



## Helping those in financial hardship: the running of the Social Fund

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# Helping those in financial hardship: the running of the Social Fund

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## EXECUTIVE SUMMARY



**1** Around one-fifth of people in the United Kingdom live in low income households and over a quarter of households have no savings.<sup>1</sup> The Social Fund (the Fund) provides loans and grants to those in Great Britain<sup>2</sup> who cannot meet important or emergency expenses out of regular income. It provides a safety net for some of the most vulnerable in society to enable them, for example, to afford household appliances or buy food if they have their benefit money stolen. There are seven types of award (**Figure 1**), of which this report covers five (**Figure 2**). Discretionary awards – Budgeting Loans, Crisis Loans and Community Care Grants – are paid from a cash-limited budget, with applicants deemed eligible paid subject to other, discretionary conditions. Regulated awards – Funeral Payments, Sure Start Maternity Grants, Cold Weather Payments and Winter Fuel Payments – are paid to all entitled claimants.<sup>3</sup>

**2** In 2003-04, around four million applications to the Social Fund resulted in almost three million grants, loans and other payments. The total value of payments was £854 million and loan recoveries were £529 million. Overall, around 29 per cent of applications were turned down, although the proportion of successful applications has increased in recent years. Loans are the core part of the Fund, accounting for over 80 per cent of awards made and two-thirds of gross expenditure. **Figure 3** shows recent trends in gross expenditure.

**3** The Social Fund was set up in 1988 under the Social Security Act 1986. The system of repayable loans differentiates the Social Fund from its predecessor schemes, which only paid out non-repayable grants. Furthermore, the Social Fund was the first scheme to include a cash-limited budget. There have been changes to the rules covering particular types of award, most notably changes to the Budgeting Loans rules in 1999.<sup>4</sup> However, the structure of the scheme has remained largely unchanged since its introduction.

**4** The Social Fund is delivered by Jobcentre Plus, an executive agency of the Department for Work and Pensions (the Department). Each of the 90 Jobcentre Plus districts throughout Great Britain has one or more offices which administer Social Fund applications. Districts have different working arrangements, with varying degrees of centralisation and specialisation across the types of award. In 2003-04, around 3,400 staff worked on the Fund at an estimated cost of £70 million.

## 1 There are seven types of Social Fund award



### Budgeting Loans

1.7 million applications and 1.3 million payments in 2003-04. Total expenditure of £484 million.



### Crisis Loans

1.4 million applications and 1.1 million payments in 2003-04. Total expenditure of £85 million.



### Community Care Grants

589,000 applications and 256,000 payments in 2003-04. Total expenditure of £118 million.



### Funeral Payments

73,000 applications and 46,000 payments in 2003-04. Total expenditure of £47 million.



### Sure Start Maternity Grants

317,000 applications and 238,000 payments in 2003-04. Total expenditure of £120 million.



### Cold Weather Payments

418,000 payments in 2003-04. Total expenditure of £3.5 million.



### Winter Fuel Payments

Paid automatically to 11 million people in 2003-04. Total expenditure of £1.9 billion.

Source: National Audit Office

## NOTE

This report does not cover Winter Fuel Payments and Cold Weather Payments, which are normally paid automatically to those entitled to them.

The number of discretionary awards made after review is not included in payment numbers, but total expenditure does include payments made after review.

<sup>1</sup> Households Below Average Income 1994-95 to 2002-03 and Family Resources Survey 2002-03, both Department for Work and Pensions, 2004.

<sup>2</sup> There is a separate scheme in Northern Ireland.

<sup>3</sup> This study does not cover Winter Fuel Payments and Cold Weather Payments, which are normally paid automatically to those entitled to them. Unless otherwise stated no data in this report includes these awards.

<sup>4</sup> Much local discretion was removed and the maximum award available is based mainly on family composition, length of time on benefit and existing Budgeting Loan debt, rather than the need for a specific item.

## 2 Details of the Social Fund awards covered in this report

Award	Average amount	What is the award for?	Who is eligible ?	How is the award made ?	Example
Budgeting Loan	£384	To help pay for furniture, household goods, clothes, travel costs, advance rent, removal costs, items to help find or start work, home improvements, maintenance and security, and some debt repayments.	The applicant must have been receiving Income Support, Jobseekers Allowance (income-based), or Pension Credit, or payments on account of such a benefit, for at least the last 26 weeks.	Interest-free loan (generally repaid, where possible, through at-source benefit deductions).	Mike, who has been on Income Support for a year, applies for a Budgeting Loan to replace his cooker
Crisis Loan	£77	To help meet expenses in an emergency or disaster, to prevent serious risk to the applicant's (or their family's) health and safety.	Most people who require assistance with immediate and short-term needs. The applicant does not have to be receiving any social security benefit or tax credit.	Interest-free loan (generally repaid, where possible, through at-source benefit deductions).	Amina lost her benefit money and has no means to buy food for her family. Her next benefit payment is due in a week. She applies for a Crisis Loan to tide her over.
Community Care Grant	£364	To help applicant move out of institutional or residential care or prevent them going into care; to help families under exceptional pressures; to help care for a prisoner on temporary release; to help people with an unsettled way of life set up home; to help with certain travel costs.	The applicant must receive Income Support, Jobseekers Allowance (income-based), or Pension Credit, or payments on account of such a benefit, or be likely to be receiving one of them within 6 weeks of leaving care.	Grant.	Paul, who on leaving prison moves into an unfurnished council flat, applies for a Community Care Grant to help him buy furniture.
Funeral Payment	£1,019	To help pay for a modest funeral or cremation.	The claimant (or their partner) must receive Income Support, Jobseekers Allowance (income-based), Pension Credit, Housing Benefit, Council Tax Benefit, Working Tax Credit with a disability element or Child Tax Credit (higher rate).	Grant (unless can be repaid from deceased's estate).	Jane's husband died and she cannot afford the local funeral costs. She applies for a Funeral Payment to help her pay the funeral director's bill.
Sure Start Maternity Grant	£506	To help buy things for a new or expected baby.	The claimant (or their partner) must receive Income Support, Jobseekers Allowance (income-based), Pension Credit, Working Tax Credit with a disability element or Child Tax Credit (higher rate).	Grant.	Susan is expecting a baby in a month's time. She applies for a Sure Start Maternity Grant to buy a cot and baby clothes.

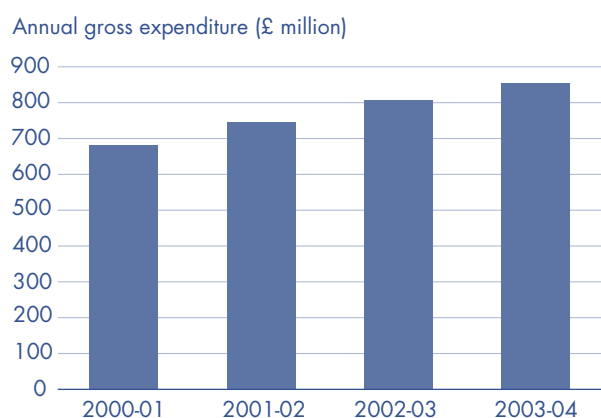
Source: National Audit Office

### NOTE

For discretionary awards, average amounts are for payments made at initial decision only.



### 3 Trends in gross expenditure, 2000-01 to 2003-04



Source: National Audit Office analysis of Social Fund Annual Reports

5 The Committee of Public Accounts examined the Social Fund in 1991. Its recommendations are summarised in Appendix 4. Its key recommendations concerned treating different groups of applicants more consistently. These were addressed by amendments to the Secretary of State's guidance on prioritisation and the changes to Budgeting Loans rules in 1999 (paragraph 3). This report examines four main issues:

- does the Fund help those with the greatest difficulty in managing their income? (Part 2);
- could the Department do more to improve the quality of decision-making? (Part 3);
- does the Department administer the Social Fund efficiently? (Part 4); and
- does the Department manage Social Fund debt effectively? (Part 5).

## Helping those in greatest difficulty

### What is working well

6 The Social Fund plays an important role in helping people on the lowest incomes cope with expenses they cannot meet from regular income. Many will have only limited access to affordable credit and mainstream financial services. Social Fund loans are interest-free (in contrast to commercial alternatives) and repayment is automatic in most cases, so beneficiaries avoid penalties for non-payment, although repayment rates are high (in general, up to 15 per cent of a customer's weekly benefit entitlement).<sup>5 6</sup>

7 In general, the Social Fund is reaching many people within groups most in need. For example, one-third of families on Income Support receive a Budgeting or Crisis Loan each year - the only interest-free formal loan available. Research shows<sup>7</sup> certain groups, including lone parent families and disabled people are more likely to live on low incomes, and these groups benefit most from the Fund. Many recipients have longstanding illnesses or caring responsibilities.

### What needs further development

8 There is a danger that some potentially eligible customers are not aware of the Fund because of its relatively low profile. For example, pensioners are less likely to use the Fund and take up is low amongst some ethnic minorities. Our survey found that only 47 per cent of people on low incomes are aware of the Social Fund, and many on low incomes are more likely to go to family and friends for help and some seek commercial credit, such as mail order. In addition, Social Fund staff told us that awareness of the Fund among some Jobcentre Plus staff who advise customers is limited, especially amongst those who joined from the former Employment Service, and in many offices staff do not tell potentially eligible customers about it as a matter of course.

5 For the purposes of this report, "weekly benefit entitlement" means the qualifying benefit allowance, plus any qualifying tax credits in payment.

6 In exceptional circumstances this can be increased to 25 per cent. The Department recently announced its intention to reduce the ordinary maximum repayment rate to 12 per cent of weekly benefit payments.

7 Households Below Average Income 2003-04 Department for Work and Pensions, 2004.

**9** Poor awareness amongst customers about eligibility and the decision-making process can result in the Department receiving many applications which have no chance of success, which is a poor use of resources. Even when they do know about the Fund, customers are not well informed about the types of award or how much they might receive. The Department does not provide routine or easily accessible information to customers about their debt position, making it harder for them to assess how much more they can borrow from the Fund, yet 54 per cent of Budgeting Loan refusals in 2003-04 (some 230,000) were because of outstanding Social Fund debt.

**10** 37 per cent of Crisis Loan expenditure is on 'alignment payments', made to cover living expenses before people receive the first payment of benefit or wages. Where this is caused by processing delays, Jobcentre Plus should instead be making interim payments rather than drawing on the limited resources of the Fund.

## Making good quality decisions

**11** Social Fund decisions involve the examination of a range of evidence, depending on the type of award. Decision-makers must decide whether the customer is eligible, decide (in some cases) the priority of their needs, and whether money is available for that level of priority. Where the customer disputes a decision the application is looked at again, first internally and then, in a small number of cases, externally (Figure 4).

## What is working well

**12** In 2003-04, the Department made decisions on some four million applications for Social Fund assistance. Getting them right first time depends on staff knowledge and experience, as well as obtaining all the relevant evidence. In 2003-04, over 90 per cent of quality-checked Budgeting Loan decisions were correct, and a similar proportion of Sure Start Maternity Grant decisions. For initial decisions on Budgeting Loans and Funeral Payments a large majority of districts met processing clearance targets, although some missed the country targets by a long way.

**13** Each district sets guidance about which priorities for Community Care Grants can be met, based on guidance from the Secretary of State. Staff resources are focused on the initial decision-making stage and on giving explanations to customers. Local good practices have been developed and we saw evidence in some districts

of them being shared to ensure wider application and consistency. Examples include rotation of initial decision-making and reviewers to spread understanding of the whole process, and team consideration of complex cases to develop consistency.

## What needs further development

**14** The quality of decision-making in some types of award remains a concern. Central checks indicate that high numbers of initial decisions in some types of award contain errors:<sup>8</sup> nearly half in the case of Funeral Payment and Crisis Loan decisions, and 24 per cent of Community Care Grant awards. Despite this, districts may not correct those errors identified by central checking, and the vast majority of decisions are not changed because customers do not contest them, although not all errors change the outcome for the customer. Gathering together all the evidence for decision-making can be difficult in some cases and decision notification letters sent to customers are confusing to many. The Department does not check centrally the quality of sufficient numbers of decisions to identify regional or local variations and trends, and enable valuable feedback to be given to decision-makers.

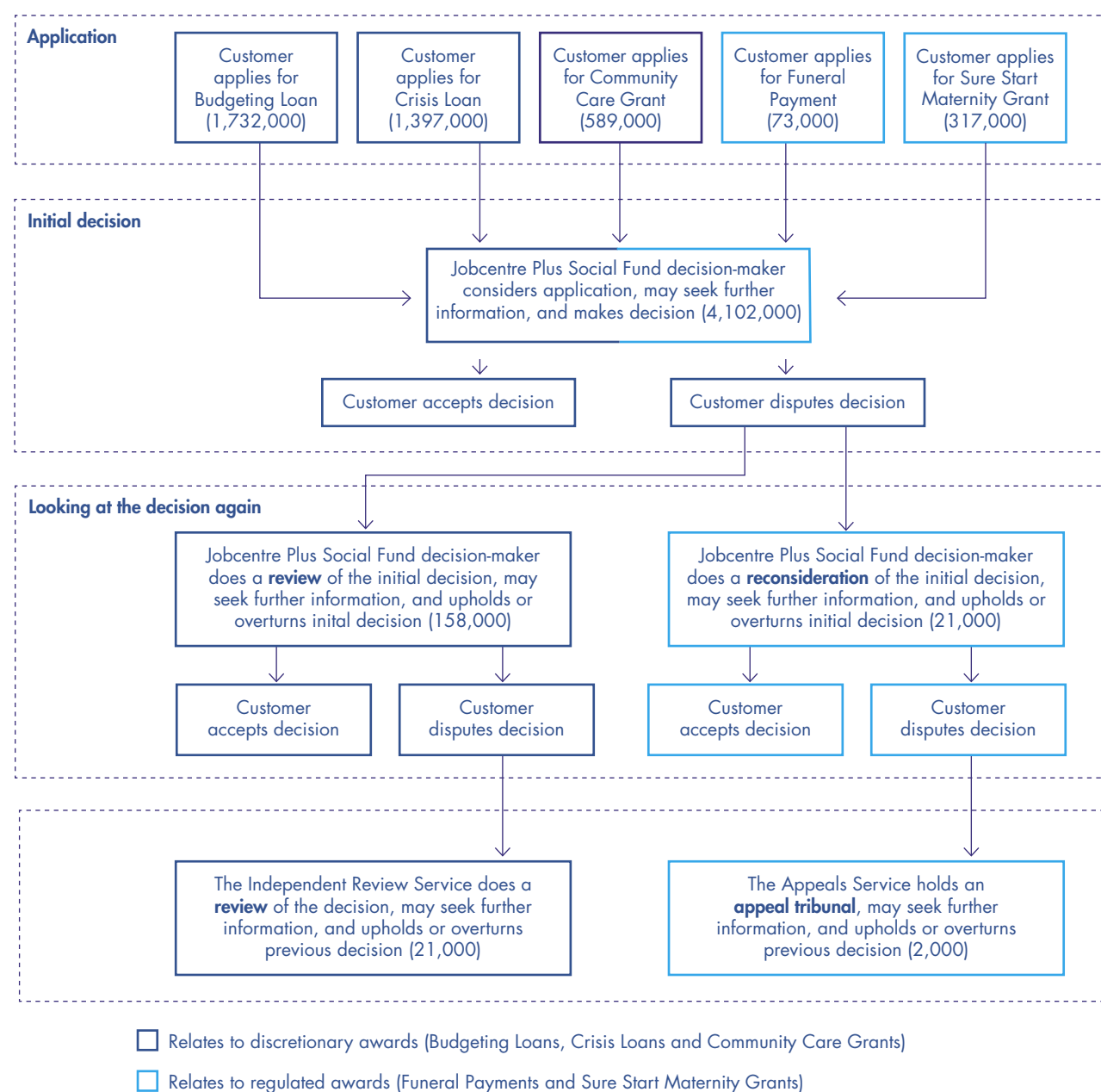
**15** Customers are entitled to ask for their decision to be looked at again, initially by an internal decision-maker. However, not all customers are aware of this entitlement, and may not be notified of it when advised of the initial decision if they do not receive a standard letter. Significant numbers of errors occur when decisions are looked at again and many are not dealt with within clearance time targets. If customers are not satisfied they can then ask for an external review by the Independent Review Service for discretionary awards or the Appeals Service for regulated awards. In 2003-04 the Independent Review Service made 21,400 decisions but there are often delays in jobcentres<sup>9</sup> submitting cases. There remain differences in decision-making arrangements – including training and clearance time targets – between the Department and the Independent Review Service and the latter overturned 56 per cent of Community Care Grant cases received in 2003-04.

**16** There are no central arrangements for training Fund staff. The Department makes available some training material, but it is out of date and districts can choose whether or not to use it. Regions and districts have developed localised training, guidance and quality checking procedures. Much of this has been done in isolation and inconsistencies have developed between districts.

<sup>8</sup> However not all decision-making errors lead to the wrong amount being paid to the customer. Note that in this report the term "error" refers to the results of quality checks by Jobcentre Plus or the Independent Review Service, which consider whether the decision-making process has correctly followed the Secretary of State's guidance, independently of whether or not decisions are overturned.

<sup>9</sup> Jobcentre is used throughout the report to describe Jobcentre Plus offices, jobcentres and Social Security offices.

## 4 The decision-making process



Source: National Audit Office

### NOTE

2003-04 volumes in brackets.

## Administering the Fund efficiently

### What is working well

**17** In 2003-04, an estimated 3,419 full-time equivalent staff worked on the Fund compared to 3,700 in 2001-02, an eight per cent decrease. Application volumes increased by four per cent over the same period. The Department introduced a new unit costing system for all Jobcentre Plus activities in April 2003. The staff cost per Social Fund application in 2003-04 was significantly lower for the Fund than for other benefits, including Income Support, Jobseekers Allowance and Incapacity Benefit.

**18** Those districts split into specialist teams work more efficiently than others, and additional efficiencies have been gained through making contact with the customer on the phone, rather than in writing. Our visits to districts identified a number of efficiency initiatives which have been developed locally, including allowing decision-makers to have 'phone-free days' on rotation to reduce the numbers of interruptions, and awareness raising sessions with jobcentre staff to improve the quality and completeness of application forms. However, there is limited sharing of such good practice between districts. Jobcentre Plus intend to introduce a standard operating model for the Social Fund from April 2005 which will increase the use of the telephone for Crisis Loans, improve planning of staff workload and standardise administrative processes.

### What needs further development

**19** The Department's data shows significant variations in the staff costs of administering applications across the 90 Jobcentre Plus districts. For example, for Budgeting Loans the highest average cost per application was around five times the lowest (although some of this may reflect inaccuracy within the management information). Working practices differ across the country, and the standard model the Department is developing will incorporate existing best practice.

