



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**HC 286
SESSION 2010–2011**

22 JULY 2010

Department for Work and Pensions

The Community Care Grant

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National Audit Office

Department for Work and Pensions

The Community Care Grant

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

19 July 2010

The Community Care Grant helps vulnerable people to establish themselves in the community, to remain in the community, and to ease exceptional pressures on the family.

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Summary

Introduction

1 The Community Care Grant (the Grant) helps vulnerable people to establish themselves in the community, to remain in the community, and to ease exceptional pressures on the family. The annual £141 million discretionary scheme enables people on income related benefits to apply for money to pay for essential household items such as a cooker or bed, and other necessities such as clothing. The Grant is part of a wider package of Social Fund loans and grants, intended to help vulnerable people to cope with difficult events.

2 Jobcentre Plus, the Agency responsible for administering the Grant, relies upon around 330 Decision Makers in its 20 district offices to assess each application and to decide whether to award a grant. The scheme was established in 1988 following the Social Security Act 1986, and amended under subsequent legislation. The legislation requires the Decision Makers to determine whether or not to make an award based on the information provided in an application form, although Decision Makers can seek further information where insufficient evidence has been provided.

3 There were 582,000 applications processed in 2008-09, of which Decision Makers initially approved 252,000 (43 per cent). Any customer dissatisfied with the outcome of their application can request a review by a reviewing officer in Jobcentre Plus, or if still dissatisfied, from the Independent Review Service. In 2008-09 around 41,000 further awards were made after review.

4 The Grant has provided important support for recipients, but there are questions over the effectiveness of the current scheme. Demand outstrips the funds available each year. The Comptroller and Auditor General has previously qualified his opinion on the financial accounts for the Social Fund because of substantial levels of error in the award of discretionary payments for Community Care Grants and other schemes. The Department for Work and Pensions (the Department), which oversees Jobcentre Plus, issued a consultation paper on Social Fund reform in March 2010.

5 This report examines whether more value can be achieved from the Community Care Grant, whilst recognising that budgets are unlikely to be increased in the current economic climate. The report does not examine the quality of the decisions themselves, or the reviews carried out by the Independent Review Service. Our value for money criteria are that:

- The funds are fairly distributed to those most in need.

- Grants are used for the purpose intended.
- The lowest prices are paid for goods of the required quality that meet the needs of the individual customer.

6 Our examination involved interviews with staff, visits and surveys of processing offices, analysis of the amounts awarded for 1,000 claims, and consultation with other organisations of potential alternative methods of delivery. We compared the administration of the Community Care Grant with that of the Family Fund. The Family Fund is identified as a similar scheme in the Secretary of State guidance to Decision Makers, in particular in terms of the cost and nature of the items supplied, albeit it operates on a much smaller scale and has longer to process claims. Our methodology is summarised at Appendix One.

Key findings

On the distribution of Grant funds to those most in need

7 The Agency's Decision Makers check each application form received with internal records to ascertain whether customers are eligible, in great need, and are of sufficient priority for a grant. The distribution of funds is demand led and customers need to be aware of the scheme in order to apply. The Agency's Decision Makers prioritise each request received, but the Agency still cannot be sure that those who apply were in most need:

- Decision Makers grade each request for an item as low, medium or high priority. Only high priority items are likely to be approved, although some customers can be offered a loan instead. In 2009-10 around 263,000 claims for high priority items were initially approved and 15,000 were initially refused.
- The last time the Committee of Public Accounts considered the Social Fund was in November 2005. They concluded that only around 50 per cent of potentially eligible customers were aware of the Social Fund schemes and there was no evidence that those who did apply were in most need. It recommended that staff should draw attention routinely to the existence of the Fund when dealing with groups which have tended to make less use of it, such as pensioners and ethnic minorities.
- The Department acknowledged the problem of low awareness and said it was considering options for improving publicity without creating unrealistic expectations. It made one specific commitment to the Committee of Public Accounts to provide new leaflets and aide-memoires for The Pension Service staff to use in the local community with partnership organisations to raise awareness.
- The Department draws attention to the scheme through "The Pensioner's Guide" and the Pension Credit booklet which is issued each year to pensioners in receipt of Pension Credit Guarantee Credit. The provision of leaflets does not appear to have raised awareness among pensioners. We compared the amounts awarded to pensioners in 2009 with data from 2006 but found that there had been no increase.

- The Department commissioned a pilot campaign in Gateshead in 2007 to increase the understanding and take up of Community Care Grants by older people. It raised awareness among pensioners from 14 per cent to 37 per cent of those surveyed but it was not rolled out nationally. The Department and its partners concluded that the pilot was less successful in raising awareness and understanding on a sustained basis.

8 The allocation of budgets to each district office of the Agency has generated inequities that result in some high priority claims being refused because of the limited funds available locally:

 - The budgets for each district office were set on a historic basis in consultation with Ministers and no longer match demand. Some district offices have budgets that can pay out an additional 10 per cent of legitimate demand, equivalent to £3 million more than the worst-off offices.
 - The mechanism for allowing the budget to be adjusted to reflect changing patterns of demand in districts depends on overall increases in the Grant fund. As the Grant fund has not increased since 2006-07, local budgets remain unchanged.

9 The Department had previously developed proposals to allocate budgets on a more equitable basis. The most recent proposal in March 2010 recognised that any change would necessitate reductions in some areas which would raise concerns locally. The paper quantified the impact of changes on the budget for each area but did not explain fully the risks of not changing the budget. In June 2010 the Department confirmed that it was preparing further proposals for Ministers on the subject of budget allocation.

On whether Grants are used for the purpose intended

- 10 The Grant scheme relies on the experience of the Decision Makers to scrutinise each claim. The application form is relatively straightforward to complete but the process makes it difficult for Decision Makers to identify if claims are overstated:
- The Decision Maker may contact the individual by telephone if a number was provided, or otherwise write to them to seek further information. In the absence of any other supporting evidence, Decision Makers have to base their decision on what has been stated on the form.
 - Decision Makers are more likely to approve items which clearly address a specific need. Customers who separately itemised requests for cutlery and cooking pans, for example, were more likely to be granted funds than those who requested 'kitchen sets'. Customers asking for curtains were three times more likely to be successful than customers asking for blinds.
 - We have re-examined the evidence from the last time the Department commissioned research on the effectiveness of home visits. Visits to nearly 4,000 customers as part of a pilot study in 2003-04 found that in 28 per cent of cases the customer had not claimed for items they would be entitled to have, and that in 44 per cent of cases customers had overstated their needs. On average, the 4,000 customers would have received 20 per cent more than entitled and by using updated costs we found that re-introducing such visits could be cost effective.

- The Grant allows customers to purchase the items requested, but there are no checks on how the money is utilised. There is no requirement under the existing legislation for the Agency to check on how the money is utilised, but it is not prohibited from carrying out checks. The Agency has legal powers to recover overpayments where a customer has misrepresented their need, but there are no other sanctions for non-compliance. In practice, checks on all claims would be expensive, but some sample checking would give an idea of how money is being used.
- The Family Fund is a scheme that provides goods to families in need, albeit it makes only a fifth of the awards made under the Community Care Grant and does not have to process claims as quickly as Jobcentre Plus, which deals with people in crisis. The Family Fund is sponsored by the Department of Education and awarded some 49,000 grants in 2008-09 to help lower income families with severely disabled children. The Fund reports that it visits the majority of claimants initially and asks customers to keep receipts. It contacts a small number of recipients on a random basis each month post award to check receipts, and operates a 'three strikes and out' policy as a deterrent. As the Agency works with vulnerable people, some sensitivity in operating such an approach might be required.

11 The Community Care Grant scheme was designed to resolve cases more quickly and at a lower cost than the Family Fund. For each application form received, details have to be input onto the computer system, the information considered by a Decision Maker, and the customer notified of the outcome. Processing a large number of applications which it transpires are of low priority adds considerably to the administrative burden:

- Using the Agency's estimates of staff time, and average salary and overhead rates for each grade, the Grant scheme cost £19 million to administer in 2008-09, equivalent to £33 per claim. This cost estimate does not take account of the cost incurred in processing payments, amortised IT costs, or include all overheads, such as senior management oversight.
- The cost per claim is around £25 less than the cost for the Family Fund, and it takes around a fifth of the time to process a claim, although the Family Fund meets families in their own homes to assess eligibility and it makes visits to authenticate claims.
- Our financial audit of the Social Fund established that administrative errors on the Grant scheme amounted to some £17 million in 2008-09. The error rate is very high. The Agency has little data on the extent of mistaken or fraudulent claims from customers.¹
- Claim forms have to be input manually onto the Agency's IT system. Following a sample of 1,000 cases, we estimate that around 2 per cent of applications have to be processed off-line because the IT system can only hold a limited number of live applications for each applicant.
- In accordance with the legislation for the scheme, each case needs to be considered by Decision Makers. As the 330,000 initially refused claims are processed in the same way as those that are approved, they cost up to £11 million to administer.

¹ Social Fund Account 2008-09 HC 943.

