



House of Commons  
Committee of Public Accounts

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

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**Twelfth Report of  
Session 2005–06**

*Report, together with formal minutes,  
oral and written evidence*

*Ordered by The House of Commons  
to be printed 24 October 2005*

**HC 601**  
**Incorporating HC 282-i, Session 2004–05**  
Published on 15 November 2005  
by authority of the House of Commons  
London: The Stationery Office Limited  
£10.00

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# Contents

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<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>Conclusions and recommendations</b>	<b>6</b>
<b>1 Raising awareness of the Social Fund</b>	<b>9</b>
<b>2 Running the Social Fund</b>	<b>13</b>
<b>3 Whether the Social Fund treats people consistently</b>	<b>16</b>
<b>Formal minutes</b>	<b>19</b>
<b>Witnesses</b>	<b>20</b>
<b>List of written evidence</b>	<b>20</b>
<b>List of Reports from the Committee of Public Accounts Session 2005–06</b>	<b>21</b>



## Summary

The Social Fund provides an important safety net for some of the most vulnerable people in society and is designed to help those on low incomes when they find it hard to pay for important items or cope with emergencies from regular income. It was also introduced to enable exceptional, one-off or emergency payments to be made without affecting the efficiency of the main Income Support scheme and replaced Supplementary Benefit, which was widely seen as too complex and rigid. There are seven types of Social Fund award, which address different needs, of which the Committee considered five: Budgeting Loans, Crisis Loans, Community Care Grants, Funeral Payments and Sure Start Maternity Grants. The Committee did not look at those awards paid automatically – Winter Fuel Payments and Cold Weather Payments.

For all but Crisis Loans, applicants must be in receipt of certain benefits or tax credits to be eligible. All loans are interest-free and are generally re-paid by deductions from benefit. In 2003–04, almost 3 million payments were made, amounting to £854 million of gross expenditure. More than half was in Budgeting Loans. Around 93% of gross loans expenditure was funded by recoveries of £530 million (**Figure 1**).

**Figure 1 : Social Fund awards and expenditure, 2003–04**

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

Note: Information available for the number of discretionary awards does not include those made after review, but the gross and net expenditure figures do include such payments. Average payment for discretionary awards is calculated by dividing expenditure on initial decision awards by the number of initial awards. Unlike the other four types of award, Sure Start Maternity Grants are paid at a flat rate (£500 per baby). The average is greater than the flat rate because of multiple births. Funeral Payments are not loans, but they are potentially recoverable from the estate of the deceased.

Source: Department for Work and Pensions

Although it has existed for 17 years, awareness of the Fund is low. The complex nature of some eligibility rules runs counter to the Fund's original objective to provide a flexible and quick way of making one-off or emergency payments to help the most vulnerable in society. Only about half of people on low incomes surveyed by the National Audit Office were aware that jobcentres and benefit offices paid grants and loans for emergency or important items. Different customer groups use the Fund to differing degrees, with pensioners less likely than others. The Department has been cautious in advertising the Fund, but it is revising its literature and increasing staff training to raise awareness.

Nearly 3,500 staff administer the Fund at a cost of approximately £70 million. Application volumes have risen by 4% since 2001–02, whilst staff numbers have fallen by 8%. On the basis of the information available (which has significant limitations), average cost per application in 2003–04 was £15 for Budgeting Loans, £16 for Crisis Loans and £24 for grants. There are large local variations in unit costs, partly due to different approaches to claim handling such as the greater use of phone contact in some districts. To make efficiencies, the Department is considering the introduction of a standard operating model with more defined staff roles, better training and clearer use of information technology. It is being piloted in Wales and will be reviewed in April 2005, although there is no date yet for full roll-out.

Other practices which appear to be leading to reduced costs are the use of specialist teams and greater use of telephone contact. Factors driving costs up included the poor quality of applications received from some jobcentres by those processing the awards and problems with the computer system, which slows down the processing of some awards in all districts. The timescale for implementing the required upgrades has slipped from April to September 2006.

The Committee has emphasised previously the importance of getting decisions on benefits right first time but for Funeral Payments and Crisis Loans, only 52% of initial decisions on applications are correct. The Department said not all these errors affected the outcome for the customer, but the reasons included difficulties in retrieving customers' papers, so that all the evidence was not available for making a decision. The lack of evidence is in itself a matter for concern and has led to the qualification of the Social Fund accounts for 2003–04. In addition, nearly 40% of Crisis Loans are payments made where customers are awaiting receipt of another benefit. Assisting customers until their benefit starts is a legitimate use of the Fund, but delays in getting this process under way mean that some of these 'alignment' payments are a poor use of the Fund.

A high proportion of decisions is overturned when looked at again by the Department or the Independent Review Service (which carries out independent review for dissatisfied customers of the Social Fund), often because customers provide new evidence. There are also some problems with clearance times for applications for certain awards, particularly for Crisis Loans, where some districts took an average of 3.5 days. The Department is now revising its targets.