**20** Longer term efficiencies will require wider change within the Department. For instance, greater use of specialist teams would lead to improvements and this approach will become more viable in the context of the Department's plans to centralise processing work in fewer locations than the current 90 districts. Improvements are also needed to the Social Fund computer system, which currently leads to a number of inefficiencies, particularly where cases have to be processed off the system due to lack of space for all

the information. A reduction in the number of cases where Crisis Loans are used to make up for delays in issuing other forms of benefit payments would help, as will the current implementation of a new storage system. The Department has advised that it has firm plans to increase the computer systems capacity in April 2006.

## Managing debt effectively

**21** Social Fund debt arises when Budgeting Loans and Crisis Loans are awarded. Some £569 million was paid out in loans in 2003-04, with recoveries of £529 million. More than half of those with Fund debt have more than one loan and three per cent have more than ten.

### What works well

**22** The Department recovers most debt - 97 per cent of Budgeting Loans and 92 per cent of Crisis Loans - because almost all recovery is via automatic deduction to benefit payments. At less than one penny per £1 recovered, this is a very cost-effective method. The Department has exceeded its debt recovery target in each of the last five years so that recoveries have funded most (93 per cent in 2003-04) loans expenditure.

### What needs further improvement

**23** Districts have not given priority to chasing debt owed by non-benefit recipients, which increased from £90 million in 1999 (20 per cent of the total debt balance) to £180 million in 2004 (30 per cent of the total balance). Resource constraints have restricted the efforts of more than half of districts. In addition, since most districts can meet their annual recovery target by on-benefit recovery alone, there is little incentive to pursue off-benefit debt. The Department plans to improve off-benefit recovery by transferring responsibility for it from districts to a central Debt Management team from 2005-06. This does not include cases where a customer's benefit payments are insufficient to cover agreed repayments.

**24** Districts consider that other barriers to off-benefit recovery include limited repayment methods for customers, an inability to recover debt from tax credits and labour-intensive procedures for taking legal action. In addition, debt is not routinely recovered from customers who return to benefits. The Department has introduced new software to address this issue, although central Debt Management data indicates that 40 per cent of districts have not used it.



## RECOMMENDATIONS

**25** Our recommendations are as follows. The Department should produce an action plan, with appropriate risk management arrangements, for achieving these improvements, including measures for the long, medium and short terms.

### To better meet the objectives of the Social Fund

**1 The Department should increase awareness of the Fund by improving information for potential customers.**

Awareness of the Fund is low so some who may benefit never have it drawn to their attention. Greater awareness amongst customers might be gained by staff automatically raising the Fund with new benefit claimants, or through tailored leaflets for new claimants of relevant benefits or tax credits. This will require greater awareness amongst front-line staff.

**2 To help customers better manage their own debt, the Department should make repayment easier and improve information available on debt balances.** The Department should enable all customers not receiving benefit (or with insufficient benefit in payment) to make repayments using direct debit, which would increase the rate of repayment. In the longer term, the Department should also make it possible for customers to check outstanding debt balances through on-line access to information in jobcentres.

### To improve standards of decision-making

**3 To further focus on getting decisions right first time and correcting them internally as much as possible, the Department should introduce up-to-date, centrally coordinated Social Fund training and improve checking practices to identify errors early.** Training could be based on existing Independent Review Service training and incorporate local good practice examples, to ensure all decision-makers have the same training opportunities. This would allow the Independent Review Service to take a quality assurance role in respect of training. Improvements

in decision-making would also require standardising staffing arrangements and decision-making practices, as well as identifying reasons for overturning decisions. Given that more detailed national quality checks would be very resource-intensive, the Department may wish to consider whether to validate its mandatory local checks, to achieve better performance monitoring and feedback to decision-makers.

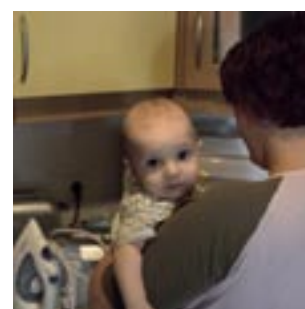
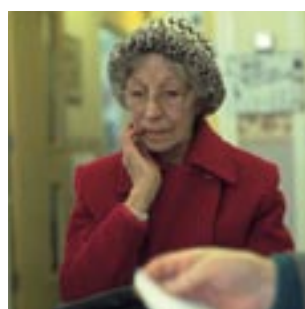
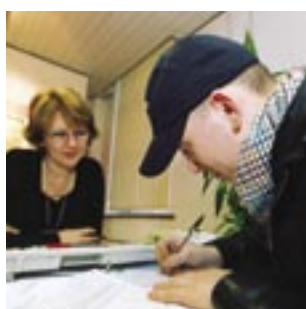
**4 The Department should reduce geographical variations in Crisis Loan decision-making practices by identifying and ending localised eligibility requirements which impose higher burdens of proof on the customer than are allowed in law.** In some parts of the country, districts have introduced certain additional requirements before awards are made. These requirements are contrary to the law and the Secretary of State's guidance, and the Department should end them through training and guidance.

**5 In order to reduce the numbers of decisions overturned at the Independent Review Service the Department should do more to improve the standard of recording of reasons for decisions.** It is essential that the Independent Review Service has all the information about the application and the reason for the decision, including full local budgetary data and decision-makers should only state reasons supportable in law. The Department should prioritise legislative amendments for setting national Budgeting Loan payment limits. To reduce delays in the Service receiving applications for independent reviews, applicants should be able to approach the Independent Review Service directly after they have had a jobcentre review.

### On administering the Fund more efficiently

**6 The Department should ensure that working practices across all districts are as consistent as possible by introducing a standard process for each type of award for all districts to follow.** The processing of the same types





of award can cost considerably more in some parts of the country than others. The Department has developed a standard operating model to be introduced in 2005, and this should incorporate the findings of our own process mapping work, to reduce unit cost variations between districts.

**7 The Department should improve the quality of data it collects on staff costs so that it can accurately assess whether efficiency is improving. This could be achieved by:** (i) separating the costs of processing discretionary and regulated awards; (ii) providing guidance to districts to ensure all time spent on Crisis Loan work is included under Social Fund, not jobcentre front-line, staff costs; (iii) including the number of internal reviews as well as initial decisions; and (iv) recording the cost of debt recovery separately.

**8 The Department should address more fundamental inefficiencies faced by all districts by considering the costs and benefits of upgrading the IT which supports delivery of the Social Fund and centralising Fund administration.** The Department should consider the cost and processing savings associated with upgrading the current computer system or acquiring a new one. The Department plans to centralise processing in fewer locations than the current 90 districts. It should use this opportunity to increase efficiency by ensuring all staff work in specialist teams, and allowing Crisis Loan applications to be taken by phone in all parts of the country.

## On better management of Social Fund debt

**9 The Department should give greater attention to recovering Social Fund debt to counter the trend for debt balances becoming older (and increasingly hard to collect).** We welcome the Department's decision to transfer responsibility for off-benefit recovery from districts

to the central Debt Management team in 2005-06. However, the Department could do more to maximise debt recovery and we recommend they consider: (i) recovering outstanding debt from all customers as soon as they return to benefits; (ii) giving Social Fund staff access to all benefit computer systems to arrange repayment through benefit deductions; (iii) pursuing with Inland Revenue the possibility of recovering Social Fund debt from tax credits; and (iv) ensuring that districts pursue debt owed by customers whose benefit payments are insufficient to cover agreed repayments and making direct debit arrangements available to these customers.

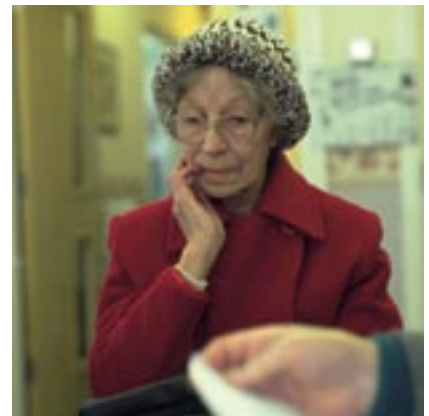
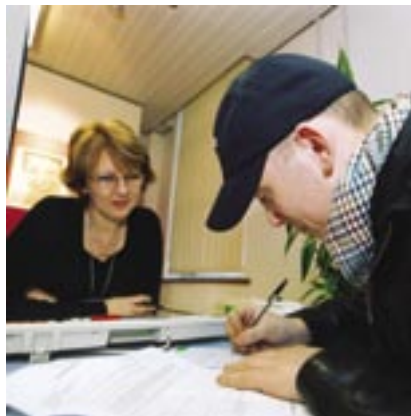
**26** We estimate that the Department could achieve annual administrative savings of up to £8.5 million by implementing greater consistency in administration. Some of the recommendations will involve additional costs, which we would expect the Department to evaluate and which are not included in the calculations below. The specific areas with potential for savings are:

- £7.5 million through implementation of the Departments' standard operating model and increased centralisation of the Social Fund at a regional level, so that staff work in specialist teams and Crisis Loans are provided by phone in all parts of the country;<sup>10</sup>
- £1 million through upgrades to the Social Fund computer system, including increased capacity to eliminate off-system cases (which the Department plans to introduce in April 2006) and a facility to provide customers with statements of outstanding debt; and
- in addition, based on the Department's own estimate, a further £6 million per year could be recycled back into the Fund if outstanding debt were recovered from all customers as soon as they return to benefits.

<sup>10</sup> This calculation assumes that, for districts with above-median unit costs, the measures outlined will reduce those costs to the median.

## PART ONE

### Introduction



**1.1** Around one-fifth of people in the United Kingdom live in low income households and over a quarter of households have no savings.<sup>11</sup> Many of these people find it difficult to pay out of regular income for important items such as domestic appliances in lump sums or to cope with emergencies such as the theft of their benefit money. The Social Fund (the Fund) provides loans and grants to meet such expenses. It is a safety net for some of the poorest people in society and supports the Department's aims of combating poverty and promoting social inclusion.<sup>12</sup>

**1.2** There has been a national scheme for one-off social security payments since 1934. The Social Fund's forerunner was a regulated system of single payments, providing assistance in exceptional circumstances, as a matter of entitlement, to those on Supplementary Benefit.<sup>13</sup> Following concern that the scheme was too complex and rigid and did not meet genuine need, the Social Fund was introduced in 1987-88. It was designed to:

- support the Government's economic objectives by containing expenditure within the Social Fund budget;
- handle the arrangements in a way that does not prejudice the efficiency of the main Income Support scheme;
- concentrate attention and help on those applicants facing greatest difficulties in managing their income;
- enable a more varied response to inescapable individual need than could be achieved under the previous rules; and
- break new ground in the field of community care.

**1.3** There are seven types of Social Fund award, which are either discretionary or regulated (**Figure 5**). The former are paid from a cash-limited budget, and applicants deemed eligible for an award are paid subject to other, discretionary, considerations (Appendix 3). For the latter, the Department pays all entitled claimants. Cold Weather Payments and Winter Fuel Payments are excluded from our examination as they are usually sent automatically to those who qualify. Hereafter the term "Social Fund" or "Fund" refers exclusively to the remaining five awards, described in Figure 2 on page 2.

## 5 There are seven types of Social Fund award

### Discretionary awards

- Budgeting Loans
- Crisis Loans
- Community Care Grants

### Regulated awards

- Funeral Payments
- Sure Start Maternity Grants
- Cold Weather Payments
- Winter Fuel Payments

**1.4** In 2003-04, almost three million payments, with a total gross expenditure of £854 million (before recoveries) were made from the Fund (**Figure 6**). This includes 0.3 million regulated awards with a total value of £167 million and 2.6 million discretionary awards with a total value of £687 million. 93 per cent of gross loans expenditure was funded by loan recoveries of £529 million. In 2002-03, HM Treasury announced an additional allocation of £90 million<sup>14</sup> to the Fund over the three years ended March 2006. This is allocated as follows: £20 million (2003-04), £30 million (2004-05) and £40 million (2005-06).

**1.5** The Fund is delivered by Jobcentre Plus<sup>15</sup>, an executive agency of the Department. The Agency's key objective is to help people of working age into employment, but the Social Fund supports its further objectives of protecting those in greatest need, including pensioners, and combating poverty. In 2003-04, almost 3,500 staff in 90 districts administered the Fund, around four per cent of the total Jobcentre Plus workforce. Although Social Fund net expenditure (£324 million) is large in absolute terms, it accounts for just under 1.5 per cent of the £22 billion paid out in benefits by Jobcentre Plus each year.

11 Households Below Average Income 1994-95 to 2002-03 and Family Resources Survey 2002-03, both Department for Work and Pensions, 2004.

12 The Social Fund covers Great Britain. A separate scheme operates in Northern Ireland.

13 Income Support replaced Supplementary Benefit from April 1988.

14 The baseline is 2002-03 funding.

15 Jobcentre Plus delivers the Social Fund for all customer groups, including pensioners, although the Pension Service has a role in advising pensioners on Social Fund provision and helping them get access to the Fund.

## 6 Social Fund awards and expenditure, 2003-04

	Discretionary Awards			Regulated Awards		
	Budgeting Loans	Crisis Loans	Community Care Grants	Funeral Payments	Sure Start Maternity Grants	Total
Average payment (£)	384	77	364	1,019	506	-
Number of payments (000)	1,250	1,059	256	46	238	2,849
Gross expenditure (£m)	484	85	118	47	120	854
Recoveries (£m)	462	67	N/A	1	N/A	530
Net expenditure (£m)	22	18	118	46	120	324

Source: Social Fund Annual Report

### NOTE

The number of discretionary awards made after review is not included in the table, but gross and net expenditure do include payments made after review. Funeral Payments are not loans, although they are potentially recoverable from the estate of the deceased.

**1.6** Between 2000-01 and 2003-04, the percentage of initial decisions resulting in a payment increased from 65 per cent to 69 per cent, and in 2003-04, there were four million applications overall. **Figure 7** shows variations in the success rate of applications by award. Budgeting Loan, Crisis Loan and Sure Start Maternity Grant applications are most likely to result in a payment to the customer, Community Care Grants least likely. Budgeting Loans are the most commonly applied for (**Figure 8**), with 42 per cent of applications (and 57 per cent of gross expenditure). Those who disagree with a decision can ask the Department to look at it again. For discretionary awards, applicants can then ask the Independent Review Service for an independent review,<sup>16</sup> whilst those refused a regulated award have the statutory right of appeal to the Department's independent Appeals Service. This report does not cover the standard of decision-making or administrative costs of the Independent Review Service or the Appeals Service.

**1.7** For the discretionary part of the Fund, Parliament sets the net expenditure level each year. The loans budget is managed centrally, but for Community Care Grants, each district is allocated an annual budget and is responsible for its management. There is also a contingency fund to cover unforeseen circumstances, for example, to help flood victims or people given leave to remain in the UK. In 2003-04, a total of £485,000 was paid to nine districts from the contingency fund.

**1.8** The Committee of Public Accounts reported on the Social Fund in 1991 (Appendix 4). Its key recommendations concerned treating different groups of applicants more consistently. These were addressed by amendments to the Secretary of State's guidance on prioritisation and changes to the Budgeting Loans rules in 1999 (paragraph 3). The then Select Committee on Social Security also reported on it in 2001 (Appendix 5). In addition, a range of voluntary and charitable organisations<sup>17</sup> have commented on the administration of the Fund and the Department itself has commissioned research.

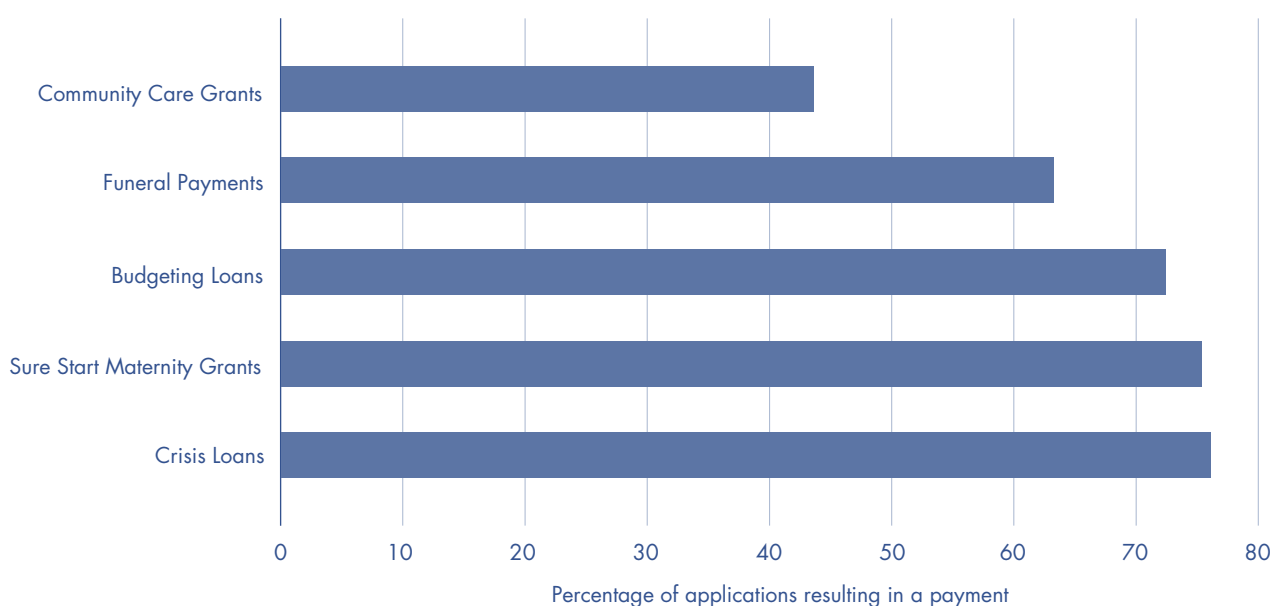
**1.9** Against this background, this report examines whether:

- the Social Fund is helping those with the greatest difficulty managing their income (Part 2);
- the Department could do more to improve the quality of decision-making (Part 3);
- the Department administers the Fund efficiently (Part 4); and
- the Department manages Fund debt effectively (Part 5).

<sup>16</sup> The Social Fund Commissioner, appointed by the Secretary of State for Work and Pensions, heads this independent body.

<sup>17</sup> For example Citizens Advice, Child Poverty Action Group, One Parent Families, Family Welfare Association, Association of Charity Officers.