On the prices paid for goods

12 Decision Makers are experienced at agreeing a reasonable amount for each item but there are variations across the country:

- The application form has space for up to 36 items to be requested, but in practice only a limited range of items are typically approved. Those items most likely to be approved include beds and bedding, cookers and kitchen items, sofas, clothing and moving costs.
- Decision Makers rightly have not made awards for non-essential items.
- The Secretary of State has not prescribed a price list because it is for Decision Makers to decide how much to award. Decision Makers do refer to shopping catalogues to gauge how much to award for each item, but at least 13 offices also use their own informal price guides. We found that the specification for an item, such as a vacuum cleaner, to be a higher standard in some areas than others.
- As this is a discretionary scheme variation will occur because of the requirement to meet individual needs and the availability of funding differs by location. We reviewed the amounts awarded for 1,000 claims to investigate the prices paid. The awards are broadly clustered around the guide prices, but there are considerable variations for generic items.
- The Agency does not routinely monitor the amounts awarded for common items by each district office. It considers the exercise unnecessary because amounts awarded are entirely based on discretion and individual circumstances. We estimate that greater standardisation to existing office price guides could reduce costs by up to £7.5 million a year.

13 In 2009 legislation was changed to allow goods to be awarded rather than providing cash. Earlier research on the Social Fund by the Joseph Rowntree Foundation found that customers may have been reluctant to accept vouchers instead of cash because of the social stigma they may attract. However, the introduction of a centralised contract could improve the control over the Grant scheme and achieve economies of scale:

- The Office of Government Commerce estimates that a minimum discount of 10 per cent a year should be achievable, equivalent to an annual cost reduction of £14 million.
- A centralised contract could help to improve consistency in the specification of each type of product awarded by Decision Makers.
- It appears feasible to remove some of the discretion available to customers without undermining their dignity. The Family Fund uses cards to purchase items from retailers rather than relying on cash.

Conclusion on value for money

14 The Community Care Grant has an important role in helping vulnerable people to establish themselves in the community, to remain in the community, and to ease exceptional pressures on the family. The scheme is deliberately designed to be flexible so that it can provide help in good time to those who need it and Decision Makers handle cases with sensitivity, despite having to process a large volume of applications. The Grant effectively helps people in times of urgent need, but the existing scheme design does not deliver value for money. There are four key areas that need to be addressed:

- The Agency does not monitor whether it is targeting the awards sufficiently on those disadvantaged groups in greatest need, and the large number of applications that it has to process that are never likely to be approved add considerably to the administrative burden.
- The Department's existing budgets for each area generate inequalities across the country which means that in areas with disproportionately low allocations, a greater percentage of people in need cannot be assisted with a grant.
- The cost of administrative error is high. The Agency lacks information on the extent of fraud and error by customers, and the Grant scheme does not have sufficient controls in place to tackle these risks.
- The Grant funds awarded for frequently requested items are not consistently at the lowest prices. This matters because the Grant funds are finite and delivering assistance at the lowest cost would allow the Grant to help more vulnerable people.

The Department's view

15 The Department does not wholly accept the view of the National Audit Office and it asked us to include the following text:

Whilst welcoming substantial parts of this report, not least as a helpful contribution to Ministerial considerations about the future design of the Social Fund, the Department is not able to agree with all aspects of the report. It notes that the overwhelming majority of those applying for Community Care Grants have their applications dealt with quickly and cost-effectively, and receive the grant to which they are entitled. In the Department's view it is in the nature of a discretionary scheme that there will be variations in the way in which judgements will be exercised – the alternative would be to operate the scheme on a rigid, uniform basis but in a manner that would fail to meet the needs of the vulnerable people it is designed to assist. The Department also notes that it is required to operate the scheme within a legal framework and under tight constraints of turnaround time and resource availability. Comparisons with schemes such as that run by the Family Fund are not, in the Department's view, meaningful, either in terms of the scale of operation, the regulatory framework or required turnaround times. The Department believes that the two schemes cannot be compared in the way set out in the report.

Recommendations

16 Many features of the operation of the Community Care Grant scheme are defined by legislation and reforms may require changes to primary legislation. The Department has already amended the legislation to allow it to award goods to customers instead of providing cash. Its March 2010 consultation on possible reform of the Social Fund, including the Community Care Grant, provides an opportunity for further change. Accordingly our recommendations are timed to coincide with feedback from the consultation process so that the Department can secure greater value for money from this scheme.

- a** To increase the value achieved from Grant spend in order to fund further high priority applications the Department and Agency should:
 - Formalise existing working practices regarding the use of price guides so that differences in prices are justified. Greater consistency with Newcastle or Liverpool price guides could reduce costs by an estimated £7.5 million.
 - Review and challenge price variations in order to encourage greater consistency of prices paid for generic items like a cooker.
 - Establish the costs and benefits of using centralised contracts for the provision of items. We estimate that a minimum of £14 million could be saved each year.
 - If a centralised contract is deemed feasible, the approach should involve:
 - researching the market, to draw on the knowledge and experience of other bodies that use a centralised procurement approach;
 - conducting an initial pilot so that the results can be evaluated; and
 - exploring collaboration with other organisations to increase buying power.
- b** To improve the targeting of the Grant scheme to make the most of the funds available the Department and Agency should:
 - Develop a strategy to promote the scheme through third parties who work with vulnerable people at risk of needing state care, or coming out of state care, or those working with families under extreme pressure.
 - Monitor whether the Grant is benefitting those most in need and evaluate whether the payments made to them alleviate the burden on the state care system.

- Estimate the existing levels and types of fraud and customer error. This could be done by carrying out a pilot of targeted visits, and would enable the Department to determine whether visits would be cost effective and acceptable to the customer. The assessment should evaluate whether a deterrent effect associated with the pilot reduces the number of misrepresented claims sent to the Agency, and quantify the administrative saving associated with processing fewer claims.
- Use the estimates of fraud and error to review the feasibility and cost benefit of interventions to prevent abuse of the system. This might include checking receipts, or inviting customers for interviews, but should also be balanced with the need to take into account customers' circumstances.
- To review the cost-effectiveness of the current scheme, the Department and Agency should:
 - Consider the feasibility of devolving the administration of the scheme to locally based organisations more directly involved in providing care in the community. This would involve comparing potentially higher administrative costs through increasing the number of organisations involved against the financial benefit of more effective targeting, which should reduce the volume of those applications that are never likely to be approved.

Part One

Introduction

Community Care Grants help vulnerable people live independently

1.1 The Community Care Grant (the Grant) helps vulnerable people to establish themselves in the community, to remain in the community, and to ease exceptional pressures on the family. The fund of around £141 million a year enables applicants to claim for basic household items such as a cooker or bed, and other necessities such as clothing (see **Figure 1**). They must be in receipt of a qualifying benefit such as Income Support, income-based Jobseeker's Allowance, income-based Employment and Support Allowance or Pension Credit. The award of a grant is discretionary and there is no obligation on applicants to pay the money back later. There is no restriction on the amount of times someone can be awarded a grant, although repeat claims made within 28 days will not be considered unless there has been a change in circumstances.

Figure 1

Community Care Grants are available to people on income related benefits in one or more of six situations

Situation	Illustrative Example
<ul style="list-style-type: none"> To help people to establish themselves in the community 	<ul style="list-style-type: none"> A recently released prisoner living in unfurnished accommodation requiring a bed
<ul style="list-style-type: none"> To help people remain in the community 	<ul style="list-style-type: none"> A pensioner struggling to climb stairs moves to a ground floor flat near to supportive family members
<ul style="list-style-type: none"> To ease exceptional pressures on families 	<ul style="list-style-type: none"> A family evicted from their home following redundancy
<ul style="list-style-type: none"> To help people setting up home as part of a resettlement programme 	<ul style="list-style-type: none"> Someone living in hostels or moving around temporary accommodation
<ul style="list-style-type: none"> To help with the care of a prisoner or young offender on release on temporary licence 	<ul style="list-style-type: none"> A prisoner briefly released to the care of a family member to attend a funeral
<ul style="list-style-type: none"> To assist with certain travelling expenses 	<ul style="list-style-type: none"> Unexpected costs to travel to a funeral

Source: National Audit Office analysis of Secretary of State Directions & Guidance

1.2 The Grant application form is available online at www.direct.gov.uk and can be requested by telephone. The Grant is part of a wider package of Social Fund loans and grants available to eligible people in Great Britain² who cannot meet important or emergency expenses out of their own regular income or savings. The Grant is not available for expenses available through other schemes, such as winter fuel costs.

1.3 Jobcentre Plus (the Agency), an executive agency of the Department for Work and Pensions (the Department), is responsible for the administration of the Grant. The scheme was set up in 1988 under the Social Security Act (1986) and amended under subsequent legislation. Anyone applying for the Grant, termed a customer, has to complete a claim form which asks for details of their personal circumstances, what expenses they need to meet, their existing savings, and a declaration that the information provided is correct. In 2008-09 582,000 applications were processed (**Figure 2**). Around 540 staff in 20 district offices across Britain process the Grant claims. Around 330 of these staff are Decision Makers who are responsible for deciding whether to award any sums and how much. Customers can be offered a Crisis Loan (which has to be repaid over a fixed time period) if the Decision Maker considers that they need support which cannot be met from the Grant and they satisfy the conditions for a Crisis Loan. They can also be offered a Budgeting Loan (an interest free credit facility).

Figure 2
Community Care Grants Awards and Payments

Year	Number of applications processed	Number of initial awards made on applications processed		Total awards made after review ¹	Payments made (£m) ²	Average Award (£)
		Number	Percentage of decisions made			
2004-05	570,000	261,000	46	306,000	127.2	416
2005-06	576,000	275,000	48	319,000	137.8	432
2006-07	596,000	271,000	45	312,000	139.9	448
2007-08	535,000	247,000	46	283,000	139.2	492
2008-09	582,000	252,000	43	293,000	140.5	480

NOTES

1 Excludes a small number of records held off system.

2 Total payments includes those made for applications held off system.

Source: National Audit Office analysis of Departmental data

² There is a separate scheme in Northern Ireland.

