



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

# 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.<sup>1</sup>
- 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.

<sup>1</sup> 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.