## 7 Community Care Grant applications are least likely to result in a payment

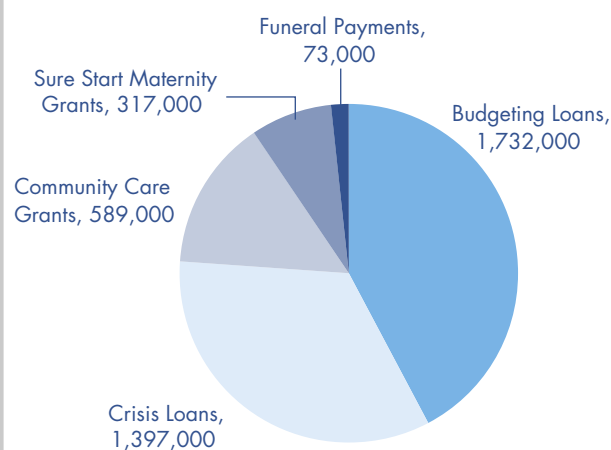


Source: National Audit Office analysis of Department for Work and Pensions data

**1.10** To do this we used a wide-ranging methodology, which is set out in more detail in Appendix 1. In particular, we:

- commissioned a literature review to establish the findings of previous research on the Social Fund;
- surveyed all 90 Social Fund districts (with a 100 per cent response rate) and interviewed 30 staff at four districts;
- commissioned a process mapping exercise for the three types of discretionary award;
- analysed secondary data from the Department, the Independent Review Service and the Appeals Service; and
- consulted a range of voluntary and charitable organisations and analysed over 200 Citizens Advice case-reports.

## 8 In 2003-04 the largest number of applications were for Budgeting Loans



Source: National Audit Office analysis of Department for Work and Pensions data

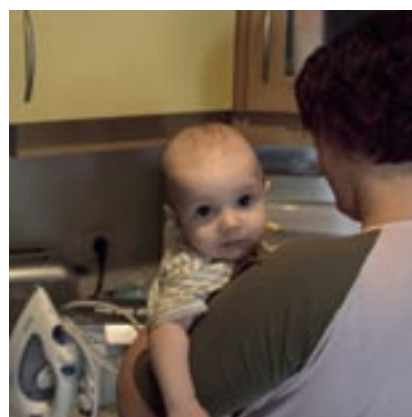
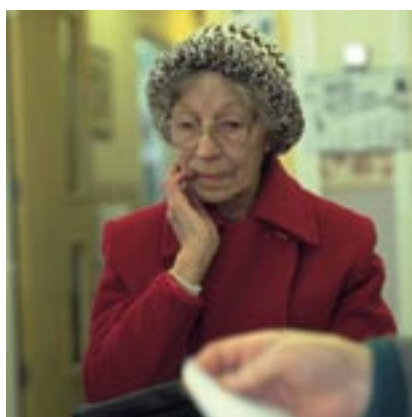
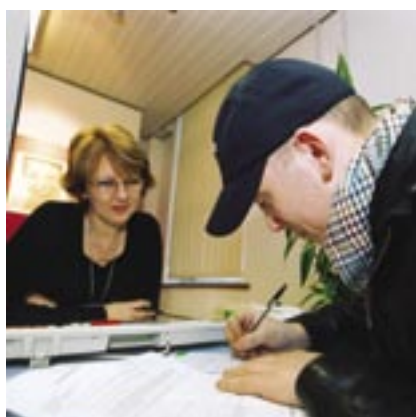
### NOTE

Figure next to each award name gives the number of applications in 2003-04.



## PART TWO

Does the Social Fund help those with the greatest difficulty managing their income?



**2.1** This part considers the extent to which the Social Fund (the Fund) is meeting its objective of concentrating help on those applicants facing greatest difficulties in managing their income, whilst meeting the objective of containing expenditure within the Social Fund budget. In particular, it looks at awareness of and access to the Fund, and whether it meets the needs of those who receive it and helps them manage their debts.

## In general the Social Fund is successful in meeting customer need although groups such as pensioners are low users

**2.2** Part 1 explained that there is a limit on the annual budget for discretionary awards. In these circumstances, to meet its objectives the Department must make sure it maximises the use of the funds available. To do this, we would expect to see evidence that it is being taken up by appropriate groups, that there are not major disparities in the availability of funds in different parts of the country, that the Fund's existence is known to customers and staff, and that the processes for obtaining grants, obtaining and repaying loans are not a deterrent to use of the Fund.

**2.3** In general, those who use the Fund include many of those most in need. Research<sup>18</sup> shows that more than a third of families on Income Support receive a Budgeting Loan or Crisis Loan each year. Compared to Income Support recipients not using the Fund, those that do are more likely to be lone parents. Social Fund users with children are more likely to be living in social housing, and to have other debts, and less likely to have savings or a bank account. Many users have longstanding illnesses or caring responsibilities.

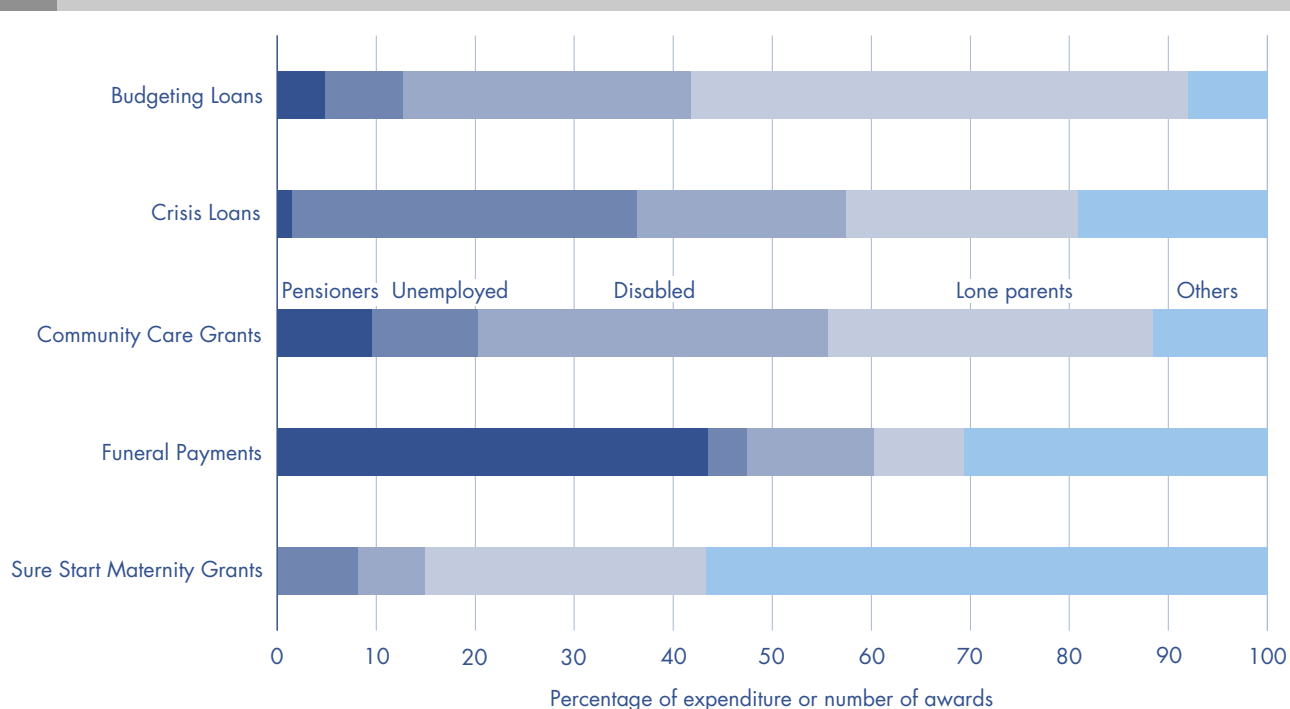
**2.4** Particular groups of people use the Social Fund to differing degrees (**Figure 9**). Research shows<sup>19</sup> certain groups, including lone parent families and disabled people are more likely to live in low income households, and these two groups benefit most from the Fund. In contrast, despite the fact that some two million pensioners live in low income households, this group is on average less likely to make use of Budgeting Loans and Crisis Loans, although, unsurprisingly, they are more likely to take advantage of Funeral Payments. Unemployed people make little use of Budgeting Loans and Community Care Grants but are more likely to get Crisis Loans (Figure 9). The Department does not monitor uptake by ethnic group, but research<sup>20</sup> shows that, overall, Asian or British Asian people make the least use of the Fund.

<sup>18</sup> Department for Work and Pensions In-house Report 139, Finch N and Kemp P, The Use of The Social Fund by Families with Children, 2004.

<sup>19</sup> Households Below Average Income 2003-04, Department for Work and Pensions, 2004.

<sup>20</sup> Department for Work and Pensions In-house Report 139, Finch N and Kemp P, The Use of The Social Fund by Families with Children, 2004.

## 9 Different groups make different use of each type of award



Source: National Audit Office analysis of Department for Work and Pensions data

### NOTES

For Budgeting Loans, Crisis Loans and Community Care Grants the figure shows percentage of expenditure. For Funeral Payments and Sure Start Maternity Grants the figure shows percentage of the total number of payments.

The categories are mutually exclusive; "unemployed" includes people claiming Jobseekers Allowance, "disabled" includes people claiming a benefit or premium for incapacity or disablement, "lone parent" includes people claiming Income Support and solely responsible for a child under the age of 16. Where someone is unemployed and has a disability and/or is a lone parent, they are counted as "unemployed".

For Funeral Payments and Sure Start Maternity Grants "others" can be split into employed people (five and 30 per cent of all awards respectively) and other.

**2.5** People on low incomes have limited access to affordable credit and mainstream financial services, making the existence of the Fund valuable. There are a number of advantages in the way it is administered. For example, the Fund's interest-free loans are alternatives to other – more expensive – sources of credit (**Figure 10**). They enable customers to meet urgent or important costs by spreading them over long periods. And, unlike commercial credit, customers repaying through benefit deductions cannot miss or delay payments, so incur no related penalties which add to their debt.

**2.6** However, departmental research<sup>21</sup> shows many on low incomes nonetheless choose commercial credit (for example home-collection borrowing or mail order) as they are more convenient and repayment terms are more flexible, despite being more expensive in the long term. Interest groups are concerned that the level of Fund loan repayments causes hardship: in general the Department deducts up to 15 per cent<sup>22</sup> of a customer's weekly benefit entitlement<sup>23</sup> at source, over up to 78 weeks.<sup>24</sup>

21 Department for Social Security Research Report 125, Whyley C, Collard S and Kempson E, *Saving and Borrowing: Use of the Social Fund Budgeting Loans Scheme and Community Credit Unions*, 2000.

22 In exceptional circumstances this can be increased to 25 per cent. The Department recently announced its intention to reduce the ordinary maximum repayment rate to 12 per cent of weekly benefit entitlement.

23 For the purposes of this report, "weekly benefit entitlement" means the qualifying benefit allowance, plus any qualifying tax credits in payment, plus any child benefit.

24 In exceptional circumstances this can be extended up to 104 weeks.

## 10 Social Fund loans are the cheapest formal loan available to people on low incomes

**Case example.** Suppose a single person aged 30, with no dependants, on Income Support wants to buy a cooker. She has no savings, is unable to borrow the amount from friends and family, and will make minimum weekly repayments. As a guide, a cheap, new electric cooker costs around £180.

### Social Fund Budgeting Loan

- Interest-free loan.
- No late repayments, so no penalties.
- Weekly repayments of the minimum of five per cent of her weekly benefit entitlement deducted at source over 65 weeks.
- Total repayments of **£180**.

### Borrow from a Community Credit Union

- Interest is charged but rate varies
- Total repayments of **more than £180**.

### Take out a sell and buy back agreement (similar to pawn broking)

- Customer gives a disproportionately high value of goods as security for the loan.
- 28 days to repay the loan, otherwise the goods are put on sale.
- She would have to pay back **£234**.

### Buy using shopping vouchers from a credit company

- Customer would receive £200 of vouchers.
- Lowest weekly repayments are £10 a week over 25 weeks: a total of **£250**.

### Purchase through a mail order catalogue

- The cheapest electric cooker in a sample catalogue costs £174.99.
- Credit limits are relatively high.
- Customer can spread the cost over 156 weeks.
- Lowest weekly repayments are £2 a week over 156 weeks, a total of **£312**.

### Take out a cash loan from a weekly collected credit company

- Easy to get a loan: no credit or other checks.
- Agent visits customers' houses to collect repayments.
- No penalties for late repayments. Possible to reschedule debt.
- Customer would borrow £200. The lowest weekly repayments are £6 over 55 weeks, a total of **£330**.

### Rent from a rental purchase shop

- Cheapest electric cooker at sample rental purchase shop is £351.10.
- Goods can be repossessed at any time if repayments are missed.
- Customer pays £3.24 a week over 156 weeks, a total of **£505**.

### Borrow from unlicensed lenders ("loan sharks")

- Will lend to anyone.
- Likely to be very high repayments.
- Total payments **£ high**.

Source: National Audit Office

## Different issues affect success or failure in obtaining the five types of award

**2.7** For discretionary awards the Fund is cash-limited and eligible applicants may not receive what they apply for. There are no official statistics on the numbers of people who have a need which could be met from a grant or loan, although the Department assesses demand for Budgeting Loans and Community Care Grants based on the number of applications which would receive awards if the budgets were not cash-limited. Charitable organisations we spoke to said that they regularly provide grants to people refused money from the Social Fund. For example, the Family Welfare Association told us that it spends £1.2 million a year meeting

the Fund shortfall. It said it increasingly funds basic items, like cookers, for people refused or given partial Fund awards. The likelihood of receiving assistance depends on different factors for each of the types of award, as outlined below.

**2.8 Budgeting Loans:** Customers take out Budgeting Loans to pay lump sums for items like cookers, beds and washing machines. The Department sets centrally maximum amounts for people in particular circumstances, so customers are treated the same throughout the country. Decision-makers told us customers generally think this fair. The maximum amount is then adjusted to take account of any existing Budgeting Loan debt.<sup>25</sup> Outstanding Fund debt is the main reason the Department refuses applications (paragraph 2.22).

<sup>25</sup> Currently a customer's individual credit limit is the maximum amount for their circumstances, less double their existing Budgeting Loan debt, subject to a £1,000 limit on the total debt (Budgeting Loan and Crisis Loan) after any new award. The Department has recently announced its intention to remove the doubling element.

**2.9 Crisis Loans:** The largest category of Crisis Loans is for “alignment payments”: 37 per cent of Crisis Loan expenditure (£31 million) in 2003-04. These payments cover people’s living expenses while they await the first payment of other Jobcentre Plus benefits or their wages, and are sometimes paid when interim benefit payments would be more appropriate. In this case, as well as giving a reduced service to new benefit customers, they are a poor use of the Social Fund budget (paragraph 3.15) and staff time (paragraph 4.20).

**2.10** People also use Crisis Loans to buy items and services in an emergency or for immediate help with living expenses. The main reason for refusal is that there is considered to be no serious risk to the applicant’s health and safety. The Department processes Crisis Loans as a priority, so customers are paid quickly. However, we found that, because of clearance targets, some districts will not accept applications after 4 pm and ask customers to return the following day. Also, we found that not all jobcentres handle cash, and customers in crisis may need to travel long distances – 26 miles in a case we saw – to get their money.

**2.11 Community Care Grants:** The Department most commonly pays Community Care Grants to help families under exceptional pressure and help people stay in the community - 84 per cent of expenditure in 2003-04. The items paid for depend on the needs of the applicant (see Figure 11). The Department meets a smaller proportion of applications for Community Care Grants than for other types of award (Figure 7 on page 13). Research<sup>26</sup> shows applicants receiving a partial award tend to buy cheaper items than planned (for example, second hand goods) or save up for new ones.

## 11 Community Care Grant decisions are based on the needs of the customer

Two people leaving institutional care apply for a Community Care Grant to buy a washing machine. Customer A is incontinent and lives far from a laundrette. Customer B does not have continence problems and lives near to a laundrette. Customer A is much more likely to get the Community Care Grant than Customer B, as a decision-maker would consider a washing machine is a higher priority for them.

Source: National Audit Office

**2.12 Funeral Payments:** The Department provides Funeral Payments to help pay for simple, low-cost, respectful funerals. However, except for a limited number of items, the amount is capped at £700 and customers can face a shortfall. The average Funeral Payment of £1,019<sup>27</sup> is less than the Department’s estimate for the cost of a modest funeral of £1,150.

**2.13 Sure Start Maternity Grants:** Sure Start Maternity Grants are used by pregnant women, and people with a new baby (including adoptive parents). 75 per cent of Sure Start Maternity Grant applications are successful (Figure 7 on page 13). Social Fund staff told us that refusals are often due to incomplete forms.

## There are geographical variations in outcome of Social Fund applications

**2.14** A customer’s chances of receiving a payment and the amount they receive both vary with location. There are large variations across districts both in percentages of initial decisions resulting in payment (Figure 12) and in average amounts paid (Figure 13). For Budgeting Loans, variations are due to different demographic groups in different districts (since amounts are standardised and are based on customer circumstances). For Crisis Loans they are also likely to result from variations in decision-making practices. In addition to these factors, variations in Community Care Grants may also be due to the fact that districts manage their budgets locally and different districts may face different budget pressures.

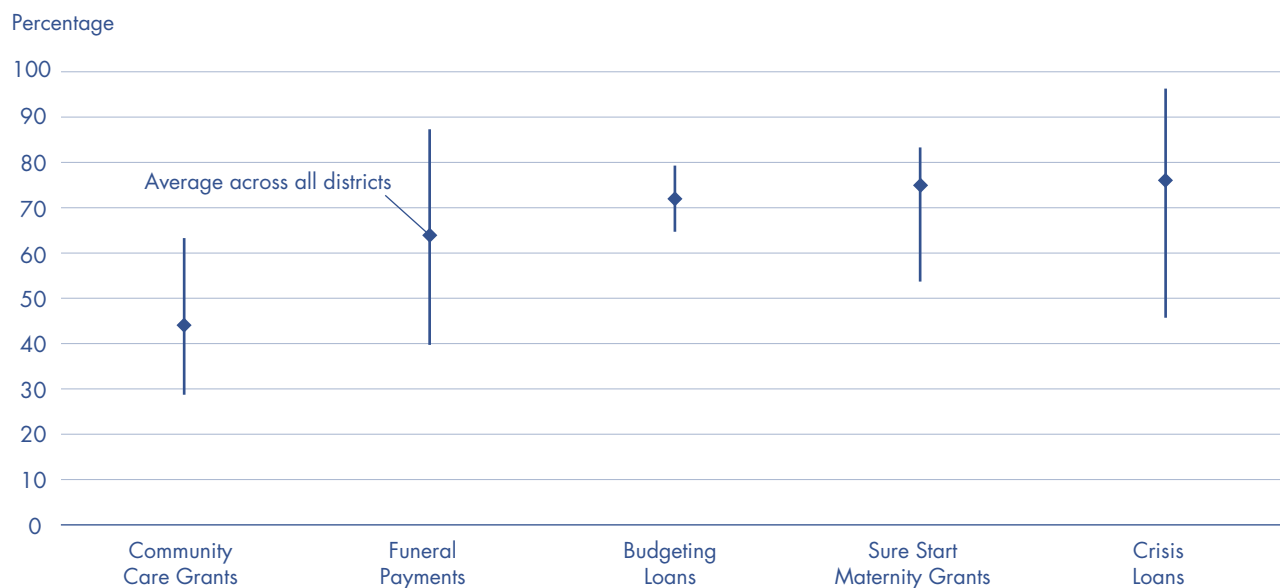
**2.15** For regulated awards, variations in percentages of initial decisions resulting in payments are likely to be due to demographic factors but, for Funeral Payments in particular, variations in decision-making practices may also be a factor. Variations in amounts paid for Funeral Payments result from differences in, for example, burial and cremation costs between districts. Those for Sure Start Maternity Grants are due to multiple births.