1.4 Social Fund Managers in each office oversee the administration of the Grant and the work of the Decision Makers. The legislation requires Decision Makers to make a decision on the application. If there is insufficient information on the application form, the Decision Makers may seek further information where necessary. If the Decision Maker refuses an application or awards less than the amount requested, customers may apply for a review by an officer in the Agency, and if still dissatisfied with this outcome, they can ask for a review by the Independent Review Service for the Social Fund. The Independent Review Service reviews the decision, may seek further information, and has the authority to uphold or overturn the original decision or refer the case back to the Agency for a fresh decision. In 2008-09 around 41,000 awards were made after review.

Scope and Rationale

1.5 The Grant has provided an important source of support for customers in difficulty, but there have been concerns raised over its effectiveness. The Grant is cash limited and demand outstrips the available funds. In 2008-09, the Independent Review Service raised concerns with the Department about the shortage of social funding available to meet all high priority need across Great Britain.³ The Department issued a consultation paper on Social Fund reform, which includes the Community Care Grant, in March 2010. The paper noted that the Social Fund focuses on the short-term needs of the customer and for some people can encourage frequent use of the system without addressing their underlying financial needs or problems.

1.6 This report considers whether more value can be achieved from the Community Care Grant, whilst recognising that budgets are unlikely to be increased in the current economic climate. The report does not examine the quality of the decisions themselves, or the reviews carried out by the Independent Review Service. We did not examine the other elements of the Social Fund such as Funeral payments and Cold Weather payments, a Crisis Loan or a Budgeting Loan. Our report examines:

- The targeting of the Community Care Grant (Part Two)
- The rigour of the system for processing applications (Part Three)
- The purchasing of goods (Part Four)

1.7 Our examination involved interviews with staff, visits to three offices, analysis of amounts awarded for 1,000 claims, and the exploration of alternative delivery methods. We compared the administration of the Community Care Grant with that of the Family Fund. The Family Fund awarded 49,000 grants worth £30.5 million to lower income families to care for severely disabled children in 2008-09. The Fund is identified as a similar scheme in the Secretary of State guidance to Decision Makers, and in particular in terms of the cost and nature of the items supplied. The Fund makes a fifth of the number of awards made by the Community Care Grant and the Grant scheme has to process applications much more quickly because it is dealing with crisis situations. The Family Fund has different controls because it has more time to process claims but we include some examples of its approaches which it may be possible to adopt for the Community Care Grant scheme. Our methodology is summarised at Appendix One.

³ The Social Fund Commissioner's Annual Report 2008-09.

Part Two

The targeting of the Community Care Grant

2.1 When the Committee of Public Accounts last examined the Social Fund in November 2005,⁴ it concluded that:

- Only around 50 per cent of potentially eligible customers were aware that grants were available, and that there was no evidence that those who did know about it were those in most need. It recommended that staff should draw attention routinely to the existence of the Fund when dealing with groups which have tended to make less use of it, such as pensioners and ethnic minorities.
- The budget for the Community Care Grant was allocated to each of the Agency's districts whereas the budget for Budgeting Loans was administered nationally. It was possible that local grants could result in two people in identical situations in different parts of the country being treated differently.

Jobcentre Plus has not made progress in focusing the Grant more on those in need

2.2 The Agency does not actively promote the Grant as there are typically twice as many applications for Community Care Grants as there are awards. In the five years from 2004-05 to 2008-09 there were 2.9 million applications processed and 1.3 million initial approvals, an acceptance rate of 46 per cent. As **Figure 3** (overleaf) shows, the number of applications processed and accepted has been similar each year. In 2008-09 there were 582,000 applications processed for grants, of which 252,000 (43 per cent) were initially approved. Applications are usually rejected where the conditions for an award were not satisfied or because they are of insufficient priority to merit funding. Only high priority items are likely to be approved. In 2009-10 there were 263,000 claims where at least one high priority item was initially awarded, while 15,000 were initially refused. We estimate an additional £7 million⁵ would be needed to meet these applications.

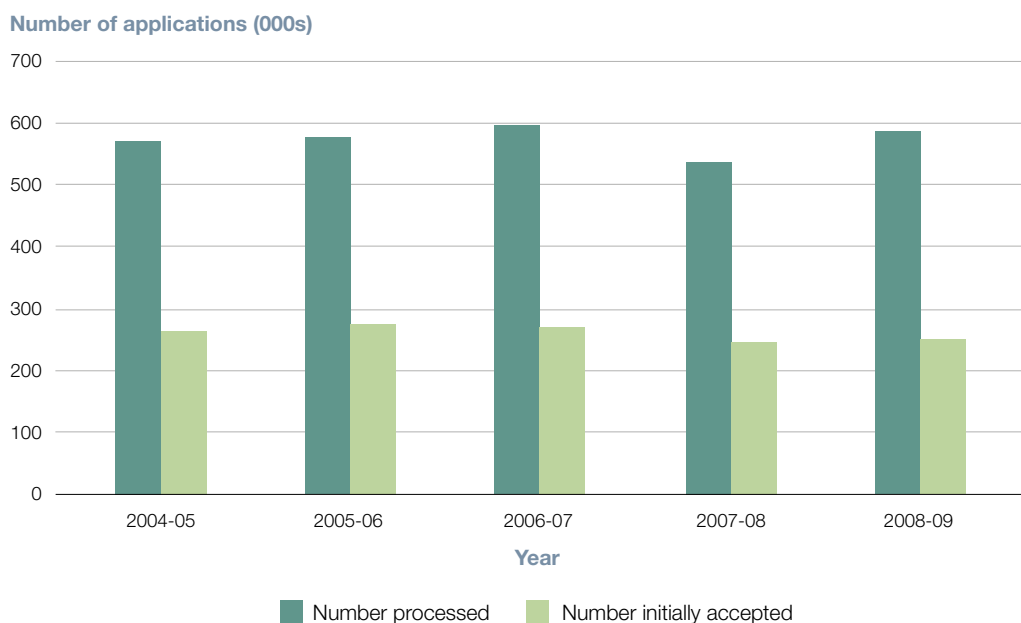
2.3 Customers can make repeat applications for Grant funds. Forty one per cent of awards between 2003 and 2010 were for 826,000 people who needed support only once (**Figure 4** overleaf). A quarter of all awards, worth an estimated £214 million, were made to 87,000 people who needed at least four awards. Of those around 4,000 people needed more than ten awards, worth an estimated £25 million in total, an average of £6,200 for each person.

⁴ 'Helping those in financial hardship: the running of the Social Fund'; Committee of Public Accounts, 12th Report of 2005-06, November 2005 HC 601.

⁵ 15,000 awards at an average award of £466 =£7 million. The average award for 2009-10 is calculated from the 302,000 successful applications and provisional expenditure data of £140.7 million (see paragraph 2.9).

Figure 3

The number of applications processed and initially accepted each year



Source: National Audit Office analysis of Departmental data

Figure 4

Number of awards (excluding those for travelling expenses) to grant beneficiaries

April 2003 to March 2010 in Great Britain

Number of times someone has received an award	Number of recipients	Proportion of all recipients (%)	Total Number of awards ¹	Proportion of all awards (%)	Estimated value of awards (£m) ²
1	825,900	68	825,900	41	366.7
2	221,100	18	442,200	22	196.3
3	83,600	7	250,800	13	111.4
4	38,400	3	153,600	8	68.2
5	19,600	2	98,000	5	43.5
6	10,600	1	63,600	3	28.2
7 to 10	13,900	1	110,600	6	49.1
11 to 20	3,800	0	50,600	3	22.5
More than 20	300	0	6,300	0	2.8
Total	1,217,200		2,001,600		888.7

NOTES

1 Excludes a small number of records. The records of some applicants are not identified by computer reports but are held on the system.

2 Estimated value calculated using the average of the annual average awards between 2003 and 2010.

Source: National Audit Office analysis of Departmental data

2.4 Indicative research of 100 customers⁶ by the Department reported that around three-fifths of successful applicants would probably apply for another grant, and that applying for a grant was almost a regular occurrence for some applicants. On the whole, repeat customers were fairly knowledgeable about Social Fund schemes and included many of the best-informed applicants. The research indicated that half of unsuccessful applicants it spoke to would not apply for a Community Care Grant again. For most, this had been their first application for a grant and, having been refused once, they saw little point in re-applying.

2.5 In response to the report by the Committee of Public Accounts, the Department said it was considering options for improving publicity without creating unrealistic expectations. It made one specific commitment to ask the Pension, Disability, and Carers Service (formerly The Pension Service) to promote the Grant to pensioners but the proportion of Grant funds awarded to pensioners did not increase between 2006-07 and 2008-09. Pensioners were awarded £13.7 million in 2006-07 (9.8 per cent of the total fund); £13.8 million in 2007-08 (9.9 per cent) and £13.4 million in 2008-09 (9.7 per cent).⁷ The scheme is featured in the “The Pensioner’s Guide” and in the Pension Credit information booklet which is issued each year to pensioners in receipt of Pension Credit Guarantee Credit. While the booklet says that pensioners can claim for furniture, bedding and clothing, removal costs and travel costs, it does not make it clear that pensioners can make claims for other frequently awarded items like white goods and kitchen ware. The booklet is clear that the money does not have to be paid back, but it is not clear that there is no limit to the number of applications which can be made.

