u>89,917</u>

8 Statement of losses

	£000
Recoverable loans impracticable to pursue (12,126 cases)	1,636
Claims for recoverable Funeral expenses payments abandoned due to insufficient estate (25,572 cases)	23,150
Claims for recoverable Funeral expenses abandoned because they are impossible/unreasonable to pursue (2,746 cases)	2,485
Losses due to irrecoverable overpayments recorded during the year (637 cases)	154
	<u>27,425</u>

9 Benefit fraud

In April 1999 the Department for Social Security (now the Department for Work and Pensions) introduced a new Programme Protection Strategy as set out in the White Paper 'A New Contract for Welfare: Safeguarding Social Security'. The Public Service Agreement supporting this strategy published in March 1999 and amended in the spending reviews of 2000 and 2002, has one key output target - to reduce the level of fraud and error in Income Support and Jobseekers Allowance by at least 33% by 2004 and 50% by March 2006. Area Benefit reviews combined with the work of the Quality Assurance Teams, aim to provide a continuous programme of measurement of incorrectness in Income Support and Jobseekers Allowance (Income Based) against which progress will be measured.

Significant Social Fund benefits are paid annually to persons in receipt of the qualifying benefits of Income Support or Jobseekers Allowance (Income Based). The level of fraudulent claims for these benefits will therefore impact on payments made from the Social Fund. However, additional qualifying conditions for entitlement to Social Fund payments reduce the scope for losses from fraud. Also, loans are repayable and even where there may be misrepresentation in respect of qualifying benefits some entitlement to payments from the Social Fund may still remain. In view of this, the Department for Work and Pensions consider that the level of fraudulent applications that are successful are unlikely to be material.

10 Disclosure on the face of the account

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

11 Extra statutory payments

Winter Fuel Payments (WFP) were introduced in 1997-1998 and provide a lump sum benefit to qualifying people aged 60 or over who are ordinarily resident in GB or NI.

One group of people who do not qualify for WFPs are those who have been resident in a care home for more than 13 weeks and who are in receipt of IS/JSA. This is because it is assumed that they already get help for their accommodation costs through IS/JSA.

During the financial year 2002-2003 Winter Fuel Payments totalling £451,400 were erroneously paid to 2,251 customers permanently resident in care homes. These represent Extra Statutory Payments made in 2002-2003. The write offs in relation to these non-recoverable overpayments have taken place in 2003-2004.

12 Social fund account

	Liabilities £000	Assets £000
HM Paymaster General		28,722
Commercial banks		8
Social security benefits and other payments vote		11,502
Alliance and Leicester commercial bank		85,504
Administration and miscellaneous services vote		3,357
National Insurance fund	2,121	
Veterans agency	584	
Balance of the social fund	126,388	
	<u>129,093</u>	<u>129,093</u>

Sir Richard Mottram
Accounting Officer

20 May 2005

Accounts Direction given by HM Treasury

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

Jamie Mortimer
Treasury Officer of Accounts

7 December 1995

Schedule - Format of Account and Disclosure Requirements

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

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DG Ref: C53179 5648WC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
07/05

Published by TSO (The Stationery Office) and available from:

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