<sup>26</sup> Department for Social Security Research Report 210, Kempson E, Collard S and Taylor S, Experiences and Consequences of Being Refused a Community Care Grant, 2004.

<sup>27</sup> This figure is the average amount given after deductions – after considering any money immediately available from the deceased’s estate, insurance and voluntary contributions.



## 12 There are local variations in the percentages of decisions that result in a payment

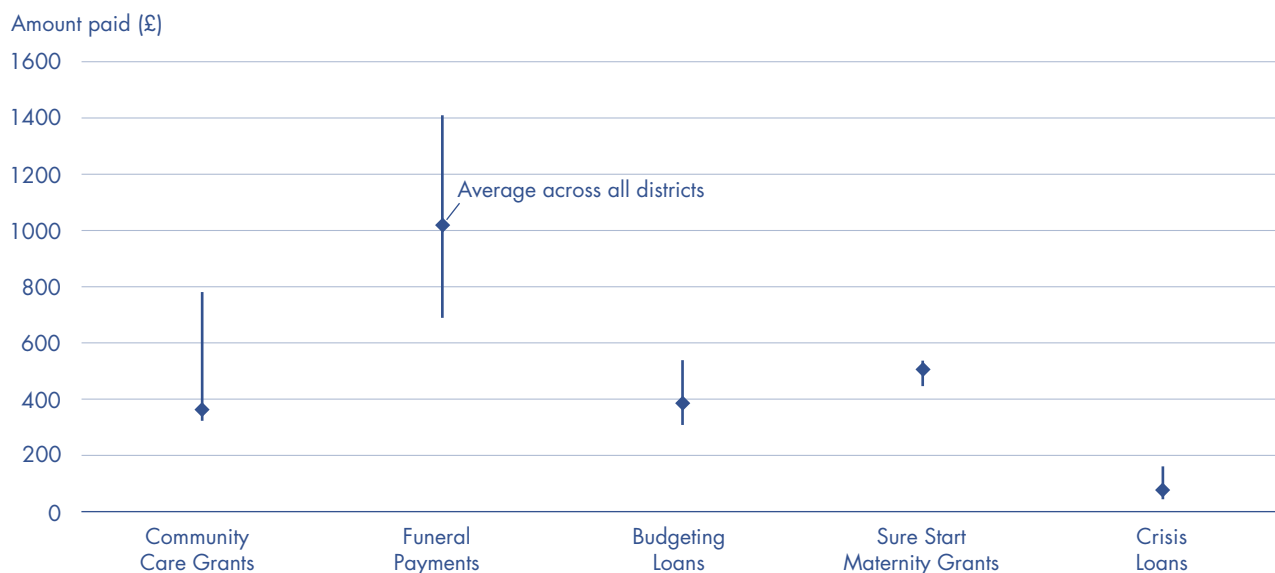


Source: National Audit Office analysis of Department for Work and Pensions data

### NOTE

Vertical line indicates range of percentages across districts at initial decision stage.

## 13 There are variations between districts in the average amounts of grant and loan paid



Source: National Audit Office analysis of Department for Work and Pensions data

### NOTES

Vertical line indicates range of percentages across districts.

Sure Start Maternity Grant average is greater than the flat rate of £500 because of multiple births.

## Awareness of the Social Fund is low among people on low incomes as well as among many jobcentre front-line staff

**2.16** If people do not know about the Fund, and front-line staff cannot give good advice, there is a risk that people who could get help from the Fund are failing to do so. The Department advertises the Social Fund in leaflets available at jobcentres, and on its website. However, our survey of people on low incomes found that only 47 per cent knew that jobcentres sometimes pay such grants and loans and only 14 per cent of those who had needed financial help said they had used them. They are much more likely instead to turn to family and friends for money and advice.

**2.17** Research also shows that although they may know about the Fund, people do not always know which type of award to apply for and commonly apply indiscriminately. In the case of Budgeting Loans, for example, people often do not know how much they can borrow or what they can borrow for. Because of the discretionary nature and complex decision-making procedures of some awards, customer guidance cannot set out definitively which types of application will result in a payment. Interest groups told us they find it difficult to advise customers on their chances of success.

**2.18** Front-line staff need to be aware of the Fund to be able to advise potential customers properly. However, awareness of the Fund is generally low, particularly among those staff who joined the Department from the former Employment Service.<sup>28</sup> Personal Advisers do not, as a matter of course, tell jobcentre customers about the Fund. A departmental “mystery shopping” exercise found that front-line staff in Social Security Offices<sup>29</sup> - which exist in areas where Jobcentre Plus organisational reforms have yet to take effect - gave more accurate and helpful advice than other types of jobcentre.

**2.19** As a consequence of low awareness, jobcentre front-line staff sometimes advise customers inappropriately. The mystery shopping exercise found staff knowledge about the different types of award varies, but in general, they know more about Budgeting Loans than other awards. Interest groups told us front-line staff sometimes issue forms for loans when grants are more appropriate. The Department advises decision-makers refusing one type of award to consider other awards but this is difficult as the information to apply for one award differs from that for

the other. Interest groups also said front-line staff do not always give application forms on demand, and may advise customers not to apply because their applications will not succeed. This denies customers a properly considered decision and formal right of redress. Both the Independent Review Service and Citizens Advice told us this was an issue for Crisis Loans in particular.

**2.20** The Department recognises the problem and is taking steps to increase the Fund’s profile within Jobcentre Plus. It has set up a national Social Fund Focus Group, which is having some success, but Social Fund staff told us that the Fund remains a relatively low priority within Jobcentre Plus. The Pension Service has set up a Social Fund awareness programme for all staff and is working with the Independent Review Service on producing information leaflets. Jobcentre Plus districts are individually taking steps to raise awareness (**Good practice example 1**).

### GOOD PRACTICE EXAMPLE 1

#### Districts are raising local awareness of the Fund

- One district has started a mentoring scheme between Fund decision-makers and the jobcentre Personal Advisers, to enhance relationships, communications and service.
- Another district held awareness sessions at front-line sites and for third parties. Groups of social workers were invited to meet decision-makers and discuss decision-making processes and the impact of cash limits.
- Another district has produced checklists for front-line staff accepting application forms.

*Source: National Audit Office*

<sup>28</sup> Before the creation of Jobcentre Plus in 2001, from the merger of the Employment Service and the Benefits Agency, the former dealt with helping people into work and the latter dealt with social security benefits.

<sup>29</sup> Staffed by officials from the former Benefits Agency.

## The Department could do more to help customers manage their debt

**2.21** Limited repayment methods make it difficult for some customers not on benefits to repay their debts. Two-thirds of districts told us they currently accept repayment by cash or cheque only. Twenty-seven districts said direct debit arrangements should be made available as customers frequently ask to repay this way. This was confirmed by our analysis of Citizens Advice case-reports. Several districts suggested a facility to accept repayments by debit card. The Department told us it has suspended repayment by direct debit until responsibility for off-benefit recovery is transferred to the central Debt Management team in 2005-06 (see part 5).

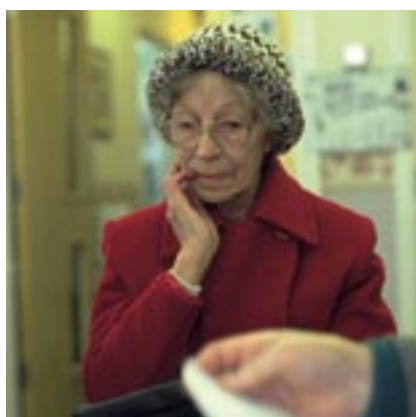
**2.22** Customers lack the information they need to assess their individual debt positions. Statements of outstanding debt are only provided on request since they have to be prepared manually. Research shows that applicants are often unable to assess their remaining credit limit and do not understand why they are offered less money than they applied for.<sup>30</sup> The Department has recently taken steps to address this by sending their calculations with each decision notification letter. Over half (54 per cent) of Budgeting Loan refusals in 2003-04 were due to existing Fund debt, suggesting that customers do not know how much credit they can expect to receive.



<sup>30</sup> Department for Social Security Research Report 125, Whyley C, Collard S and Kempson E, Saving and Borrowing: Use of the Social Fund Budgeting Loans Scheme and Community Credit Unions, 2000.

## PART THREE

Could the Department do more to improve the quality of decision-making?



**3.1** This part considers if the Department does all it can to make good quality Social Fund decisions first time and to correct them when necessary. It covers staffing, training, guidance, correctness and overturned decisions. Many of the issues discussed below are similar to those covered in our 2003 report ‘Getting it right, putting it right: improving the quality of decision-making for social security benefits’ (HC 1142 2002-03).

**3.2** Decision-making processes differ for the different types of award (Figure 4 on page 5). Departmental staff – mainly at Executive Officer grade – make initial decisions and look again<sup>31</sup> at decisions. The process for looking again is different for discretionary and regulated awards (reviews and reconsiderations respectively). Independent organisations<sup>32</sup> handle external redress. For each type of award there is a different form, and the decision-maker requires different evidence and uses different amounts of discretion (Appendix 3). **Figure 14** gives high level statistics on decision volumes.

## The Department could do more to get decisions right first time, particularly for some types of award

**3.3** Each of the 90 Fund districts decides how to fund and organise decision-making, so there are many differences in working practices between – and even within – districts (see part 4). Most districts direct resources to the initial decision-making stage and to giving explanations to customers, in order to focus on getting decisions right first time and reduce the numbers being looked at again. We found a number of ways in which districts organise themselves to improve decision-making (**Good practice example 2**).

### GOOD PRACTICE EXAMPLE 2

#### Districts organise resources to improve decision-making quality

- One district rotates initial decisions and reviewing officers, to train initial decision-makers on what the reviewers look for – for example the evidence and documentation they need to see to uphold decisions.
- In another district, decision-makers consider complicated cases as a team, to ensure they take a consistent approach.

Source: National Audit Office

31 Throughout this report the term “looking again at a decision” is used to describe the process of reviewing a discretionary award decision or reconsidering a regulated award decision, unless only examining one type, in which case “review” or “reconsideration” is used.

32 Independent of Jobcentre Plus but funded by the Department.



**14** High level decision-making statistics, 2003-04

	Number of applications	Number of initial decisions	Number of decisions looked at again (percentage of initial decisions)	Number of decisions considered by Independent Review Service or the Appeals Service (percentage of decisions looked at again)
Budgeting Loans	1,732,235	1,728,642	27,939 (2 per cent)	1,840 (7 per cent)
Crisis Loans	1,396,923	1,394,763	34,035 (2 per cent)	5,439 (16 per cent)
Community Care Grants	589,280	588,135	95,932 (16 per cent)	14,087 (15 per cent)
Funeral Payments	72,991	72,753	21,321 (5 per cent)	1,645 (10 per cent)
Sure Start Maternity Grants	316,814	317,789		555

Source: National Audit Office analysis of Department for Work and Pensions, Independent Review Service and the Appeals Service data

**NOTE**

The Department does not keep separate data for Funeral Payments and Sure Start Maternity Grants on the numbers of decisions looked at again.

The number of applications is not necessarily the same as the number of decisions because applications from the end of the year may not be decided upon until the next year.

## The Department could improve training, guidance and quality assurance

**3.4** The quality of decision-making depends on staff knowledge and judgement. Almost all decision-makers learn their role through on-the-job training, supplemented by mentoring, team discussions and job-shadowing. Our survey showed that in 92 per cent of districts decision-makers receive induction training and over a third provide some kind of refresher training at least annually. There are no central arrangements for training Fund staff. The Department makes available some training material, but it is out of date and districts can choose whether or not to use it. In the absence of centrally-led internal training, the Independent Review Service provides self-instruction computer packages and workshops to districts on request. In 2003-04, it provided 522 workshops for staff, interest groups and adviser organisations.

**3.5** The Secretary of State provides guidance for decision-makers and budget managers. The Department also gives updates via bulletins and the intranet and runs an advice phone line for decision-makers. Additionally, the Independent Review Service provides advice for Service inspectors, which includes decision digests and case-studies.

**3.6** Quality checking is limited at a national level. The Department's Performance Measurement team checks a sample of initial decisions and internal reviews large enough to highlight nationwide problems. However, the results are not representative at a regional or district level, so there can be only limited local feedback, and districts may not correct identified errors. In addition, districts must quality check a sample of their decisions. The results feed into national performance data, but they are not currently validated. The Department told us it is taking steps to redefine internal checking criteria, to focus more on decision-making quality rather than process.

**3.7** Nevertheless, we found developments in training and guidance at a sub-national level. Our survey showed some districts and regions have developed their own training and that regions give additional guidance to two-thirds of districts, on, for example, understanding national guidance. It also found that three-quarters of districts give extra guidance. In addition, a few districts seek guidance from third parties on, for example, handling claims involving homelessness and domestic violence.

**3.8** Our survey also showed some districts have designed local checking regimes. Some scrutinise all decisions; others check all of a particular type (off-system cases,<sup>33</sup> for example), or those carried out by a particular person (someone new to the job, for example), while others only check a small percentage, in line with mandatory checks.

<sup>33</sup> Some applications cannot be put onto the computer system. This usually occurs when a customer has many prior applications or outstanding loans. In these, "off-system" cases applications are dealt with manually, using paper records.

**3.9** Regions and districts that have developed localised training, guidance and quality checking have done so in isolation, duplicating work, and inconsistent norms have developed across the country. For example, for Crisis Loans in respect of stolen money we found some – but not all – districts never accept applications without a crime reference number and others automatically rejected any fourth (or higher) applications. This introduces an additional burden of proof, which is not defensible in law, but which staff may consider necessary for control of fraud and error. Although we found some districts taking steps to spread good practice (**Good practice example 3**), given the varied approaches, there is a risk that good practice may not be shared.

### GOOD PRACTICE EXAMPLE 3

#### Sharing good practices and standardising decision-making

- In one district reviewers give presentations to initial decision-makers on how to improve quality.
- Some districts hold meetings on interpretation of guidance, focusing on tricky areas, resulting in greater consistency in the use of guidance.
- In one district, decision-makers meet quarterly in a 'practitioners' forum' to share best practice and ensure consistency of decision-making.
- In one district, two Crisis Loan decision-makers from different jobcentres briefly swapped locations to identify the differences in workload organisation and to share best practices, to promote consistency.

Source: National Audit Office

### Decision-making standards vary by type of award and by district

**3.10** The quality of initial decision-making varies between types of award. 92 per cent of Budgeting Loan initial decisions are correct<sup>34</sup> but only 52 per cent of Crisis Loans and Funeral Payment initial decisions (**Figure 15**). Despite accuracy problems, the vast majority of initial decisions on discretionary awards are not subsequently changed. Errors mean the decision-making process has not correctly complied with the Secretary of State's guidance, for instance, in not following the procedure set out in Appendix 3. Errors do not necessarily affect the outcome for the customer and customers do not usually contest them. Where they do contest them, decisions may be overturned when looked at again although the original decisions were not in error, owing to the discretionary nature of decision-making.

In April 2004, the Department introduced a high level 75 per cent accuracy target for the Fund as a whole.

**3.11** Given that one of the aims of the Fund is to meet important or emergency needs, speed in handling applications is important. Most districts meet clearance time targets but some districts miss the targets by a long way (**Figure 16**). In April 2004, the Department upgraded the importance of targets for clearance times, partly to raise the Fund's profile within the Department. However, decision-makers told us it was not always possible to obtain all the necessary information to ensure the decision is correct (**Case example 1**). They also said it is time consuming to get evidence from separate departmental computer systems about which benefits the applicant receives.

### CASE EXAMPLE 1

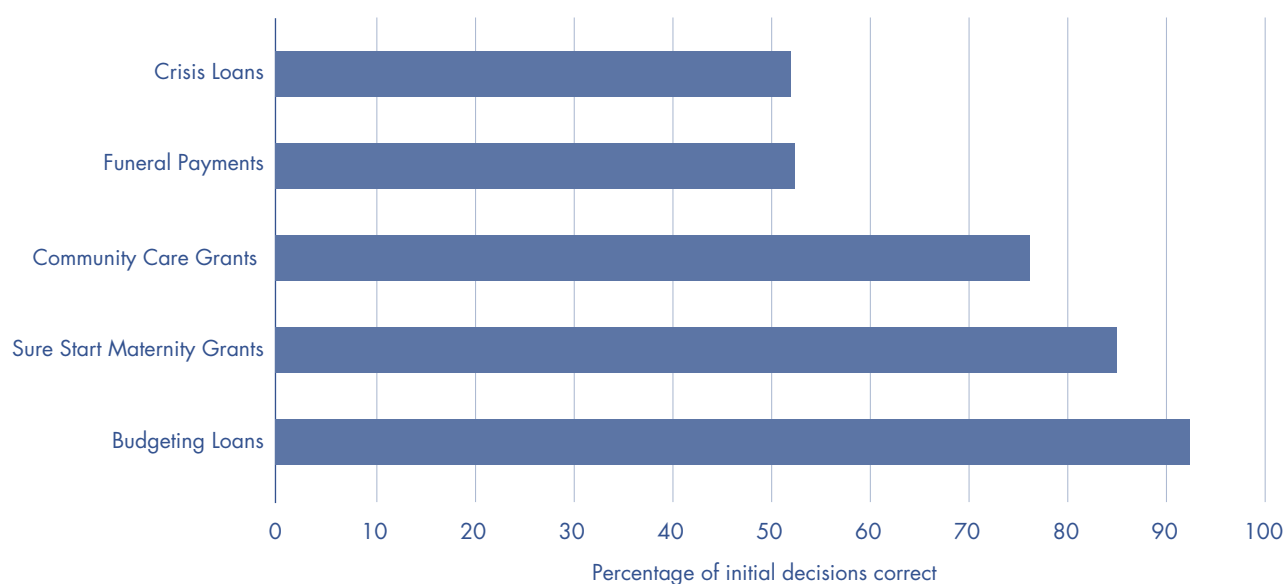
#### Decision-makers do not always obtain all the evidence within clearance times

A customer applied for a Funeral Payment. She did not complete the application form fully, so the decision-maker requested further evidence and eventually rejected the decision for lack of evidence on the customer's benefits. When the customer asked the Department to look again at the decision she sent a letter including the missing details, and the official overturned the decision, paying the full amount claimed.