2.6 The Pension, Disability and Carers Service ran a joint pilot with the Agency and the Independent Review Service in 2007 to raise awareness of the Grant amongst pensioners and their advisers in Gateshead through partnership working with the Pension, Disability and Carers Service, Age Concern and other partners. The pilot increased awareness of the scheme from 14 per cent to 37 per cent of pensioners surveyed, but this awareness was not maintained. The pilot’s findings⁸ included that:

- There was a lot of unmet need for grants amongst pensioners and efforts to address this should be promoted nationwide.
- It would be more effective in the long run to focus promotion efforts on ensuring that people who are likely to be in touch with pensioners at the point of contact are aware of the Grant, understand qualifying criteria, and are trained to provide advice to pensioners.
- Applications should be made to and handled by The Pension Service rather than Jobcentre Plus, and that the application process and form should be simplified.

6 Experiences and consequences of being refused a Community Care Grant. The Department for Work and Pensions Research Report 210, 2004.

7 Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2006/07, 2007/08 and 2008/09. Annex Three.

8 Evaluation of a pilot campaign to increase the understanding and take up of Community Care Grants by older people in Gateshead July 2008, www.dwp.gov.uk/docs/sf-ccg-gateshead-evaluation-july08.pdf.

2.7 The Department explained that it chose not to roll out the pilot nationally because it was less successful in raising levels of long-term awareness, knowledge and understanding on a sustained basis. The Pension, Disability and Carers Service told us that since 2002 its Local Service routinely carries application forms for grants and where appropriate, assists potentially eligible customers to make an application. The Agency does not routinely monitor levels of awareness among vulnerable people.

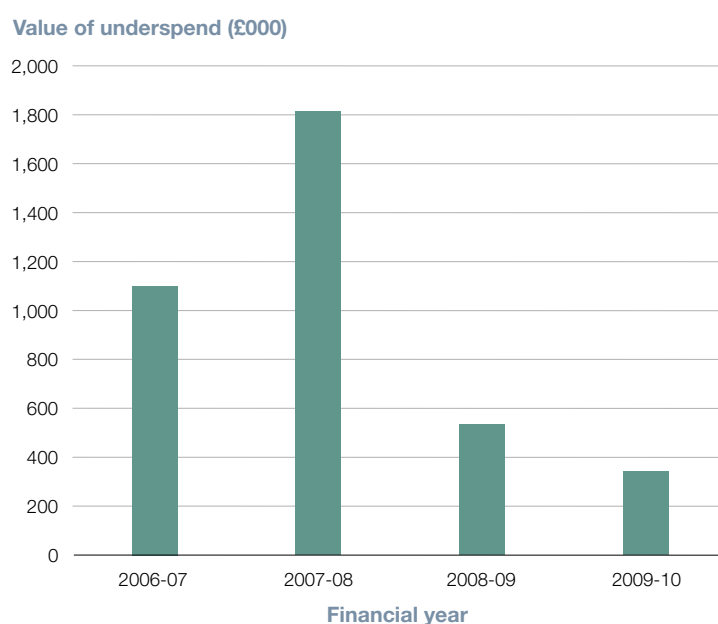
2.8 The Independent Review Service has noted that the take-up rate for grants is lower for people of pension age than other groups such as families. Twenty four per cent of pensioners' claims refused in 2008-09 were due to insufficient priority, compared to 13 per cent of refused claims from other groups, but there is insufficient information to determine the reasons for this difference.

The budgeting process is inefficient

2.9 The Agency has successfully reduced the amount of underspend on the Grant scheme by more than two-thirds from a peak of £1.8 million in 2007-08 (see **Figure 5**). The amount of underspend fell by 71 per cent to £0.5 million in 2008-09 and initial data indicate that the amount of underspend has fallen by more than a third (35 per cent) to £0.3 million for 2009-10.

Figure 5

The Community Care Grant Budget has been underspent each year



NOTE

1 Spend data for 2009-10 are provisional, subject to the annual audit of financial statements.

Source: National Audit Office analysis of Agency data

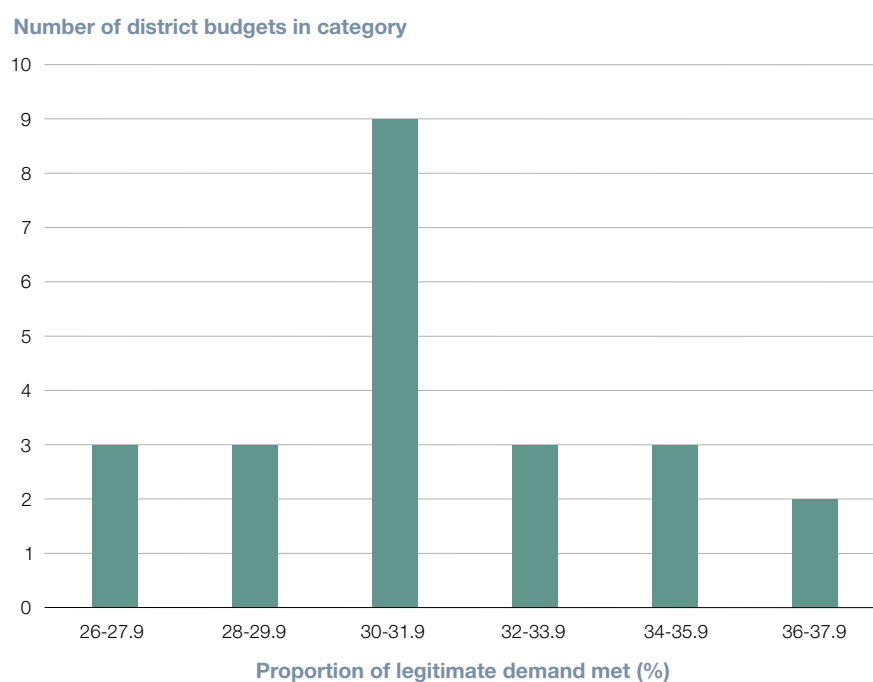
2.10 Despite an underspend on the scheme overall, there is insufficient budget to pay all claims that meet the criteria for a grant. Priority is assigned to those cases where a grant will have a substantial and immediate effect in improving the applicant's circumstances. Some 44,500 claims were initially refused in 2008-09 because they were considered by Decision Makers to be of insufficient priority given funding constraints. The Agency cannot stockpile legitimate claims to ensure the budget is fully spent because it has a target to process claims within an average time of nine working days.

2.11 Some district offices are able to meet a higher proportion of claims than others. **Figure 6** illustrates how far districts are able to meet the level of legitimate demand from their budgets. In the two district offices covering Scotland, the percentage of legitimate demand met is 10 per cent higher than in the least funded areas. If all offices had been able to meet the same proportion of legitimate demand, Springburn district office (in Glasgow) would have paid £2.2 million less than they did in grants, while Sheffield district office would have paid £1 million more.

2.12 The Department sets district budgets on a historic basis. The budget for each office is based on their budget for previous years rather than the expected level of demand. Changes in demand from previous years are not reflected in the budget allocations, and so district offices who cannot meet demand now are unlikely to do so in future.

Figure 6

The proportion of legitimate demand that can be met varies by district budget



NOTE

1 There are 23 area budgets administered by 20 district offices.

Source: National Audit Office analysis of Departmental data

2.13 The Department has a complicated system in place that will redistribute a higher proportion of any increase to the Community Care Grant budget to those areas that have the lowest proportion of legitimate demand. But there has been no overall increase in budgets since 2006-07, and it would take a substantial budget increase under the method for area budgets to near equality. Without a change to the approach or a significant budget increase, the uneven distribution of funding will persist for the foreseeable future.

2.14 The Department recognises that the methodology for allocating budgets could be improved and has previously developed proposals to allocate budgets on a more equitable basis. The Department's proposal to Ministers in March 2010 recognised that any change would necessitate reductions in some areas which would raise concerns locally, but the paper did not explain fully the risks of not changing the budget. In particular the paper did not flag that the Committee of Public Accounts had previously raised concerns about this issue and it did not demonstrate whether a much higher proportion of high priority cases had to be refused in some areas. In June 2010 the Department confirmed that it was preparing further proposals for Ministers to revise the budget allocation.

Part Three

The rigour of the system for processing applications

The Decision Makers must assess and respond to each claim promptly, but each outcome depends largely on the information provided in the application form

3.1 The administrative process is designed to facilitate a quick decision by encouraging the Decision Makers to rely on their judgement based on the information available in the application form and data held on departmental systems. If there remains an element of doubt, then the Decision Maker is encouraged to contact the applicant by telephone or in writing. There is a national target to process applications and make a decision in an average of nine working days from receipt of an application. On average applications were processed within 11.7 working days in 2008-09.⁹

3.2 Customers are not required to submit additional information, such as an existing doctor's note, to support their application. The Secretary of State advises Decision Makers to accept the information provided in the application by customers unless there is reason to doubt it. **Figure 7** overleaf provides some examples of Decision Makers applying their judgement to applications for a Community Care Grant.

3.3 Of 13 Social Fund Managers we surveyed, eight were confident about the checks they were able to carry out to verify the eligibility of claims, while five were not confident. Decision Makers could contact customers or speak to third parties including Local Authorities and Social Workers to validate claims. But there was a perception amongst Decision Makers that persistent customers were aware of the answers they should give in response to questions, and that the claim would have to be approved unless there was clear evidence to the contrary.

3.4 Decision Makers are more likely to approve items that clearly address a specific need. Our analysis indicated that requests for specific items generally lead to a higher chance of an award than if the items are aggregated together under another name. For example, a grant request for "Kitchen set and knives" is awarded on average 54 per cent of the time, whereas the award rate for individual components was higher: cutlery (awarded 89 per cent of the time), pots and pans (87 per cent) and crockery (87 per cent). Curtains are awarded 60 per cent of the time, three times more often than blinds (20 per cent of the time).

Figure 7

Example Decisions

Example 1 – Community Care Grant Awarded.

Mrs M: First application to the Social Fund for items totalling £1,465.

Mrs M is a lone parent with a child. She is currently being helped by the “Refugee Move on Team” and has been granted leave to remain in the country.

The Decision Maker awarded Mrs M a partial grant for £712 towards some of the high priority items she requested to set up a home with her child. The Decision Maker changed her request for a double bed to a single bed because she is single. She was not awarded a grant for a washing machine or a fridge/freezer because she did not state that she was unable to either wash clothes by hand or shop daily.

Example 2 – Community Care Grant Not Awarded. Crisis Loan Offered.

Mr T: 12th application to the Social Fund for items totalling £625.

Mr T is a single man with no possessions who had been asked to leave the place at which he was staying. His mother can provide accommodation in her house, but he will require a bed and bedding.

The Decision Maker considered that Mr T did not satisfy the criteria for a Community Care Grant since he was not at a risk of going into care. Instead, the Decision Maker assessed an urgent and pressing need for a bed and bedding, jacket, jumper, trousers, t-shirt and shoes, without which there would be a serious risk to his health or safety. Mr T was offered a Crisis Loan of £370.

Example 3 – Community Care Grant Not Awarded.

Miss R: 25th application to the Social Fund.

Miss R is a lone parent with two young children. She requested a Community Care Grant for £400 for a Fridge Freezer.

The Decision Maker decided that Miss R did not qualify for a grant because there was no evidence she had any disabilities and she lived close to shops where she could buy food daily. The Decision Maker decided that Miss R did not qualify for a Crisis Loan since she would not suffer any undue stress if she were to shop daily.

Source: National Audit Office analysis of Agency data

There is a cost advantage in increasing the level of validation

3.5 The Agency carried out a pilot study of almost 4,000 awards in 2003-04 to examine the viability of home visits. The pilot study was conducted after an initial assessment but before a final decision had been made to enable the Decision Maker to revise the amount if appropriate. The study involved visits to:

- 1,954 homes where there was suspicion that the customer was attempting to abuse the system and over-claim. This included cases where there had been repeat applications for the same need, multiple claims and claims that seemed unreasonable, such as a customer who previously had an extensive working life; and
- 1,994 homes of people thought to have under-estimated their claim.

3.6 The pilot identified that:

- more than 70 per cent of the initial award amounts needed to be changed. In 28 per cent of cases the customer had not claimed for items they would be entitled to have, while in 44 per cent of cases, customers had overstated their needs;
- the 3,948 customers were awarded on average 20 per cent more than they were eligible to receive. In total nearly £254,000 would have been overpaid, an average of £64 for each award sampled; and
- the average visit and associated paperwork took on average 68 minutes to complete.

3.7 While the pilot identified savings of 20 per cent, the Agency concluded that such visits would not be cost effective as:

- they would increase overall administrative costs (national implementation would cost around £3 million a year);
- they were not in keeping with the general direction of Jobcentre Plus operational policy to make efficiency savings by reducing staffing numbers, increase centralisation of benefit processing, and the greater use of telephone and contact centres to deliver the bulk of benefit business; and
- they would not lead to cash savings but simply a redistribution of money from those people abusing the system to those considered more deserving.

3.8 The Agency was unable to provide us with the original cost calculations that were presented along with the pilot to Ministers in 2004, and it has not reassessed the merit of visits since. We undertook our own analysis using the data that was available at the time and up to date costings. For each visit to the home of a customer suspected of making a dubious claim there would be an average saving of £44 (**Figure 8** overleaf).

3.9 The calculation in figure 8 indicates that home visits to customers making 'dubious' claims could generate a net saving which could either be used to support additional customers or to reduce the costs of the Grant scheme. In practice such sums may not readily be recoverable, but some selected visits could act as a deterrent and the information could be fed back to inform grant assessment criteria. Future applications from customers who have previously attempted to abuse the system could be subjected to a more rigorous approval process. For example, customers could be asked to provide receipts for items they purchase. The pilot noted that 'word of mouth' in some areas appeared to impact on the volume and value of claims and that inspection visits had a deterrent effect, discouraging further 'dubious' claims. One area estimated that visits had reduced applications by 6 per cent.

Figure 8

Average Net Savings for Home Visits to Customers making dubious claims

Number of home visits	1,954
Total overpayments identified	(£341,000)
Total underpayments identified	£122,000
Net Saving	£219,000
Average Saving per visit	£112
Estimated cost per visit (two officers)	£68
Net saving per visit (including cost of visiting) ¹	£44

NOTE

1 The net saving excludes the savings that may arise through the deterrent effect of home visits.

Source: National Audit Office analysis of Agency data

Staff perform checks but are limited by poor data and IT and the nature of the scheme itself

3.10 The Agency estimates that the Grant scheme cost £14 million in staff time to administer,¹⁰ plus an additional £5 million on associated overheads.¹¹ On this basis, the average cost of processing each application is approximately £33¹² although this calculation does not include IT software and hardware costs or all overheads, such as senior management supervision. It is around £25 cheaper to process each claim than the Family Fund charity, which processes claims for similar items for vulnerable families. Part of the difference in cost is because the Fund visits the majority of claimants to determine eligibility initially, although it does have an online service for repeat payments. The Agency deals with people in crisis situations and takes around a fifth of the time taken by the Family Fund to process a claim.

3.11 The IT system dates back to 1993 and does not have some functions that would enable a more efficient application process. The system cannot process applications electronically or perform automatic data checks which can have a knock-on impact on staff time. When an application is received it has to be registered onto the system manually. Staff check that they have input the correct award amount by separately adding up the totals on a calculator. They also check that the information submitted is consistent with information held on other benefit databases for that individual, but they cannot check whether multiple awards are made to different residents of the same address (see **Figure 9**). There are no automated checks for inconsistent data to identify high risk claims. Around 2 per cent¹³ of applications have to be processed off-line because some customers have exceeded the maximum number of live applications that can be processed on the system at any one time.

10 Estimate based on Full Time Equivalent employed and average salary bands.

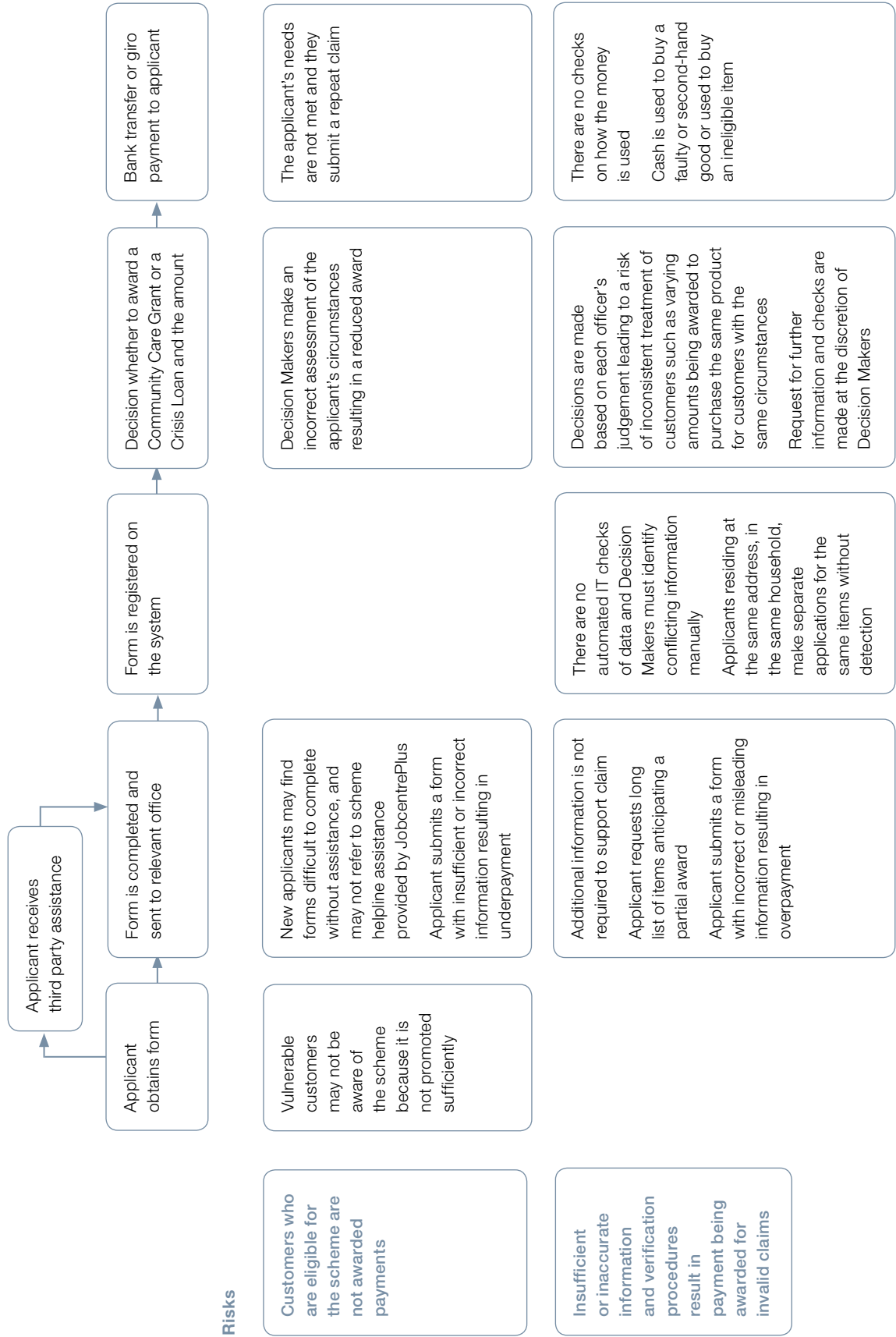
11 Estimate based on overhead apportionment for salary bands.