Source: National Audit Office

<sup>34</sup> A decision is counted as being in error if the quality of the decision making was poor. That is where there was a failure to make correct findings of fact, to correctly interpret and apply correct statute/case law, to obtain sufficient evidence, or to determine relevant questions. Note that a decision-making error does not necessarily lead to an incorrect payment. A new methodology introduced in April identifies decisions where the amount paid was incorrect.

## 15 Rates of initial-decision correctness vary widely between types of award in 2003-04



Source: National Audit Office analysis of Department for Work and Pensions data

## 16 Most districts meet initial decision clearance time targets<sup>35</sup>, 2003-04

Award	Target for average clearance time (working days)	Percentage of districts meeting target	Range of average district clearance times (working days)
Budgeting Loan	8	99	1.4 - 8.2
Crisis Loan	1	7	1.0 - 3.5
Community Care Grant	9	70	2.8 - 25.3
Funeral Payment	16	81	5.3 - 30.7
Sure Start Maternity Grant	5	64	1.9 - 15.6

### NOTE

In 2003-04, for all awards except Community Care Grants, targets were aspirational. They have since all been upgraded to high level national targets, unchanged except for Crisis Loans, where the target is now two days.

Source: National Audit Office analysis of Department for Work and Pensions, Independent Review Service and the Appeals Service data

<sup>35</sup> Defined as actual average clearance times. Clearance times are measured in working days from the date the application is received until the date the decision is made. For loan decisions, they additionally include the number of working days between receiving the applicant's acceptance of the decision and making the award.

**3.12** Factors outside decision-makers' control – such as delays processing 'qualifying' benefits and tax credits rendering people eligible for an award – can delay the decision-making process. If the decision-maker chooses to keep the claim until the qualifying benefit has been processed, they might miss their clearance time targets. Alternatively, they can choose to meet the clearance time target and reject the claim, asking the customer to reapply once the benefit or tax credit has been processed.

**3.13** The Department could improve customer communications relating to decisions, an issue on which the Committee of Public Accounts commented in 2004 (HC 406 2003-04). Interest groups say customers find standard decision notification letters confusing and the reasons for the decision unclear. However, the Department has made improvements to Funeral Payment and Budgeting Loan decision letters. For off-system cases<sup>36</sup> staff write their own letters, and may not use standard templates, so quality varies. Decision-makers said poor letters mean customers have to ask for explanations. Some districts have trialled sending decision papers to customers to help them understand decisions, but results were inconclusive.

## Specific issues arise concerning the decisions on different types of award

**3.14 Budgeting loans:** When they receive a completed Budgeting Loan application form decision-makers enter the customer's details onto the computer, and generally do not need to contact the customer for further evidence. They do not need to check the status of the local budget but use nationally set maximum Budgeting Loan payment amounts<sup>37</sup>, appropriate to the customer's situation. The computer calculates the payment (if any). The few decision-making errors mainly involve determining the relevant qualifying benefit.

**3.15** Budgeting Loans and Crisis Loans are paid from a joint loans budget. Of the two awards, Crisis Loan payments take priority and Budgeting Loans are paid from the remainder of the joint fund. But in 2003-04 37 per cent (£31 million) of Crisis Loans expenditure was on alignment payments<sup>38</sup> (paragraph 2.9), where, sometimes, interim benefit payments should have been paid instead. Since interim payments are made from a completely separate departmental budget, the failure by other parts of the Department to make interim payments reduced the funds available for Budgeting Loans.

**3.16 Crisis Loans:** Generally, districts accept Crisis Loan applications in person at jobcentres. Either front-line staff accept the form and fax it to decision-makers, or on-site decision-makers interview applicants in screened environments in jobcentres and the customer waits while the decision-maker reviews the application form and makes a decision. Error rates are high. The main reason for error is in deciding whether a Crisis Loan would be the only source of funds to enable the customer to avoid serious damage or serious risk to the health or safety of themselves or their family.

**3.17** However, nearly three-quarters of districts now accept Crisis Loan applications by phone, two-thirds of which offer it only for living expenses and alignment payments (commonly the most urgent types). But, some districts prefer face-to-face contact with Crisis Loan applicants and only offer a phone service where customers have difficulty visiting the jobcentre. Staff told us that both they and customers welcome applications by phone as they can explain questions, clarify answers and immediately follow up points raised. Some districts saw a rise in the number of applications when they introduced phone lines.

<sup>36</sup> Some applications cannot be put onto the computer system. This usually occurs when a customer has many prior applications or outstanding loans. In these, "off-system" cases applications are dealt with manually, using paper records.

<sup>37</sup> However, the law does not provide for national maxima, and, legally, the Area Decision Maker should give guidance on the maxima based on the status of the local budget. Decision-makers should exercise discretion in the light of the guidance and the local budget to decide the maximum amount for the individual case.

<sup>38</sup> These payments cover customers' living expenses while they await the first payment of other Jobcentre Plus benefits, or wages, and may be given instead of the generally recommended interim payments.

**3.18** However, we found evidence that some districts are restricting customers' ability to apply in person. Our survey found that 14 per cent of districts rarely accept an application made in person, and a further three per cent never do. Some districts told us that, while they do not refuse such applications, they make it very hard for customers to apply in this way. Instead, they ask people to apply using jobcentre phones, even though customers can have problems getting through. The Independent Review Service carried out a "mystery shopping" exercise and found some districts' phone lines engaged all day. It called one district 36 times over two days without success.

**3.19 Community Care Grants:** Community Care Grant decision-making is complex, requiring considerable discretion. Decision-makers receive application forms that list all the items the customer wants to buy. The decision-maker must decide whether the customer meets eligibility criteria, and then on the appropriate priority classification for the customer's requested item(s).<sup>39</sup> To do this they commonly need to contact the customer for further information. They then assess, given the state of the district budget, which priority level can be paid with regard to district guidance. Finally they must determine how much to pay (if anything) in respect of each item.

**3.20** However, in practice, generally only those with high priority will be paid. Districts set local guidance to reflect the state of the district budget, but our survey found only seven of the 90 districts, *at any time* in 2003-04, paid items with a lower priority than high, and no district did so between April and October. Only one district paid low priority items and then only for three months. The survey showed that 24 per cent of districts have refused to pay some items deemed high priority, due to budget constraints. Generally this was more common towards the end of the financial year, but five districts did this at least once a month.

## CASE EXAMPLE 2

### Decision-makers do not always allocate priorities using discretion

An initial decision-maker rejected a claim to replace household items, including a washing machine, because of insufficient priority. The internal reviewer met the applicant, and found out about the applicant's medical condition. As a result, they determined the priority of the washing machine to be high, and awarded a Community Care Grant for that part of the claim.

Source: National Audit Office

**3.21** Districts that never refused high priority payments on budgetary grounds said they sometimes either reduce the amounts paid for high priority items or carry over the claims to the following month (with a new budget profile). This means either customers get less than had they applied at another time (which may increase the likelihood of a review), or have to wait for payment. And some districts, instead of judging the priority of an item based on how it would help the applicant, allocate set priorities to certain items (**Case example 2**). The most common reason for errors in decisions involves priority-setting.

**3.22** The Department recognises that Community Care Grants are particularly prone to applicants overstating or understating their needs. It piloted home visits for applicants suspected of either. Decision-makers made a notional decision in the usual way, then visited the applicant and made a new decision in the light of the visit. In 70 per cent of cases the decision after the visit differed from that before the visit. For those awarded more after the visit, the average increase was £276; for those awarded less the average reduction was £322. For claims suspected of overstatement the amount given was reduced in half the cases, but was increased in over a fifth of cases. For those suspected of understatement, the amount given was increased in 33 per cent of cases but reduced in 37 per cent of cases.

<sup>39</sup> Based on the extent to which each item will help the particular applicant, the decision-makers must allocate high, medium or low priority to each item. See Figure 11 in part 2 for example.



**3.23** Nearly two-thirds of decision-makers said the visit itself was crucial in making a correct final decision, compared to collecting the extra evidence by phone, office interview or third-party contact. The pilot suggests home visits for Community Care Grant initial decisions would improve the quality of initial decision-making (reducing the numbers of reviews) and ensure expenditure was targeted more effectively. The Department is not taking this further, due to resourcing difficulties, but is currently reviewing its Community Care Grant policy.

**3.24 Funeral payments:** Customers apply for Funeral Payments after they have received an invoice from the funeral director (which may be before the funeral has taken place). Decision-makers need to check that it is reasonable for the claimant to take responsibility for the funeral. It can be time consuming and difficult to determine the relevant facts, as decision-makers may also investigate whether other family members were closer to, or estranged from the deceased. They generally contact customers to get more evidence than is provided on the form. They must also collect evidence from relevant third parties such as insurance companies. There is a high error rate, and the main reasons lie in determining whether entitlement conditions are met and correctly applying the law on funeral costs.

**3.25 Sure Start Maternity Grants:** Sure Start Maternity Grant decision-making is straightforward. Decision-makers receive a form completed by the customer and stamped by their health-care professional. They rarely need to seek more evidence. Error rates are low and the main reason for error is determining whether entitlement conditions are met.

## The Department could do more to correct decisions internally, particularly for some types of award

**3.26** If a customer does not agree with the initial decision they can ask for the Department to look at it again – in the form of an internal review for discretionary awards or a reconsideration for regulated awards. If they dispute the resulting decision they can ask for it to be considered by an independent body: the Independent Review Service for discretionary awards and the Appeals Service for regulated awards (Figure 4 on page 5).

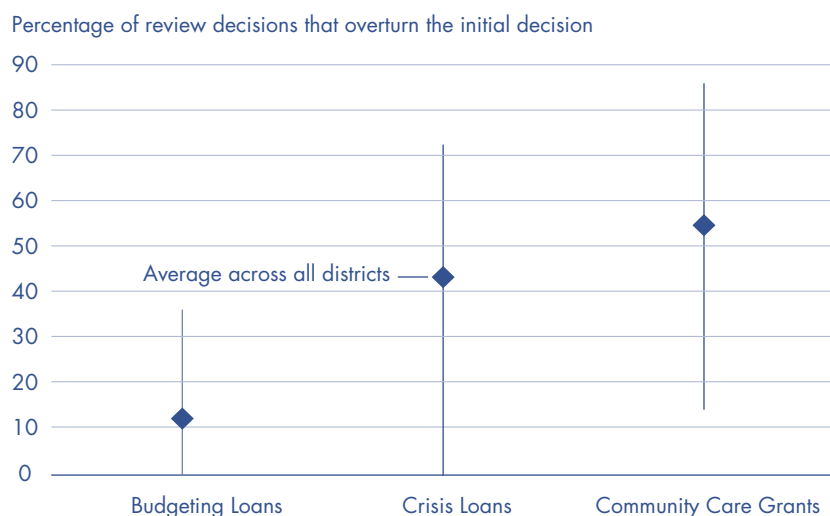
**3.27** However, not all customers are aware that they can ask the Department to look again at an initial decision. The standard decision notification letter tells customers their rights of redress, but our survey showed that, when making Crisis Loan decisions on the phone, 19 per cent of districts do not always send decision notifications, particularly if they refuse a claim. In addition, locally-produced off-system<sup>40</sup> decision letters include varying amounts of detail about customers' right to internal reviews. Interest groups told us even where they are aware of their rights, pensioners, in particular, are unlikely to ask for a review.

## Looking again at discretionary award decisions – the internal review

**3.28** Only two per cent of Budgeting Loan and Crisis Loan initial decisions are reviewed internally, compared to 16 per cent of Community Care Grant initial decisions. **Figure 17** shows the rates of overturn at internal review stage. Few Budgeting Loan decisions (12 per cent) are overturned, because automated decision-making leaves reviewers little scope for discretion. The Department does not keep data on why it overturns decisions.

<sup>40</sup> Some applications cannot be put onto the computer system. This usually occurs when a customer has many prior applications or outstanding loans. In these, "off-system" cases applications are dealt with manually, using paper records.

## 17 At internal review, Community Care Grant decisions are more commonly overturned than decisions on other types of award

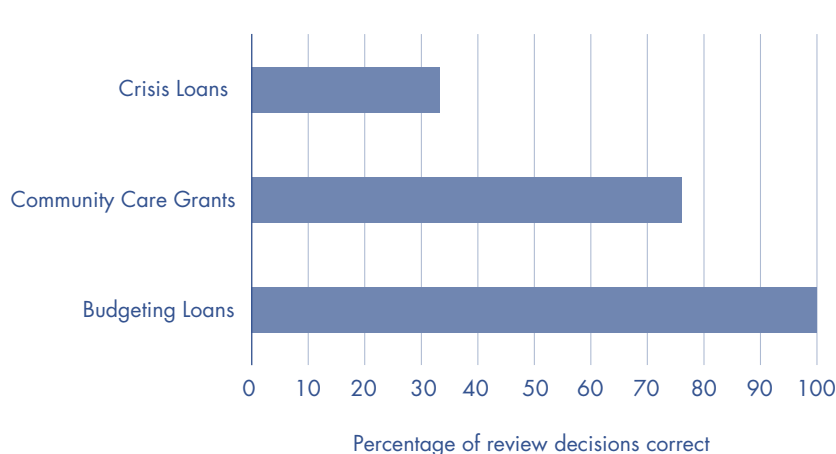


Source: National Audit Office analysis of Department for Work and Pensions data, 2003-04

### NOTES

Vertical line indicates range of percentages across districts.

## 18 Rates of review decision correctness vary widely between awards, 2003-04



Source: National Audit Office analysis of Department for Work and Pensions data

**3.29** The quality of reviews remains a concern for some types of award. Departmental checking<sup>41</sup> found no errors in Budgeting Loan review decisions, but found errors in 67 per cent of Crisis Loans reviews and 24 per cent of Community Care Grant reviews (**Figure 18**), usually for the same reasons as at initial decision stage (paragraphs 3.14, 3.16 and 3.21). The Department does not monitor errors on a district basis.

**3.30** The Department can take time to review decisions, but many customers cannot afford to wait. The clearance time target for discretionary award reviews is ten days but in 2003-04, for Budgeting Loans only 67 per cent of districts met this target, for Crisis Loans, 73 per cent and for Community Care Grants only 22 per cent (**Figure 19**). The slowest districts took an average of 55, 45 and 82 days, respectively for each type of award, to process reviews. Decision-makers told us reviews are not a resourcing priority and since payments arising from reviews come from the same limited budget as initial decisions, they sometimes delay decisions to use funds from the new month's budget profile.

### Looking again at decisions on discretionary awards – the Independent Review Service review

**3.31** Where a customer is dissatisfied with the outcome of an internal review they can apply for independent scrutiny by the Independent Review Service (the Service). The Department automatically sends independent review application forms with all computer-generated review

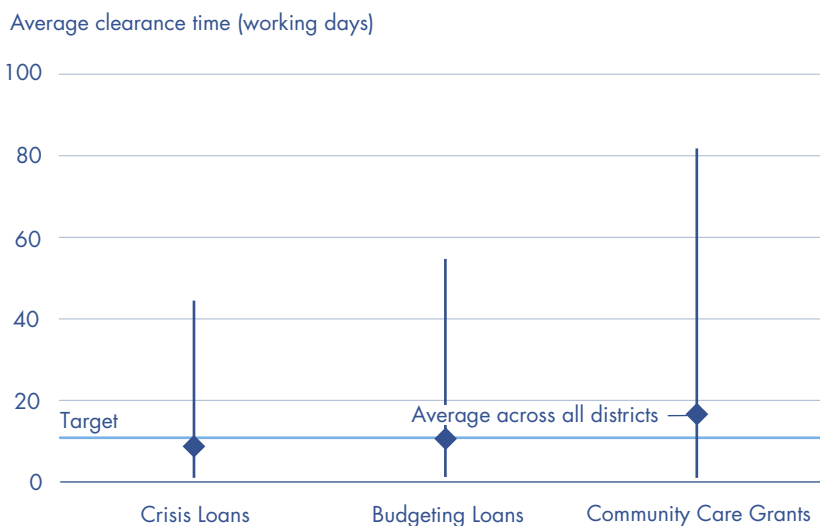
41 Performance Measurement team.

decision letters, but does not do so automatically with manually-produced letters, and the Service has received very few requests from customers receiving those letters. It is raising awareness of its work by giving leaflets and posters to Citizens Advice Bureaux, prisons, jobcentres, local authorities, charities and meals-on-wheels services.

**3.32** Although the Service makes 21,400 decisions a year<sup>43</sup>, there are problems referring decisions. A customer cannot apply to the Service unless they have already had an internal review. Then they must apply to their jobcentre, which sends the application, with the relevant jobcentre papers, to the Service. There can be delays in doing this and in 2003-04 they received fewer than two-thirds of cases within five days of the customer's application; four per cent took more than three weeks. There are large variations in the numbers of cases referred by districts, which may be caused by a number of factors, including: some districts more than others make customers aware of their right to ask for an independent review, variations in the quality of decision-making and the extent of local welfare rights group activities.

**3.33** The Service receives a high number of Community Care Grant cases (Figure 14 on page 24) and overturns over half of them (Figure 20). It also overturns 41 per cent of Crisis Loan cases but few Budgeting Loan cases. An overturned decision does not necessarily indicate an error since the Service might, for example, have become aware of a relevant change of circumstances, or received new evidence (Figure 21).

## 19 Average clearance times<sup>42</sup> for internal reviews, across all districts, 2003-04, and range of average district clearance times

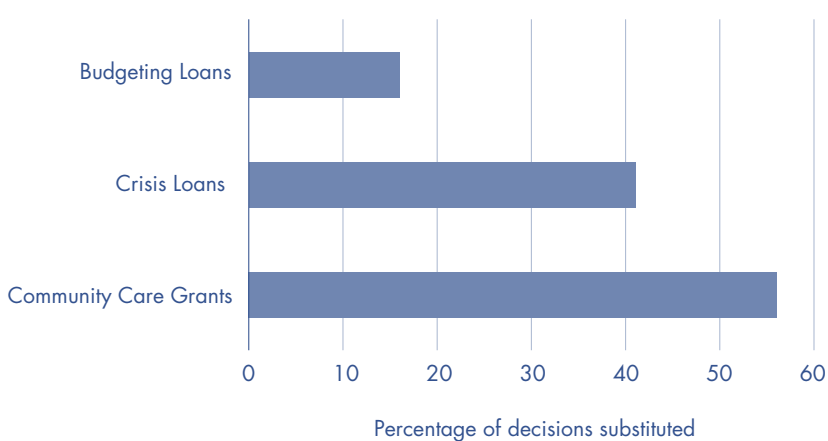


Source: National Audit Office analysis of Department for Work and Pensions data

### NOTE

Vertical line indicates range of clearance times across districts.