12 Calculation: Total salary of: £13,878,778.67 divided by 582,000 applications (2008/09). The cost per application rises to £32.81 when overheads (£5,216,139) are taken into account.

13 Records for 23 of 1,000 claims we selected could not be recovered.

Figure 9

The Application process does not mitigate risks to value for money



3.12 For each application form received, details have to be input onto the computer system, the information considered by a Decision Maker, and the customer notified of the outcome. Any reduction in the number of claims never likely to be approved that have to be fully processed by the system could have a considerable impact on administrative costs. As such claims have to be input onto the computer system and subject to many of the checks required for those claims that are approved, the 330,000 claims rejected in 2008-09 may have cost up to £11 million to process.

Fraud and error rates are not monitored and may be high

3.13 The Department does not monitor the levels of fraud associated with the Community Care Grant. Administrative errors can be made by staff processing applications, customers may make errors which lead to incorrect payments, or in the most extreme cases someone may deliberately submit incorrect information for financial gain.

3.14 The Comptroller and Auditor General has previously qualified his opinion on the financial accounts for the Social Fund because of substantial levels of error in the award of discretionary payments for Community Care Grants and other schemes. Our examination of a sample of awards in 2008-09 estimated that the most likely value of Community Care Grant administrative error was £17.1 million, equivalent to 12 per cent of discretionary award payments.¹⁴ Of this sum, £1.4 million was due to non-compliance with the Secretary of State directions, and £15.7 million was suspected non-compliance due to inadequate documentation.

3.15 The extent of customer error and fraud is more difficult to assess. Once a grant has been awarded, there is no requirement for further validation under the current scheme. The Department interviewed a small sample of 60 people in 2004 to get an insight into customer attitudes towards the Social Fund discretionary schemes.¹⁵ While the sample was not statistically representative its conclusions indicated that, unlike Crisis Loans and Budgeting Loans, Community Care Grants tended to be used for the purpose stated on the form. This was thought to be attributable to the eligibility criteria of the Grant, or respondents' perceptions that an individual could only receive a grant once. Departmental research¹⁶ also reported however, that customers commonly bought second-hand furniture but tended not to buy second-hand beds and white goods because of concerns with safety and a desire for guarantees. Decision Makers are not able to refuse repeat applications solely on the basis that the customer has used a previous grant to buy a second-hand item which has then broken where there remains an urgent need.

¹⁴ Social Fund Accounts 2008-09 HC 943.

¹⁵ The Discretionary Social Fund and money management. The Department for Work and Pensions Research Report 241, 2005.

¹⁶ The Social Fund: Customer experiences and perspectives: Qualitative research with Jobcentre Plus customers. The Department for Work and Pensions Research Report 625, 2010.

3.16 Social Fund Managers were able to give us examples of wrongful claims they had identified – see **Figure 10**. The Agency has legal powers to recover overpayments where a customer has misrepresented their need or failed to disclose a material fact but there are no other sanctions for non-compliance. The restrictions with the IT system limit the extent of checking available. Where customers pass on a copy of their successful application form to others to replicate, for example, the fraud would only come to light if the same Decision Maker processed both forms.

3.17 Other organisations working with vulnerable people use checks and penalties to make sure the money they award is used properly. The Family Fund makes awards to families under extreme pressure. It visits the majority of recipients initially and a small sample of ongoing claims selected on a random basis each month. The people it provides with cash grants have to keep receipts for their purchases. The Fund operates a “three strikes and out” policy as a deterrent. At each stage it increases its scrutiny of the award recipient. The Fund may consider a further application, however, if there are exceptional circumstances. As the Agency works with vulnerable people, some sensitivity in operating such an approach might be required.

Figure 10

Examples of attempted fraud

Fraud Case Example 1: In some local authorities tenants can rent furniture packages paid for by the council. These packages include items such as beds, cookers, kitchen equipment and bedding. Fraud occurs when a customer takes up a new council tenancy, rents a furniture package, but claims that the property is let unfurnished. Decision Makers are instructed to accept a customer’s first hand evidence unless it is improbable or contradictory. However, having learnt from experience, Decision Makers do now make calls to councils to check on furniture packs and catch out many who are making fraudulent claims.

Fraud Case Example 2: A customer with genuine health issues submitted a form completed in such a way so as to ensure that they would meet the basic qualifying conditions for a grant. It transpires that he had given a copy of the form to someone else who submitted an exact copy but with their identity details. The office only identified the fraud because two customers sent in their claims on the same date.

Source: National Audit Office analysis of Agency data

Part Four

The purchase of goods

Decision Makers are experienced at excluding unnecessary items from detailed consideration and focusing on those that are essential

4.1 The application form has space for up to 36 items to be requested, but in practice there are a limited number of products that are likely to be covered by grants. This is because some items are more likely to improve the circumstances of the customer. We analysed 1,000 claims for the type of items requested and approved. We found 10 items that were very likely to be approved, 11 would probably be approved, four would sometimes be approved, and seven would rarely be approved (see **Figure 11**).

Figure 11

Ranking of items most likely to be awarded (based on approval rate)

Very likely (75%-100%)	Probable (50%-74%)	Sometimes (25%-49%)	Rarely (10%-24%)
1 Beds (single/ double/ orthopaedic)	11 Shoes/Boots	22 Fridge	26 Tumble Drier
2 Cookers	12 Curtains	23 Carpet	27 Blinds
3 Cutlery	13 Travel	24 Washing Machine	28 Freezer
4 Pots and Pans	14 Security Gate/Bars	25 Floorboards	29 Vacuum Cleaner
5 Bedding (single)	15 Fridge/Freezer		30 Microwave
6 Crockery	16 Towels		31 Kettle
7 Bedding (double)	17 Kitchen Set and knives		32 Table and Chairs
8 Sofa/Suite	18 Clothes (general)		
9 Coat/Jacket	19 Curtain Rails		
10 Moving Costs	20 Delivery		
	21 Board/Lodging		

NOTE

1 Seven other items were awarded less than 10 per cent of the time.

Source: National Audit Office analysis of Agency data

4.2 Non-essential items are generally refused. We found from a sample of 1,000 claims we examined that non-essential items were often requested, for example 79 claims (8 per cent) included a request for a television. We only found two cases, however, where potentially non-essential items had been awarded (a Television (£70) and a Hi-Fi (£60)) and the Agency noted that there had been extenuating circumstances in each case.

Decision Makers appear to consider applications thoroughly to ensure the amounts awarded are reasonable but practices vary across the country

4.3 Applicants for Community Care Grants are required to list the items they need and to state how much it would cost them to purchase each item. There is no restriction on the total amount that may be awarded to a customer for a Community Care Grant, but the amount awarded for individual items should be sufficient to purchase items of serviceable quality.

4.4 There is no national price list issued to guide Decision Makers as the system is designed to be flexible to meet any circumstances. The Secretary of State provides guidance that the appropriate price ranges are those available in national catalogue outlets and/or national high street chain retailers since these are guaranteed to be of serviceable quality. At the three district offices we visited there was a shop catalogue, such as the Argos catalogue, on each Decision Maker's desk.

4.5 Where the applicant asks for an amount that appears to be too much or too little, Decision Makers may need to make further enquires to take account of individual circumstances. For example, the high cost of a cooker may be because a disabled applicant requires special adaptations. Of 16 offices we visited or surveyed, all were very confident or fairly confident that the amounts awarded for items were reasonable.

4.6 Without official price lists or a standard specification for products, the amounts awarded from case to case vary. This allows greater flexibility to respond to individual circumstances with a common sense approach but it also increases the risk that people are treated differently according to the area in which they live, the Decision Maker assigned to their case, or in response to the information included in their application. There can be many types of the same product with different prices available in one catalogue. Staff routinely refer to the Argos catalogue that lists 26 different types of single bed with mattress, 21 electric cookers, and 59 items that could be termed as "pots and pans".

4.7 Eleven out of 13 offices responding to our survey provided a price guide to aid Decision Makers. In two district offices we visited, the guide prices for some items varied considerably (see **Figure 12** overleaf). In Liverpool the guide price for a vacuum cleaner was £17 while in Newcastle the guide price was £37. The £20 difference is because Newcastle district office advises Decision Makers to award sufficient funds to buy vacuum cleaners with HEPA filters suitable for asthmatics, while Liverpool district office does not.

Figure 12

Guide Prices for some items vary between areas

Commonly awarded items	Guide Price in Liverpool (£)	Guide Price in Newcastle (£)
Single bed and sprung mattress	102.93	96.98
Gas cooker including delivery and fitting	324.99	249.59
Pans	6.99	10.00
Sofa (2 seater)	149.99	150
Winter coat	20	25
Vacuum cleaner	17	37

Source: National Audit Office analysis of Agency data

4.8 The size of household may justify some of the variations in price. A large household, for example, would justify higher awards for cutlery or cooking pans and the size and number of rooms would impact on the amounts awarded for curtains and carpets. For more generic items like beds, cookers, sofas, fridges, and washing machines we would expect less variation in price.