## 20 At the Independent Review Service, Community Care Grant decisions are more commonly overturned than decisions on other types of award



Source: National Audit Office analysis of Independent Review Service data, 2003-04

<sup>42</sup> Defined as actual average clearance times.

<sup>43</sup> In 2003-04.

## 21 Error rates and reasons for error in cases referred to the Independent Review Service 2003-04

	National error rate (per cent)	Highest district error rate (per cent)	Lowest district error rate (per cent)	Main reasons for error, as identified by the Service
Budgeting Loans	31	88	0	Use of discretion when considering the budget (64 per cent of Budgeting Loan errors).
Crisis Loans	32	67	0	Determining whether the loan would help to avoid serious damage or serious risk to the health or safety of applicant or their family.
Community Care Grants	51	75	31	Determining the priority of items. Determining whether an award would help the customer stay in or establish themselves in a community, ease exceptional pressure on families etc.

Source: National Audit Office analysis of Independent Review Service data

**3.34** There appear to be differences between decision-making in the Service and in the Department, although the same rules apply to both. For example, the Service told us departmental decision-makers sometimes interpret the Secretary of State's directions more stringently than the Service's decision-makers. **(Case example 3).** Decision-makers and the Service told us that more training (including, for the Service, legal training), higher staff grades and longer target clearance times<sup>44</sup> at the Service mean that, in practice, the standards achieved by departmental decision-makers often fall short of those required. Apart from the more general problems of decision-making quality discussed elsewhere in this report, decision-makers do not always record defensible reasons for their decisions. For Crisis Loans, the Service told us they commonly overturn decisions where decision-makers refuse a claim, considering it dubious, but not giving evidence or reasons the Service can support in law. Also, because there is no legal provision for nationally set Budgeting Loan maximum payments,<sup>45</sup> then even in the absence of new evidence or decision-making errors, the Service must often change the amount awarded.

### CASE EXAMPLE 3

#### Departmental staff sometimes impose more demanding criteria than are legally required

A teenage couple with a baby applied for a Community Care Grant for essential household items. They had no support from their families, no cot for the child, no washing machine or vacuum cleaner, and both parents had health problems requiring medication.

Although Community Care Grants can be awarded to families under exceptional pressure, both the initial decision-maker and internal reviewer rejected the application, saying the family could not have been under exceptional pressure because the family were established in their home and their needs had arisen in the normal course of events.

The Independent Review Service overturned the decision because the overall effect of all problems was exceptional pressure on the family, and said the fact that some of items were needed in the normal course of events was not a relevant issue.

Source: National Audit Office

<sup>44</sup> The Independent Review Service has a target to clear 95 per cent of straightforward decisions in 12 days and 95 per cent of those needing further investigation or complex enquiries within 23 days.

<sup>45</sup> Despite the fairness of nationally set maxima for Budgeting Loans (noted previously), decision-makers are legally obliged to consider their district budget status when making an award.

**3.35** For Community Care Grants, under a quarter of districts provide the Service with complete data on the status of, and any constraints on, their budgets. This is despite Service requests and the Department having made it a legal requirement to provide the data. Without this data the Service may overturn decisions it might otherwise have upheld. Because Service decisions to pay must be met from departmental budgets, overturned decisions squeeze district budgets, resulting in fewer items, or items of a lower value being paid at initial decision, leading to a higher risk of review.

### Looking again at regulated award decisions – reconsiderations and appeals

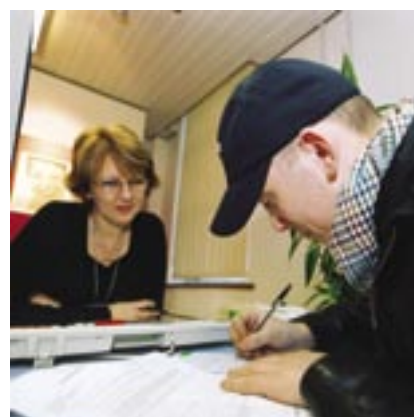
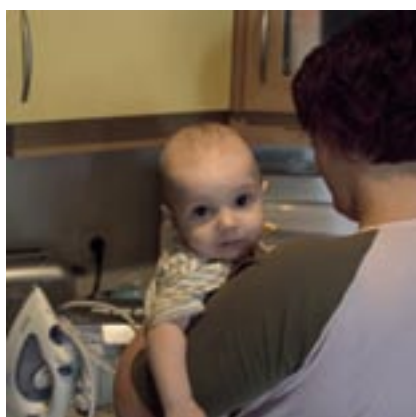
**3.36** In 2003-04, the Department overturned 68 per cent of those Funeral Payment decisions and Sure Start Maternity Grant decisions it looked at again. It does not monitor the reasons for the overturns, but believes they are due to new evidence being available to the reviewer. Departmental data shows that, in 2003-04, 52 per cent of all reconsiderations took two days or less but 16 per cent took more than 12 days. In 2004-05 the Department introduced clearance time targets of ten days for reconsiderations.

**3.37** Very few decisions on regulated awards go to the Appeals Service (Figure 14 on page 24). In 2003-04, 16 per cent of Funeral Payments considered at appeal were overturned and ten per cent of Sure Start Maternity Grants. Because of the small numbers involved, the Appeals Service does not monitor the reasons for overturning these decisions.



## PART FOUR

Does the Department administer the Social Fund efficiently?



**4.1** This part considers the staff costs of administering the Social Fund and whether there is scope to deliver it more cost-effectively without adversely affecting the quality of decision-making. In particular, we examine the differences in working practices across districts and the barriers to cost-effectiveness.

## Staff cost per application is lower than for other benefits

**4.2** Staff time is the Fund's main administrative cost. Since 2001-02, staff numbers have fallen while application volumes have increased. In 2003-04 an estimated 3,419 full-time equivalent staff worked on the Fund compared to 3,700 in 2001-02, an eight per cent decrease. Application volumes increased by four per cent over the same period. The Department estimates 2003-04 staff costs at approximately £70 million, around four per cent of total Jobcentre Plus staff costs.

**4.3** It is not possible to compare the Fund's annual administrative costs to conclude whether it has become more or less expensive to deliver over time. The Department last measured the Fund's administrative costs in 1998-99, at approximately £215 million. However, this amount is not comparable to the 2003-04 figure (£70 million) since the former includes capital expenditure<sup>46</sup> while the latter consists of staff costs only. The Department could not tell us how much of the 1998-99 figure related to staff costs, nor the methodology by which non-staff costs were calculated. In the absence of this information, a meaningful comparison between 1998-99 and 2003-04 cannot be made. The estimated £70 million staff cost for the Fund

in 2003-04 was calculated by a new unit costing system, which the Department introduced in April 2003. This system calculates staff costs for all Jobcentre Plus activities. According to the system, Fund staff costs were more than those for Income Support (£54 million), Jobseekers Allowance (£51 million) and Incapacity Benefit (£37 million).<sup>47</sup> However, the Fund had the lowest staff cost per application – less than a third of that for Income Support (**Figure 22**).

**4.4** Different elements of the Social Fund have different costs, with grants being more expensive to process than loans. On the basis of the information available, average staff cost per application in 2003-04 was £15 for Budgeting Loans, £16 for Crisis Loans and £24 for grants (Funeral Payments, Sure Start Maternity Grants and Community Care Grants combined). But the data collected by the Department's new unit costing system has limitations. In particular:

- the cost per application for grants includes a mixture of discretionary and regulated awards, which have very different processing costs;
- some districts do not include all the time spent on Crisis Loan work under Fund staff costs. For example when jobcentre front-line staff spend only a proportion of their time dealing with Crisis Loans;
- the calculations are based on initial application volumes only and do not reflect the varying levels of internal reviews for each type of award; and
- the cost of debt recovery for both Budgeting Loans and Crisis Loans is not reported separately but included under Budgeting Loans.

### 22 The Social Fund had lower staff cost per application than other benefits in 2003-04

	Income Support	Incapacity Benefit	Jobseekers Allowance	Social Fund
Staff cost (£m)	54	37	51	70
Application volume (000)	896	786	2,318	4,108
Staff cost per application (£)	60	47	22	17

Source: National Audit Office analysis of Department for Work and Pensions data

#### NOTE

Comparing the staff cost/gross expenditure ratio would not provide a meaningful comparison since, unlike the other benefits, the Social Fund provides one-off, rather than ongoing, payments.

<sup>46</sup> Under Government cash accounting conventions, capital expenditure was accounted for in the current financial year.

<sup>47</sup> Costs for these benefits are for processing initial applications only and do not include subsequent work, such as processing changes in customers' circumstances.

## There is scope to standardise working practices across districts and spread good practice

**4.5** According to the Department's unit costing system, staff cost per application varied considerably between the 90 districts in 2003-04<sup>48</sup> (**Figure 23**). This indicates that there may be differences in working practices across districts (although some of the variance may reflect inaccuracy in the information collected). Based on the available data,<sup>49</sup> we found no link between low unit costs and poor quality decision-making. We carried out a process mapping exercise<sup>50</sup> to explore these differences and identify efficient working practices. Paragraphs 4.6 to 4.21 summarise our findings on what affects efficiency. To encourage a more consistent and efficient approach to delivering the Fund, we developed a standard process for each of the three types of discretionary award for all districts to follow. This work complements departmental work currently in progress to develop a standard operating model for future delivery of the Fund. The model was piloted in November 2004.

**4.6 Division of labour:** In general, those districts split into specialist teams work more efficiently than those with multi-tasking teams. Since Crisis Loan applications are always given the highest priority, staff working on Budgeting Loans or Community Care Grants in districts without specialist teams often have to drop these applications to deal with incoming Crisis Loans. This lengthens clearance times and leads to backlogs of applications. Also, work is duplicated as staff have to re-start the Budgeting Loan or Community Care Grant application. The Department, in developing its standard operating model, has reached similar conclusions and proposes to address them by introducing new arrangements for allocation and timetabling of each decision-maker's workload. It also plans to centralise processing in fewer locations than the current 90 districts.

**4.7** The Independent Review Service told us that, while it agrees that specialist teams can lead to greater efficiency, it is important for decision-making staff to have knowledge of the three different types of discretionary award. For example, there is a requirement for a Crisis Loan decision-maker to consider whether a Community Care Grant would be more appropriate.

**4.8** There are variations between districts in the grade of staff carrying out tasks. At more efficient districts, Executive Officers spend all their time making decisions while more junior Administrative Officers and Administrative Assistants carry out all support activity, such as data input and obtaining evidence. However, processing costs are likely to rise as we are advised that the Administrative Assistant grade is being phased out and their work will need to be undertaken by more expensive staff. The Independent Review Service commented that it is important for clerical staff to have proper training in order to collect evidence effectively.

**4.9 Collecting evidence:** Customer contact by phone is more efficient than contact by letter. As well as the information submitted on the application form, staff often have to contact the applicant and/or third parties for missing or additional information, particularly for Crisis Loans and Community Care Grants. Some districts do this by phone and others by letter. Processing times are quicker at districts using the phone. As well as saving postage time, decision-makers are more likely to receive the information they need first time.<sup>51</sup> However, interest groups have pointed out that the Department must ensure those customers who cannot be contacted by telephone are given the same opportunity to provide evidence in support of their applications.

**4.10** Lack of full access to benefit records slows down processing times. Checking an applicant's benefit history is a key part of gathering and confirming evidence to support Fund applications. But some districts only have access to Income Support and Jobseekers Allowance computer systems. For other benefits, they must request information from benefit processing teams, adding up to ten minutes per case. One district commented that, although it has access to all benefit screens, it would be useful to have training on how to find relevant information.

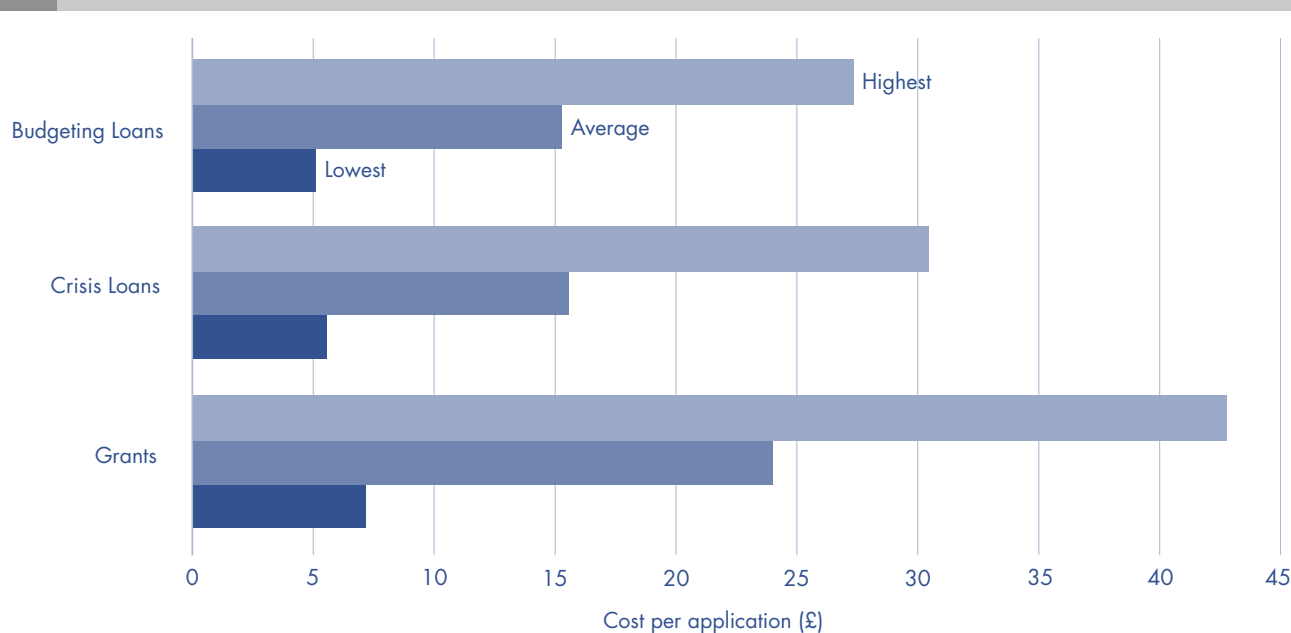
48 These figures exclude outliers. Outliers are defined as those districts with cost per application which are either twice the average cost per application for that activity or less than a quarter of the average cost per application for that activity.

49 We compared the Department's unit cost data mentioned above to Independent Review Service data on error rates in decision-making.

50 The exercise covers the three types of discretionary award only – Budgeting Loans, Crisis Loans and Community Care Grants. Regulated awards were not included because the processes for these are more standardised. Appendix 1 gives further details.

51 The savings in staff time outweigh the costs of the telephone call.

## 23 Variation between districts in cost per application is greatest for grants



Source: National Audit Office analysis of Department for Work and Pensions data

### NOTE

Figure for grants includes Funeral Payments, Sure Start Maternity Grants and Community Care Grants combined.

Part of the reason for the variation in cost per application for grants is likely to be the differing proportions of Funeral Payments, Sure Start Maternity Grants and Community Care Grants across districts.

**4.11 Crisis Loans by phone:** Accepting Crisis Loans by phone is more efficient than processing applications submitted on forms. Staff save time not having to chase information missing from a partially completed form. On average, phone interviews are ten to 15 minutes quicker than face-to-face interviews. Time is also saved by not having to set up and rearrange face-to-face interviews, which applicants may fail to attend.<sup>52</sup> However, it is important that paper and face-to-face applications are also accepted from customers who cannot claim by phone, or who may be disadvantaged by doing so. In addition, the Independent Review Service pointed out that the Department must ensure the standard of service and applicants' rights are preserved when accepting Crisis Loans by phone. For example all customers should receive a written decision if an application is refused.

**4.12 Screening of applications by jobcentres:** Application forms received from jobcentres are often incomplete. Some districts receive a significant proportion (up to 75 per cent) of their Crisis Loan applications from jobcentres, usually by fax, but many lack details essential to making a decision or basic requirements such as the customer's signature or

contact details. Districts told us that they return up to 50 per cent of the applications received from jobcentres for this reason. Some districts have taken action to improve the quality of application forms received from jobcentres (Good practice example 1 on page 21), but the high number returned suggests more training for jobcentre staff is necessary.

**4.13 Logging applications:** More efficient districts log all applications on the Fund computer system on receipt. But one district we visited had a backlog of 60 Community Care Grant applications waiting to be logged because of resourcing problems. This district spends longer dealing with customer enquiries because staff have to find the application form instead of looking details up on the computer system.

**4.14 Off-system applications:**<sup>53</sup> For off-system Budgeting Loan applications, the Budgeting Loans Calculator is used to establish a customer's maximum amount. However, in one of the four districts we visited, staff do not have access to this software. The calculation has to be done manually, adding an extra 15 minutes to the process.

<sup>52</sup> The savings in staff time outweigh the costs of the telephone call.

<sup>53</sup> Some applications cannot be put onto the Social Fund computer system, for example if the customer has a large number of prior applications or outstanding loans. These "off-system" cases are dealt with manually, using paper records.

**4.15 Local efficiency initiatives:** We also identified a number of efficiency initiatives which districts have developed locally but there was little or no sharing of such good practice with other districts (**Good practice example 4**).

### GOOD PRACTICE EXAMPLE 4

#### Some districts have developed efficiency initiatives locally

- Several districts have taken steps to raise awareness of the Social Fund among jobcentre staff to improve the quality and completeness of the application forms they submit.
- One district gives decision-makers “phone-free” days, on rotation, where they do not need to answer customer calls, so have fewer interruptions.
- One district has purchased a text-messaging facility to make contact with Crisis Loan customers. It had found that they did not access voicemail messages left by Social Fund staff because of the cost, whereas text messages are free to retrieve. The time saved by not having to repeatedly call customers not picking up messages outweighs the cost of sending the texts.
- At one district, staff at jobcentres have read-only access to an electronic folder for each Crisis Loan applicant. This saves time as decisions do not have to be faxed to the jobcentre where the applicant is waiting.

*Source: National Audit Office.*

## Some barriers to efficiency are beyond districts’ control

**4.16** Inefficiencies in Fund processes are not only caused by variations in working practices. A number of barriers require action from the Department centrally.

**4.17 The Social Fund computer system:** The computer system has limitations which cause inefficiencies in processing applications (**Figure 24**). Districts told us that processing off-system applications was the most common cause of delays, adding up to ten minutes per application. Districts we visited had 200 to 300 off-system cases waiting to be put onto the computer system because of lack of space. The Department plans to increase system capacity to remedy this problem in April 2006.