The Agency could reduce costs through greater consistency in the amounts awarded for items

4.9 We reviewed the amounts awarded for 1,000 claims to investigate the extent to which prices vary for the more homogenous items listed in paragraph 4.8 (see **Figure 13** and **Figure 14** on pages 33 and 34). Despite the thorough checking by Decision Makers, there was considerable variation in the amounts paid for all items, with amounts frequently exceeding the lowest prices available by £100.

4.10 The awards are broadly clustered around high street prices, although prices were more competitive on those items awarded more frequently. Amounts awarded for the most commonly approved items were often in line or less than the average of the lowest prices available from high street retailers, indicating that the cheapest retailer has been used or a partial award to the cost of an item has been made. In some cases it may be appropriate for a large family to have a large cooker, or for someone with a disability to have a customised fridge.

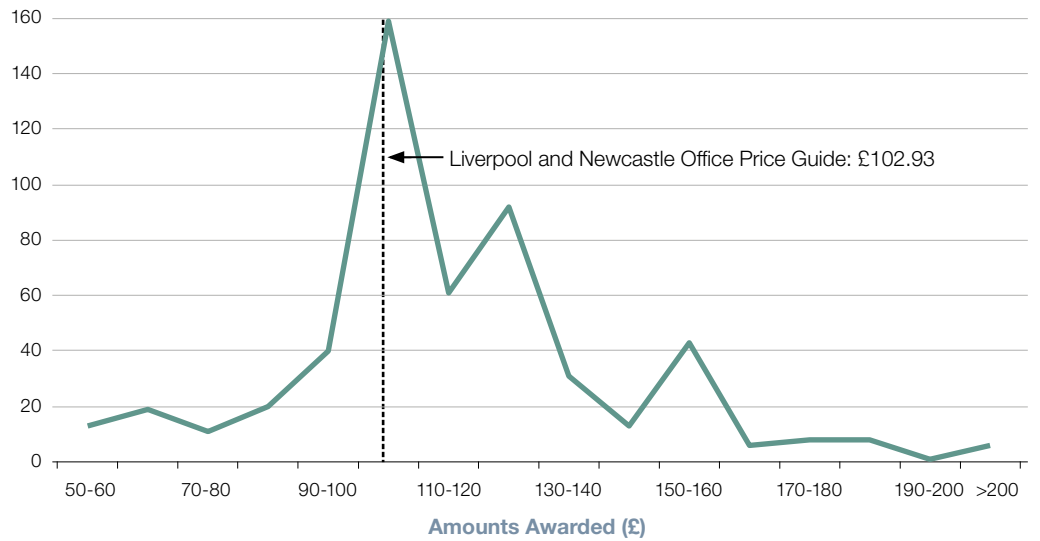
4.11 The Agency does not routinely review the average amounts awarded in each district office for items, although customers can ask for a review by the Independent Review Service if they believe the amounts awarded were unfair. Such information is difficult to extract from the IT system as under the contract with the service provider Jobcentre Plus would incur charges for such information. We estimate that if Decision Makers consistently awarded amounts set out in the Newcastle and Liverpool price guides, it would save £7.5 million a year.

Figure 13

Amounts awarded for frequently approved items

Single Beds: Number of Awards per Amount Awarded

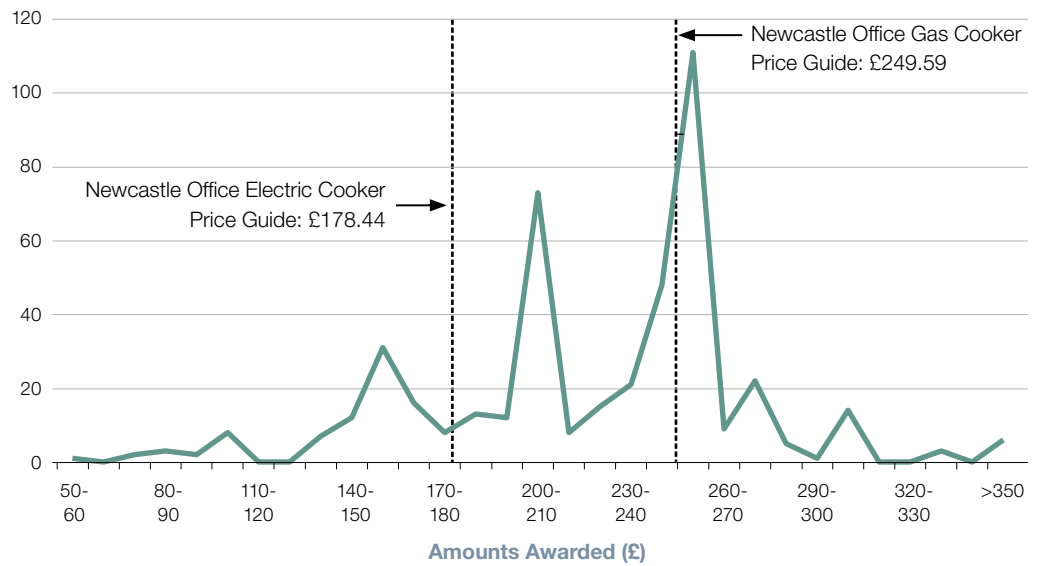
Number of Awards



Total Number of Awards: 531

Cookers: Number of Awards per Amount Awarded

Number of Awards



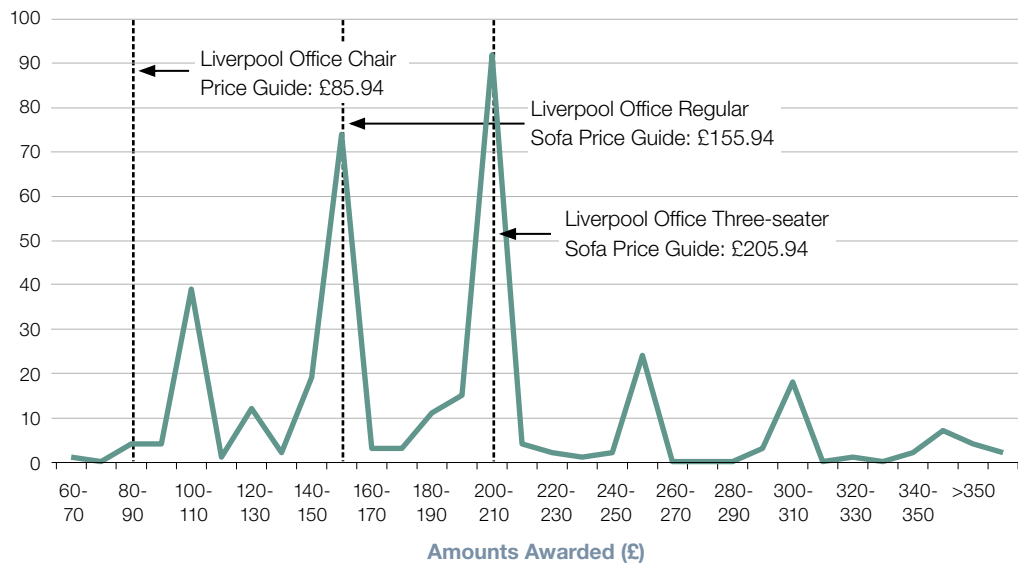
Total Number of Awards: 451

Figure 13

Amounts awarded for frequently approved items continued

Sofa/Suite: Number of Awards per Amount Awarded

Number of Awards



Total Number of Awards: 350

NOTE

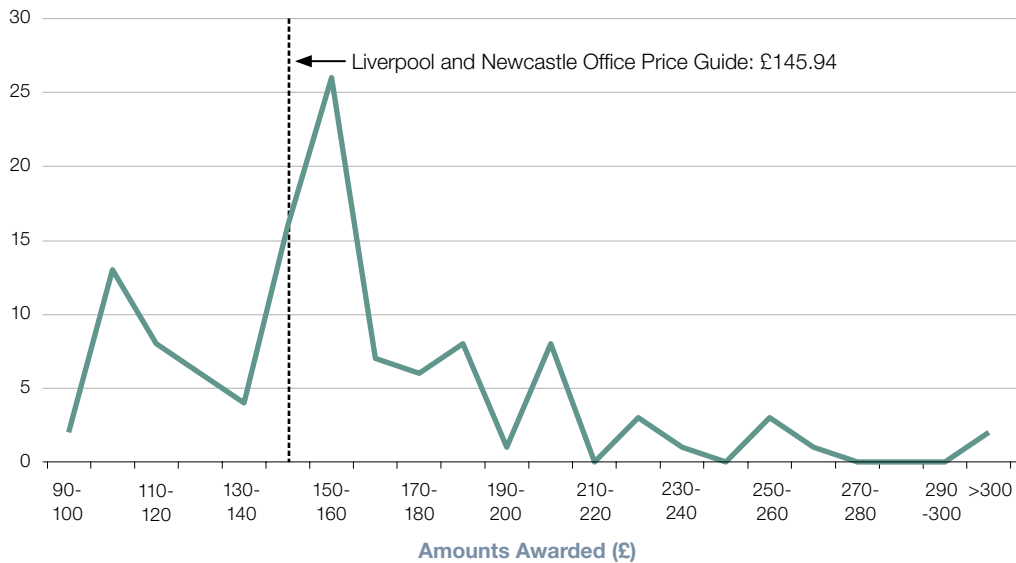
1 Guide prices include delivery and installation where applicable.