**4.18 Resourcing pressures:** While they recognised the benefits of working in specialist teams (paragraph 4.6), some districts told us that they lacked the resources to do it. Two-thirds of districts told us that staff generally work on more than one type of award and 28 per cent do not accept Crisis Loans by phone. Districts told us that, while they recognise phone applications are more convenient for customers and more efficient to process, they have insufficient staff to guarantee all incoming calls will be answered. They were also concerned that accepting phone applications would result in an increase in application numbers, as has happened in other districts (paragraph 3.17).

**4.19 Storage facilities:** Districts commented that sending paper records to off-site storage is labour-intensive. One district said it had not sent papers to off-site storage for almost a year due to lack of support staff. A number of districts also said requests for paper records retrieval are often unsuccessful and up to half cannot be found. In April 2004, the Department switched storage suppliers. The new service will include computer logging of all new and existing files and is due to be implemented in the next year.

**4.20 Alignment payments:** Crisis Loan staff said that they often have to spend time contacting benefits processing teams when dealing with applications for alignment payments (paragraph 2.9). In one district we visited, over a half of Crisis Loan applications received were for alignment payments. It was often awarding five or six Crisis Loans in a row to individual customers because of severe delays in processing the relevant benefit. Fund staff felt that, where they awarded alignment payments to cover delays in benefit processing, this was not an effective use of their time.

**4.21 Application forms:** Several districts thought that more information on application forms would be helpful. For example, forms do not advise of target clearance times so that a large number of customer enquiries are to ask for progress on applications, which have sometimes only been received the previous day.



## 24 Social Fund computer system limitations cause inefficiencies

### Limitation

The computer system records a maximum of 30 applications and 15 outstanding loans per customer.

The computer system holds a maximum of 30 items per application for Community Care Grants and is inflexible as to how items can be input, for example a fridge-freezer can only be logged as two items: a fridge and a freezer.

The computer system holds very little information on reasons for applications and explanations for both initial decisions and review decisions.

Information input into a screen cannot be saved until all fields on that screen are completed.

Daily work-lists of cases which require action are insufficiently detailed.

The computer system does not have a facility to provide customers with statements of their outstanding loans.

There is no facility to change the amount paid out for a Budgeting Loan following an Independent Review Service review.

Customers find decision notification letters confusing and the reasons for the decision unclear.

### Impact on efficiency

Further decisions are recorded on paper.  
Letters and payments to customers generated manually.  
Regular checking of the computer system to see if space has become available and inputting data when space is available.  
Increased risk of fraud and error.  
Understatement of application volumes and outstanding debt.

If an applicant applies for more than 30 items, additional time is spent sorting the items into logical groupings.

Explanations for decisions are recorded on paper and filed with the application form. Social Fund staff who need full details of a case, for example, for a review or to answer a phone query, have to access paper records.

If a staff member is interrupted when completing a screen and has to access a different customer's records, for example to answer a phone query, the data previously input is lost and they have to start again.

Tasks on the work-lists cannot be prioritised effectively.

Customer statements are prepared manually and only on request.  
Over half of Budgeting Loan refusals are because of existing Fund debt.

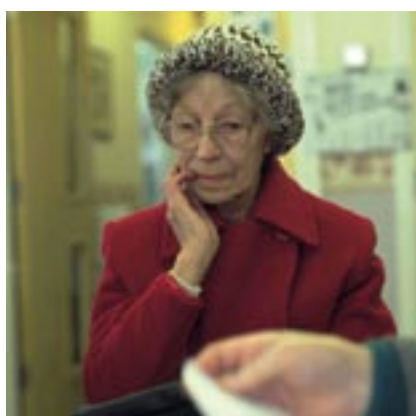
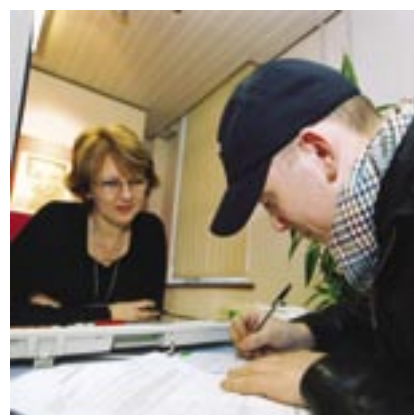
The increase is dealt with either as a Crisis Loan or as an off-system case.

Staff spend additional time explaining reasons to customers.  
May also lead to increased requests for reviews.

*Source: National Audit Office process mapping exercise*

## PART FIVE

Does the Department manage Social Fund debt effectively?



**5.1** This part examines the Department's management of Social Fund debt, including recovery rates for Budgeting Loans and Crisis Loans, the barriers to debt recovery and its cost.

## Recoveries fund most loan expenditure under the Social Fund

**5.2** Social Fund debt arises when Budgeting Loans and Crisis Loans are awarded.<sup>54</sup> Some £569 million was paid out in loans in 2003-04, 85 per cent in Budgeting Loans. Amounts paid out in new loans are funded mainly by the recovery of outstanding loans. Both types of loan are paid from the same budget and recoveries can only be used to pay out further loans. In 2003-04, recoveries of £529 million funded 93 per cent of the £569 million paid out in loans, a similar proportion to previous years (**Figure 25**). At the start of each financial year, the Department forecasts the level of recoveries it expects to achieve and sets the gross loans budget according to this and the amount of programme funding available. The Department forecasts the debt recovery level prudently to ensure that gross loans expenditure can be met. Actual recoveries have exceeded forecast recoveries in each of the last five years. In 2003-04, actual recoveries (£529 million) exceeded forecast recoveries (£519 million) by £10 million, which was paid out in extra loans.

### 25 Amounts paid out in new loans are funded mainly by recoveries

	2001-02	2002-03	2003-04
Gross expenditure on loans (£m)	544	546	569
Recoveries (£m)	502	521	529
Net expenditure on loans (£m)	42	25	40

Source: Social Fund Annual Reports

## Almost all debt recovered in 2003-04 was via automatic deduction to benefit payments

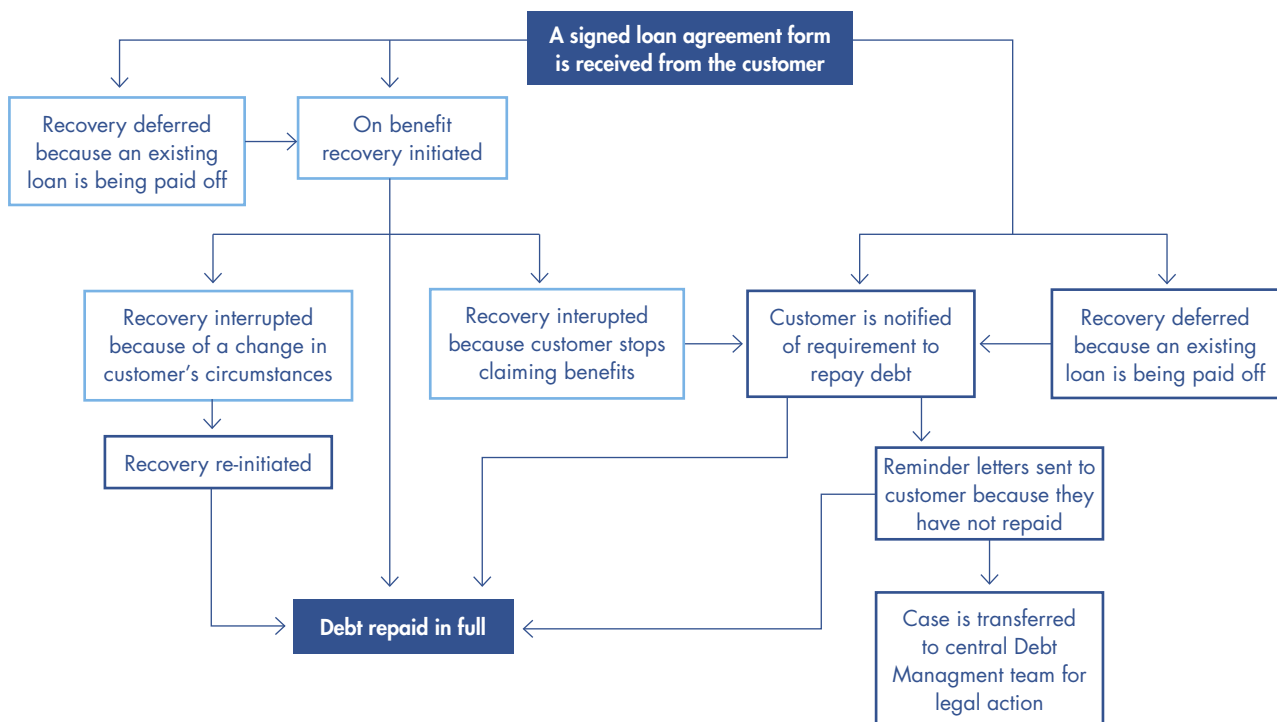
**5.3** If a customer receives benefits, Fund debt is recovered automatically via deductions to benefit payments (on-benefit recovery) (**Figure 26**). In 2003-04, £517 million (98 per cent of total recoveries) was recovered this way. If a customer does not receive benefits, they are reminded they must make repayments themselves (off-benefit recovery). In 2003-04, £12 million (two per cent of total recoveries) was recovered this way. Off-benefit recovery occurs either when a non-benefit recipient takes out a Crisis Loan or when a benefit recipient with outstanding debt stops claiming benefits. However, it can also occur when a customer receives benefits but they are insufficient to cover agreed repayments.

**5.4** Debt recovery is deferred if a customer is already repaying a Fund loan. It is unlikely a customer could afford to repay two loans at once, since many repay their existing debt at 15 per cent of their weekly benefit entitlement.<sup>55</sup> Fund loans are therefore recovered one at a time, on an oldest first basis. A fresh recovery starts as soon as the older loan is paid off. 56 per cent of people with Fund debt have more than one loan and three per cent have over ten loans. The Department controls the extent of multiple loans by setting a limit of £1,000 for overall indebtedness to the Fund. Loan repayments can be rescheduled downwards if a customer is facing hardship, or upwards to allow a customer to take out a subsequent loan.

<sup>54</sup> Although potentially recoverable from the estate of the deceased, Funeral Payments are not loans and their recovery is not considered in this part.

<sup>55</sup> For the purposes of this report, "weekly benefit entitlement" means the qualifying benefit allowance, plus any qualifying tax credits in payment plus any child benefit.

## 26 The Social Fund debt recovery process



Source: National Audit Office

### NOTE

Boxes outlined in light blue represent an automated process and boxes outlined in dark blue a manual process.

**5.5** A number of changes to customers' circumstances cause debt recovery to be interrupted and Social Fund staff have to follow procedures to re-initiate recovery. For example:

- **the customer stops claiming benefits.** A letter is sent to the customer reminding them of their obligation to repay the debt;
- **the customer changes the type of benefit claimed.** Recovery is arranged from the new benefit;
- **the customer's debt was being recovered through deductions to their partner's benefit payments and the partnership breaks up.** Recovery is arranged from the customer's own benefit payments; and
- **the customer's debt was being recovered through deductions to their own benefit payments but they will no longer be receiving benefits as a new partner will be claiming on their behalf.** Recovery is arranged from the partner's benefit payments.

**5.6** Off-benefit customers who fail to meet repayments are sent two reminder letters. If they do not respond, the district ultimately refers the case to the Department's central Debt Management team<sup>56</sup> to consider civil proceedings. This involves applying for a County Court Judgement or Attachment of Earnings Order to enforce repayment and can only be done if the debt is over £50 and less than six years old.<sup>57</sup> The Department told us that only one third of the cases transferred to the Debt Management team results in legal action, which is a costly and, they consider, often ineffective process.

**5.7** The Department writes off outstanding Fund debt only in extreme circumstances. In 2002-03, only £2 million (0.5 per cent of the outstanding balance) was written off. As a result, the balance has become older each year. Between 2001-02 and 2003-04 the proportion of debt over five years old doubled (from 5 per cent to 10 per cent) and the proportion less than a year old fell from 75 per cent to 59 per cent. The reasons for this policy are:

<sup>56</sup> The Department set up a central Debt Management team in April 2001. It is responsible for the recovery of benefit overpayments through fraud and error, as well as Social Fund debt.

<sup>57</sup> Or less than 20 years old in Scotland.

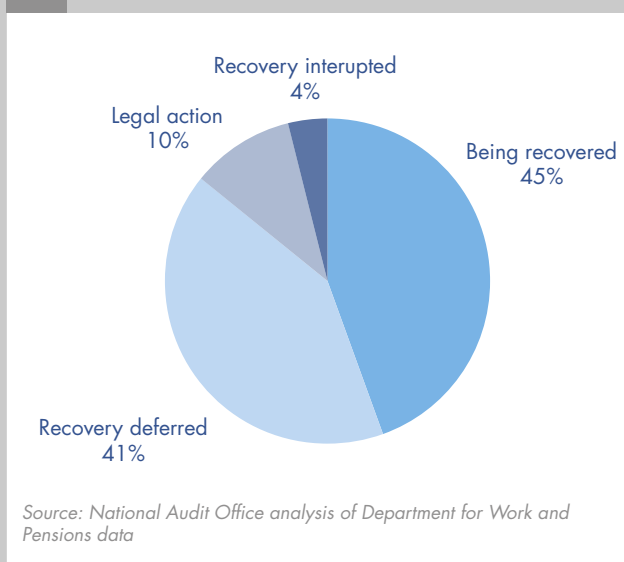
- recovery can be re-initiated if the customer returns to benefits;
- the amount of outstanding debt is a factor taken into account when considering new applications to the Fund; and
- recoveries fund loans expenditure. Failure to recover outstanding debt therefore reduces the amount which can be paid out in new loans.

**5.8** In March 2004, the outstanding Fund debt balance stood at £591 million, a five per cent increase on the previous year. This was expected given the similar (four per cent) increase in gross expenditure over the same period. **Figure 27** shows that less than half of the March 2004 balance was being actively recovered and a significant proportion was deferred.

## The Department recovers most Social Fund debt but the recovery rate for Crisis Loans has fallen

**5.9** The Department achieves high recovery rates for both types of loan. For example, overall, 96 per cent of loans paid out in 1998-99 were recovered (97 per cent of Budgeting Loans and 92 per cent of Crisis Loans). Final recovery rates for loans paid out from 1999-2000 are not

**27** In March 2004, less than half of outstanding debt was being recovered and a significant proportion was deferred



yet known because small amounts continue to be recovered up to 6 years after the loan was made, but, overall, the Department is on track to achieve similar high recovery rates to 1998-99 (**Figure 28**). However, while the proportion of debt recovered in year one has increased overall, we found that it had fallen for Crisis Loans (**Figure 29**).

## 28 The Department recovers most Social Fund debt

Year in which loan was made	Proportion of loans recovered in years 1 to 6						Total recovered as at March 2004
	1	2	3	4	5	6	
1998-99	29	49	13	3	1	1	96
1999-00	34	48	10	2	1	*	95
2000-01	36	49	7	2	*	*	94
2001-02	36	48	8	*	*	*	92
2002-03	37	46	*	*	*	*	83
2003-04	38	*	*	*	*	*	38

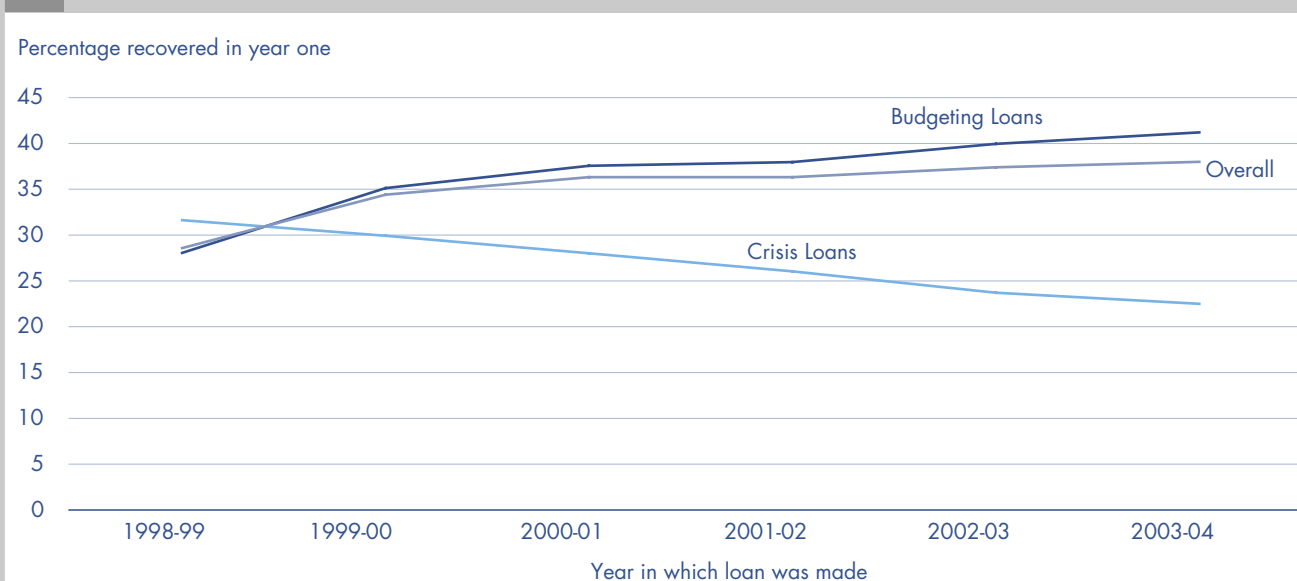
Source: National Audit Office analysis of Department for Work and Pensions data

### NOTES

- Figures are for Budgeting Loans and Crisis Loans combined.
- Year 1 means the same financial year in which the loan was made; year 2 is the following financial year etc.
- \* means data is not yet available as it relates to 2004-05 onwards.



## 29 The proportion of debt recovered in year one has increased for Budgeting Loans but fallen for Crisis Loans



Source: National Audit Office analysis of Department for Work and Pensions data

### NOTE

Year one means the same financial year in which the loan was made.

**5.10** There are two main reasons for the lower recovery rates for Crisis Loans compared to Budgeting Loans. Unlike Budgeting Loan applicants, Crisis Loan applicants do not have to receive benefits to be eligible. As a result, there is a greater risk of default with Crisis Loans, because a smaller proportion of customers receive benefits from which repayments can be automatically deducted. In addition, a greater proportion of outstanding Crisis Loan debt than Budgeting Loan debt is deferred (paragraph 5.4). In March 2004, 70 per cent of the £153 million outstanding Crisis Loans was deferred, compared to 31 per cent of the £439 million outstanding Budgeting Loans.