Source: National Audit Office analysis of Departmental data

Figure 14
Less commonly awarded items

Fridge/Freezer: Number of Awards per Amount Awarded

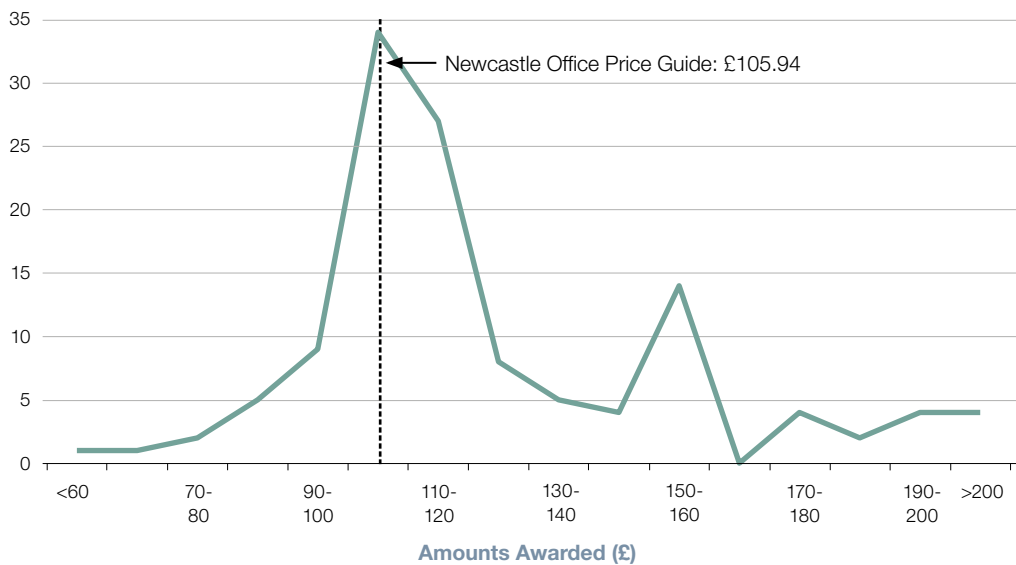
Number of Awards



Total Number of Awards: 115

Fridges: Number of Awards per Amount Awarded

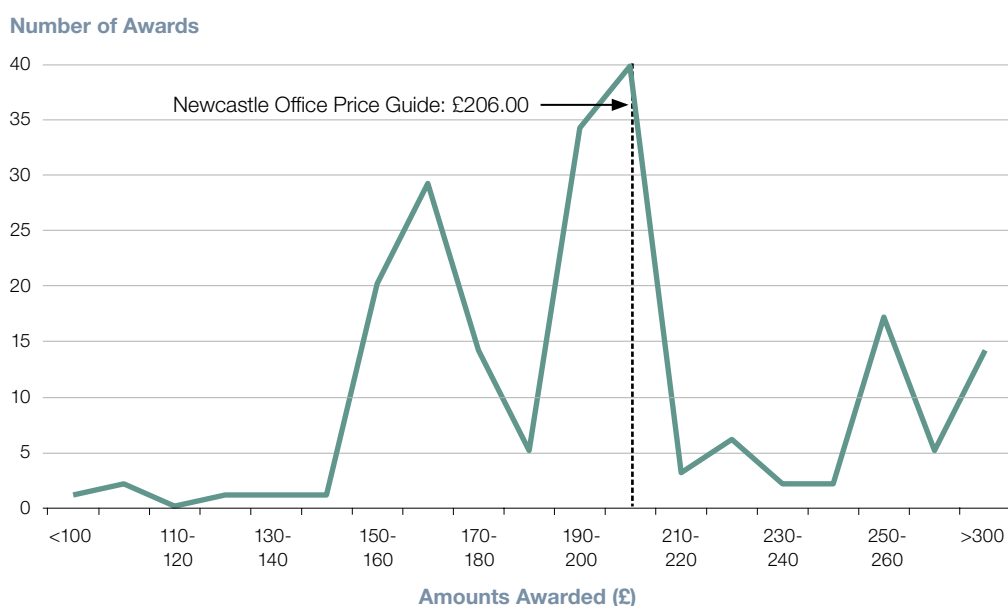
Number of Awards



Total Number of Awards: 124

Figure 14
Less commonly awarded items continued

Washing Machines: Number of Awards per Amount Awarded



Total Number of Awards: 197

NOTE

1 Guide prices include delivery and installation where applicable.

Source: National Audit Office analysis of Departmental data

A centralised contract would save on the purchase price for goods

4.12 Previous research by the Department indicated that customers welcomed receiving a cash sum into their bank account to purchase items because of the degree of choice and independence this option provided. An increase in internet shopping in recent years, however, may have started to change perceptions. Research by the Joseph Rowntree Foundation in 2006 established that customers may be supportive of a change because they believe that vouchers would reduce the potential for misuse of the current Social Fund scheme and thus increase payments to 'genuine cases'. Vouchers would cover the full cost of items and so overcome the problems encountered by partial cash awards.¹⁷

¹⁷ Joseph Rowntree Foundation Report: The Social Fund: Current Role and Future Direction 2006.

4.13 The advantage of a centralised contract would be that a discount on the price of all goods purchased could be negotiated with a preferred retailer in return for a guaranteed annual income. In 2009, legislation governing the delivery of the Social Fund was changed to allow the Department to pay a company to provide, or arrange to provide, specified goods and services to customers. Our discussions with the Office of Government Commerce established that competition in the home product market is fierce, and there are likely to be a number of national retailers and supermarkets who would bid for a contract. The Office of Government Commerce estimates that a minimum discount of 10 per cent a year should be achievable, equivalent to an annual saving of £14 million each year. We estimate that the combination of consistently awarding the amounts set out in price guides and achieving discount on the price of goods through a centralised contract could achieve savings of between £15 million and £23 million per year. This estimate does not take into account any additional administrative burden or any reduction in the level of fraud in the system.

4.14 Replacing cash awards with cards could make it more difficult for fraudsters to abuse the system. With the Family Fund, beneficiaries use cards to purchase items from retailers rather than cash. **Figure 15** sets out how the process operates. Ten of the 13 Social Fund Managers who responded to our survey thought that providing goods directly to customers would improve value for money.

Figure 15

The Family Fund benefits from discounted retail prices and arranges for its customers to purchase goods using a card

The Family Fund helps the lives of lower income families with severely disabled children and awards grants to help with expenses. It has contracts in place with several retailers to provide goods to families it supports.

How it works: The Family Fund send the retailers a data file with a list of recipients and the amount authorised to go on the card for each family. The retailer sends out inactive cards to customers (which reduces postage costs and decreases the risk of fraud). At the same time the Family Fund sends a letter to families explaining how to activate the card.

Benefits: Price savings on white goods of some 15 per cent and at least 8 per cent on other goods.

Costs: The Family Fund set up its own card scheme for two retailers for less than £50,000. Some retailers already offer customer cards so there are no set up fees. Card costs will be incurred, but the Family Fund chooses to have its discount terms reduced in order to cover all of the costs without any additional administrative costs.

Source: National Audit Office analysis of Family Fund data

4.15 The Department's consultation does not ask stakeholders for their views of a joint procurement approach with organisations working with similar groups. Increasingly, separate public bodies and charity funded organisations negotiate jointly to achieve larger discounts for items they need. The Office of Government and Commerce supports procurement frameworks which bring together public bodies and the third sector. Its partner organisation, Buying Solutions, has framework agreements for furniture which can achieve up to 60 per cent off trade prices (see **Figure 16**). And there is a wider opportunity for the Department to work with other organisations to secure larger discounts for the Agency and other organisations supporting the same target groups.

Figure 16

Buying Solutions has public sector framework agreements with manufacturers of beds and sofas

Buying Solutions negotiates framework agreements on behalf of public bodies. Agreements can include third sector organisations to increase buying power and secure larger discounts.

How it works: Buying Solutions has framework agreements with three manufacturers to provide delivery and installation of free standing, modular furniture, including beds and sofas. Customers order furniture through further competition and it is then manufactured and delivered. Furniture purchased under the contract can be up to 60 per cent of trade list prices. The terms of the contract specify that products should meet certain standards including that the items must be of serviceable quality, and meet appropriate environmental standards, Fire Retardancy, also including that all timber used is from a legal and sustainable source.

Buying Solutions also has a framework contract to cover the repair and renovation of furniture. Repairs are carried out on supplier premises but it can lengthen the lifecycle of existing furniture at a reduced cost against new.

Source: National Audit Office analysis of Buying Solutions data

Appendix One

Methodology

The methods we used to gather evidence	Purpose
1 Departmental questionnaire	To inform our understanding of the Community Care Grant scheme and the plans for the future
2 Review of Budget allocation	To gain an understanding of the budget allocation process and how funds are allocated at a local level
3 Quantitative analysis of 1,000 randomly selected Community Care Grant awards	To identify the types of items requested and the range in the amounts awarded for items
4 Examination of the Community Care Grant assessment process	To gain an understanding of the strengths, weaknesses and risks of the process
We visited three Benefit Delivery Centres to walk through the assessment processes	
5 Interviews	To establish the views of those delivering the Community Care Grant, key stakeholders and government bodies that offer similar initiatives
We conducted around 20 semi-structured interviews with the Department, the Agency, and other government agencies	
6 Survey of Social Fund Managers	To gather quantitative and qualitative data to complement information ascertained during our visits to the Benefit Delivery Centres
We received survey responses from 13 of the 17 offices that process Community Care Grants, not already visited by us	
7 Benchmarking of prices and potential savings	To identify and assess possible savings, with particular reference to a centralised procurement process
We identified retail benchmark prices for items funded by Community Care Grants and discussed alternative models of delivery with procurement experts	



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