## The Department is taking steps to improve off-benefit debt recovery

**5.11** Responsibility for off-benefit recovery will change from next year. Under current arrangements, districts are responsible for off-benefit recovery and only transfer cases to the central Debt Management team for legal action (paragraph 5.6). From the second half of 2005-06,

that team will be responsible for all off-benefit recovery starting from the point a customer stops claiming benefits. This change in responsibility follows growing concern within the Department and the National Audit Office that off-benefit debt<sup>58</sup> is not being actively pursued. The off-benefit debt balance increased from £90 million in March 1999 (20 per cent of the total debt balance) to £181 million in January 2004 (30 per cent of the total balance). However, for those cases where a customer's benefit payments are insufficient to cover agreed repayments, responsibility for debt recovery will remain with districts.

**5.12** Around half of districts told us that, although they are responsible for off-benefit recovery, lack of resources is the main reason for their failure to pursue this debt (**Figure 30**) and only a third have a designated team. Although each district has a target for debt recovery, it is not split by on- and off-benefit recovery. Since most districts meet their target by on-benefit recovery alone, there is little incentive to pursue off-benefit debt.

<sup>58</sup> Debt owed by a customer who is not receiving benefits.

### 30 Our survey identified lack of resources as the main barrier to debt recovery

Barrier	Number of districts
Lack of resources	43
Repayment methods	27
Inability to trace customer	21
Tax credits	20
Change in circumstances	16
IT	13
Referrals to Debt Management	9
File retrieval	6
Lack of training	6

Source: National Audit Office survey

#### NOTE

Some districts mentioned more than one type of barrier.

**5.13** Districts told us that there were a number of further barriers to recovering debt. These included:

- **limited repayment methods available to customers.** Currently customers not receiving benefits can only repay by cash or cheque, and not direct debit (paragraph 2.21);
- **limited access to relevant information for tracing customers where reminder letters are returned unopened.** Access to all benefit and tax credit records would be helpful;
- **inability to recover debt from tax credits**, which many customers now receive in place of benefits;
- **labour-intensive procedures for referring cases to the central Debt Management team for legal action.** The Department is looking at streamlining the referral process as part of the project to transfer responsibility for off-benefit recovery to the central Debt Management team; and
- **inability to retrieve paper records as evidence** (paragraph 4.19). The signed loan agreement form is a requirement if a customer disputes the amount owed or legal action is to be taken.

## The Department does not routinely recover debt from customers who return to benefits

**5.14** If someone with a Fund loan returns to benefits having not claimed them for a period of time, recovery is not re-initiated automatically. Similarly, recovery is not automatic following an interruption due to a change in the customer's circumstances. Fund staff have to arrange benefit deductions manually. Many districts said they have insufficient staff to do this on a regular basis. The Department estimates that an additional £6.1 million could be collected annually if recovery were initiated as soon as customers return to benefits. Districts are being encouraged to use a new data-cleansing system called MIDAS (Matching Intelligence Data Analysis Services) to identify such cases. By July 2004, 56 districts had used MIDAS.

**5.15** In addition, Fund staff only have direct access to Income Support and Jobseekers Allowance computer systems to arrange on-benefit recovery. For other types of benefit, such as Incapacity Benefit and Pension Credit, they have to request deductions from benefit processing teams. Several reminders often have to be sent before deductions are made. One district reported a delay of nine months in one case.

**5.16** As noted earlier, the Department does not record the cost of debt recovery separately, but includes it under the cost of processing Budgeting Loans (paragraph 4.4). It is not possible to judge what proportions of the £15 unit cost for Budgeting Loans relate to decision-making and debt recovery. Based on our process mapping exercise we estimate that, on average, on-benefit recovery costs less than 1 penny per £1 recovered. Off-benefit recovery cost around £1.35 per £1 recovered at the districts we visited.

# APPENDIX 1

## Methodology

### Introduction

**1** We adopted a variety of methods to collect and analyse information for this study of the Social Fund. These were designed to help us consider four key questions:

- does the Fund help those with the greatest difficulty in managing their income? (Part 2);
- could the Department do more to improve the quality of decision-making? (Part 3);
- does the Department administer the Fund efficiently? (Part 4); and
- does the Department manage Social Fund debt effectively? (Part 5).

The methods we used to examine these issues were as follows.

### Literature review

**2** We commissioned Mr Trevor Buck (Senior Lecturer, Faculty of Law) and Dr Roger Smith (Lecturer, School of Social Work), both of the University of Leicester, to undertake a literature review. They examined over 80 articles and publications to establish the key findings of previous research on the Fund. This provided us with a detailed understanding of the main issues related to the Social Fund.

### Omnibus survey of low income households

**3** On our behalf, Taylor Nelson Sofras asked 573 people living in low income households – defined as an annual gross household income under £10,000 – the following questions:

- Did you know that jobcentres and benefit offices sometimes pay grants and loans to help people pay for important expenses they can't meet out of their regular income (such as a cooker, a bed or other necessities)?
- If you have ever needed money to pay for an important expense you couldn't meet out of your regular income, where did you go for advice?
- If you have ever needed money to pay for an important expense you couldn't meet out of your regular income, where did you get that money from?

### Survey of Social Fund districts

**4** We sent an electronic survey to all 90 Social Fund districts to gather information on aspects of administration such as training, guidance, targets and staffing arrangements, on the standard of decision-making; to examine the quality of information given to customers; to explore the reasons for variations in efficiency and to establish the barriers to debt recovery. All 90 districts responded, providing us with a comprehensive picture of how the Social Fund is administered at local level.

## Process mapping

**5** We commissioned PricewaterhouseCoopers to undertake a process mapping exercise to establish (i) the actual processes used for delivering Budgeting Loans, Crisis Loans and Community Care Grants in three districts; (ii) the reasons for variations in processing times and costs; and (iii) standard processes for each of the three types of award based on the more efficient working practices identified. The three districts – Dudley & Sandwell, North West Wales & Powys and Wirral – were selected to represent a range of performance in terms of processing costs and standard of decision-making.

## Consultation with the Department

**6** We interviewed 30 Social Fund staff and 6 jobcentre front-line staff in four districts – Ayrshire, Dumfries & Galloway; Derbyshire; East Lancashire; and West London - to examine the issues in our survey in greater depth, and reviewed 20 case-files. We also consulted departmental officials in the Family Poverty and Financial Exclusion Division, the Social Fund policy team, the operational research division, the Social Fund Focus Group, the Performance Measurement team, central Debt Management team, The Pension Service, the Finance Directorate and the Social Security Consortium.

## Consultation with other organisations

**7** To obtain an understanding of customers' experience of the Social Fund, we consulted a range of voluntary organisations, including Age Concern, Association of Charity Officers, Family Welfare Association, Help the Aged, One Parent Families and Mind. We also interviewed Citizens Advice and reviewed over 200 of their case reports.

**8** To examine the standard of decision-making, we consulted the Independent Review Service and reviewed a sample of cases that had been referred to them.

## Secondary data analysis

**9** We analysed a wide range of departmental data on decision-making, debt and administrative costs. We also analysed data from the Independent Review Service and the Appeals Service.

## Reference partners

**10** We consulted a number of reference partners to provide feedback and guidance on our study scope, methodology and key findings. They were:

- Andrew Stewart, Deputy Divisional Manager of the Lone Parents and Partners Division, Department for Work and Pensions;
- David Wilyman, Lone Parents and Partners Division, Department for Work and Pensions;
- Chris Etty, Lone Parents and Partners Division, Department for Work and Pensions;
- Christine Friar, Family Poverty and Financial Exclusion Division, Department for Work and Pensions (now moved to Partnership Inclusion and Unemployment Division);
- Grace Kennedy, Chair of the Social Fund Focus Group in Jobcentre Plus;
- Angela Keith, member of Social Fund Focus Group in Jobcentre Plus and Social Fund practitioner;
- Graham Carter, Operations Director of the Pensions Service;
- Trevor Buck, Senior Lecturer, Faculty of Law, Leicester University;
- Sir Richard Tilt, the Social Fund Commissioner (Head of the Independent Review Service);
- Alan Barton, Social Policy Officer at the National Association for Citizens Advice Bureaux;
- Valerie Barrow, Director of the Association of Charity Officers; and
- Kate Green, Director General, Child Poverty Action Group.

## APPENDIX 2

### Glossary of terms

<b>Administrative Officer</b>	Grade responsible for support activities and making decisions on Budgeting Loan applications only. Lower grade than Executive Officer.
<b>Alignment payment</b>	Crisis Loan payment to cover living expenses before people receive the first payment of another benefit or wages.
<b>Award</b>	Type of Social Fund benefit. For the purposes of this report, one of: Budgeting Loan, Crisis Loan, Community Care Grant, Funeral Payment and Sure Start Maternity Grant.
<b>Decision-maker</b>	Social Fund specialist who makes decisions on Social Fund applications.
<b>Discretionary award</b>	Budgeting Loan, Crisis Loan or Community Care Grant.
<b>District</b>	Administrative and budgetary unit of Jobcentre Plus. There are 90 Jobcentre Plus districts across Great Britain.
<b>Executive Officer</b>	Decision-making staff grade. Higher grade than Administrative Officer.
<b>Front-line staff</b>	Customer-facing jobcentre staff. Not specialist in Social Fund.
<b>Independent Review Service</b>	The Independent Review Service provides a final, independent tier of review for discretionary awards. The Social Fund Commissioner, appointed by the Secretary of State for Work and Pensions, heads this independent body.
<b>Initial decision</b>	The decision made by a decision-maker on receipt of an application for a Social Fund award.
<b>Jobcentre</b>	Used throughout the report to describe Jobcentre Plus offices, jobcentres and Social Security Offices.
<b>Jobcentre Plus</b>	A business unit of the Department for Work and Pensions.
<b>Looking again at a decision</b>	Generic term for doing a review or reconsideration.
<b>Off-benefit debt</b>	Debt held by a customer who is not receiving benefits.
<b>Off-benefit recovery</b>	Recovery of debt by cash, cheque or direct debit instead of benefit deductions.
<b>Off-system cases</b>	Some applications cannot be put onto the computer system. This usually occurs when a customer has many prior applications or outstanding loans. In these, "off-system" cases applications are dealt with manually, using paper records.



<b>On-benefit debt</b>	Debt held by a customer who is receiving benefits.
<b>On-benefit recovery</b>	Recovery of debt by automatic deduction from benefit payments.
<b>Personal Advisers</b>	Jobcentre Plus customer advisers who typically focus on job search.
<b>Qualifying benefit</b>	Social security benefit that makes people eligible for or entitled to a Social Fund award.
<b>Reconsideration</b>	Jobcentre Plus looks again at a decision on a regulated award.
<b>Regulated award</b>	Funeral Payment or Sure Start Maternity Grant.
<b>Review, or internal review</b>	Jobcentre Plus looks again at a decision on a discretionary award.
<b>Social Fund</b>	Used throughout the report (unless specified otherwise) to refer exclusively to the collection of awards: Budgeting Loans, Crisis Loans, Community Care Grants, Funeral Payments and Sure Start Maternity Grants.
<b>Social Fund office</b>	Offices within Jobcentre Plus districts administering the Social Fund. Except for staff dealing with Crisis Loans, decision-makers are not based within the jobcentres.
<b>Social Fund staff</b>	Social Fund specialists; not front-line staff.
<b>Weekly benefit entitlement</b>	For the purposes of this report, “weekly benefit entitlement” means the qualifying benefit allowance, plus any qualifying tax credits in payment plus any child benefit.

## APPENDIX 3

# Use of judgement and discretion in Social Fund decision-making

For discretionary awards, once decision-makers have determined customers' eligibility, they must use their judgement and discretion in the following ways to decide whether to make a payment.

### Budgeting Loans

Although Budgeting Loans are called discretionary awards, decision-makers do not use discretion. The Department sets nationwide maximum payment amounts for people in different circumstances, and, once customer details are entered onto the computer system, or into the Budgeting Loans Calculator, the amount to be paid (if any) is calculated automatically.

### Crisis Loans

Decision-makers must decide whether a Crisis Loan would be the only means of avoiding serious damage or risk to the health or safety of the applicant or a member of their family. They must also decide, among other things, whether:

- the application is a repeat application – disallowed only if there has been no change in circumstances and the previous application was under six months ago; and
- the customer will be able to repay any loan.

Decision-makers should always use discretion and avoid a rigid interpretation of the guidance. They must also consider whether a Community Care Grant would be more appropriate.

### Community Care Grants

Decision-makers must decide whether a Community Care Grant would, among other things:

- help the applicant to become established in the community following a stay in institutional or residential accommodation where they received care, or to remain in the community rather than enter such accommodation;
- help the applicant set up home in the community as part of a planned resettlement programme following a period during which they have been without a settled way of life; or
- help ease exceptional pressures on the applicant and their family (deciding firstly whether the pressures are exceptional).

Decision-makers must allocate a priority to each item requested, reflecting the extent to which each meets one of the aims above. Referring to which priorities the district currently pays, they must then determine which items are payable. They then allocate a value to each item reflecting a reasonable purchase price and the amount of available funds in the district budget. As with Crisis Loans, they also need to decide whether an application is a repeat application. Decision-makers must use discretion sensitively and with imagination to ensure the objective of community care is promoted and avoid a rigid interpretation of the guidance. They should also consider whether a Crisis Loan would be more appropriate.

## APPENDIX 4

### Previous Committee of Public Accounts recommendations on the Social Fund

Twenty-fourth Report, Session 1990-91

#### On the allocation of budgets

- (i) We believe the Department should now give a high priority to their efforts to get local office budgets based more on the make up and weighting of the clientele. In our view, this is essential if the Department are to make inroads into the widespread inconsistency of treatment of applicants evidenced in later paragraphs of this report.

#### On consistency of treatment of applicants

- (ii) We consider that the scale of the variations in the treatment of applicants revealed in the C&AG's report and in evidence to us is considerably more than is desirable. We recommend that the Department should give urgent consideration to ways in which Social Fund assistance for essential items such as a bed can be made more generally available to eligible applicants, while safeguarding the Fund from abuse.
- (iii) We are pleased to note the Department's assurance that they are trying to move to a system providing clearer guidance and their expectation that the regrouping of local offices into 160 districts will assist them in achieving greater consistency of treatment. We recommend that the Department should closely monitor the effectiveness of these new arrangements in achieving this result.
- (iv) We recommend that the Department should take more active steps to establish the reasons for changes in local office priority lists, and the reasons for marked divergences between offices in the treatment of priority groups, so that appropriate action can be taken to secure that offices treat applications as consistently as possible.
- (v) We welcome the work the Department have carried out to identify offices with surplus funds so that these surpluses can be diverted to other offices under budgetary pressure.

#### On helping those facing greatest financial difficulties

- (vi) We are concerned at the number of applications being refused on grounds of insufficient priority, when overall the Social Fund has been underspent. We welcome the reduction in underspending in 1989-90 by comparison with 1988-89. We look to the Department to reduce such underspending further, so as to reduce to a minimum the number of applications rejected on grounds of budgetary pressure.
- (vii) We welcome the policy evaluation and research which the Department are carrying out into how successful the Fund is proving in helping those most in need. We are glad to note that the research extends to examining the effect of the budget on meeting needs and whether the division between grants and loans needs revising.

#### On the recovery of loans

- (viii) We recommend that the Department should take urgent steps to identify the current number of recipients with multiple loans, and the financial consequences for the individuals concerned and for the likely development of the Fund.

#### On a more varied response to inescapable need

- (ix) We accept that, in the face of rising numbers of applications, the Department are right to give priority to applications for basic items of furniture and household equipment. In our view, such an increase is an additional reason for the Department to give urgent consideration to ways in which Social Fund assistance for essential items such as beds can be made more universally available to eligible applicants.
- (x) We note that so far there is little evidence of the Fund providing a more varied response to need than the previous system. We consider that this is a further reason for the Department to accelerate the move towards a more up to date basis for allocating local office budgets.

### On the right to an independent review

- (xi) We recommend that the Department should carefully analyse those rejected applications which have subsequently been allowed following independent review. The findings should influence the guidance and training given to Social Fund Officers and the development on indicators for monitoring the quality of decision taking by Social Fund Officers.
- (xii) We welcome the steps the Department have taken to improve the quality of Social Fund leaflets, forms and decision letters. We recommend that the Department should continue to monitor the effectiveness of the improved material through feedback from applicants and advisory and welfare groups.

### On the administrative costs of the Social Fund

- (xiii) We recognise that, as a discretionary scheme offering loans as well as grants from within fixed budgets, the Social Fund is likely to remain expensive to administer. We consider however that, in spite of these high administrative costs, some local offices are not doing all the intended work and the Department have not secured greater consistency of treatment of applicants.
- (xiv) We recommend that the Department should give urgent consideration to the opportunity provided by the forthcoming introduction of a new computer system to improve the monitoring of consistency of treatment as well as increasing the efficiency of Social Fund operations.
- (xv) We welcome the Department's commitment to introducing Social Fund unit costs. We recommend that they use their new resource management system to identify areas of administrative pressure, so as to ensure that work essential to the equitable operation of the Fund is done.

## APPENDIX 5

### Social Security Select Committee Report 2001

Its main recommendations were:

#### Funeral Payments

- Funding should be increased to reflect the general rises in funeral costs.
- Enhanced flexibility should be available to the decision-makers.

#### Community Care Grants

- The Department should improve information for applicants, enabling them to assess their own likely priority.
- Funding should be increased to enable all high and medium priority claims to be met.
- The Department should write off debts where an applicant initially applied for a loan, but was later found to have been eligible for a Community Care Grant.

#### Budgeting Loans

- The Department should make better information available to customers, enabling them to determine their likely chances of success.

#### Crisis Loans

- Research should be conducted on how applicants use Crisis Loans.
- Eligibility criteria should be reviewed to increase access.

#### Repayment and rescheduling of loans

- The level and period of repayments should be more flexible.

#### Administration

- Staff training should be improved to enable staff to work intensively with applicants.
- Applicants should be able to get estimates by phone of their likely eligibility.
- The Department should send statements of account to customers every six months.

#### Reviews and appeals

- There should be a two-week target for internal reviews and applicants should be able to approach the Independent Review Service directly.

#### Options for the future

- The Government should fund research into the income required to avoid poverty.
- Budget and eligibility criteria should be reviewed to ensure consistency.
- The Fund should be expanded to provide interest-free loans to all those excluded from normal credit markets.

#### Conclusion

- The Government should use the re-organisation of the Social Fund as an opportunity to enhance the anti-child-poverty strategy. Increased funds are necessary to achieve broader social policy objectives.

Source: *Third Report of the Social Security Select Committee Session 2000-01, The Social Fund: A lifeline For The Poor or The Fund That Likes To Say No?*, April 2001



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