From a customer perspective, Jobcentre Plus offices are a big improvement on their predecessors. However, progress made in improving customer service could be lost with the large number of staff reductions proposed. The Department said it was aware of the risk but had plans to mitigate the effects. For the Social Fund, it would be centralising the processing of awards, which would help to make a critical mass of staff working on the Social Fund for training and development purposes.

The allocation of funds across districts differs between awards. The budget for loans is managed on a national basis, but for Community Care Grants, money is allocated to districts according to the level of unmet need in the previous year. It is possible that two people in identical situations in different parts of the country can be treated differently. There are, for example, large variations between districts in the percentages of decisions that result in a payment; for Crisis Loans, the range is between 48% and 94%. There are

also large variations in the average amounts districts pay for the different awards. These variations suggest that decision-making for some awards can be quite arbitrary, although the Department believe they also reflect differences, for example in funeral costs, across the country.

The Department has a good record on recovering Social Fund debt. Recoveries funded over 90% of new loans in 2003–04. Most recovery is via automatic deductions from benefits. Currently, repayment methods make it hard for some customers not on benefit to repay their debts. Customers do not always have information on their debt position and the Department has no plans to provide information on debt level routinely to individuals, although people can request it. Although the Department collects money effectively from benefit claimants, recovery rates are lower for those who have returned to work because the Department does not pursue vigorously those who do not meet repayment agreements. The Department said it was more difficult and costly to make off-benefit recovery, which was why responsibility had been transferred to their specialist Debt Management team.

## Conclusions and recommendations

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- 1. The complex nature of the Social Fund increases the risk that those most in need of support may not benefit.** The Fund was introduced to provide a flexible and quick way of making one-off or emergency payments to help the most vulnerable in society. The complex decision making procedures that have since evolved have undermined the original objective of the Fund. The Department needs to reassert the original vision, and design out complex eligibility criteria or processes which discourage vulnerable people from seeking assistance and delay decisions on eligibility.
- 2. Only around 50% of potential users are aware of the Social Fund.** The Department is cautious in advertising Social Fund awards too strongly because of the risk that it will raise expectations which cannot be met. Under half of those potentially eligible have heard that loans and grants are available, and there is no evidence that those who do know about it are those most in need. Staff should draw attention routinely to the existence of the Fund when dealing with new benefit claimants from groups which have tended to make less use of it (eg pensioners and ethnic minorities) to increase the chances that those most in need are aware of it.
- 3. Some customers may be receiving inappropriate advice from the Department because many staff, especially those who joined from the former Employment Service, are not aware of it.** The Department should improve Social Fund training given to staff in order to raise awareness, or appoint a Social Fund 'expert' in each jobcentre office who can be consulted.
- 4. Over 50% of Budgeting Loan applications refused in 2003–04 were from those with too much existing Social Fund debt.** Many customers do not know how much Social Fund debt they have and are often unable to assess their remaining credit limit. The Department should make it easier for customers to find out their debt position before applying for a further loan, for example by enabling customers to check their balances via on-line access to information in jobcentres.
- 5. There are errors in nearly 50% of Crisis Loans and Funeral Payment decisions.** The quality of decision-making varies by award and district. Although some of the decision-making errors do not affect the amount paid out, getting decisions right first time is important for efficient administration and good quality of service. The Department should focus on better evidence gathering at the outset, where possible through telephone contact, so as to reduce the proportion of decisions overturned where new evidence arises.
- 6. The processing of customers' applications is affected by the limitations in the Social Fund computer system.** All districts handle some cases off-system because of lack of space, whilst some staff do not have full access to all benefit records to allow efficient evidence gathering. As a result, they have to request information, adding to the time taken to process applications. The Department advised us that upgrading the capacity of the system has slipped from April to September 2006 but once implemented the increased capacity should improve the efficiency of processing.

7. **Crisis Loans are usually for people in emergencies, but performance against clearance time targets for Crisis Loans is poor in some districts, with an average of 3.5 days in the poorest performing districts.** The target has been increased from 1 to 2 days and we expect all Crisis Loan applications to be dealt with within this new target time through, for example, effective evidence gathering by phone and more careful completion of applications in Jobcentres.
8. **Very large local variations in decision making practices and costs raise doubts about fairness and effectiveness across the country.** Some of the variation appears to be inconsistency in decision-making which should be reduced by better training, whilst variations in costs will be addressed by greater standardisation in practices. The Department was uncertain whether the new standard operating model would be rolled out further. Assuming the pilots are successful, the Department should implement standardised practices quickly to reduce variations and increase efficiency.
9. **The Department is unable to find a significant proportion of customer files easily.** The Department has experienced problems with the storage and retrieval of case papers, sufficient for the Comptroller and Auditor General to qualify the 2003–04 accounts of the Social Fund. The Department should use the new storage contract to secure improved file retrieval through computer logging of files so that this particular aspect of the qualification is removed for the 2004–05 accounts.
10. **The proportion of debt less than a year old has fallen from 75% to 59% over the last five years and there is a risk it will become harder to collect.** The Department should give greater attention to recovering outstanding debt from all customers as soon as they return to benefits by making better use of its new MIDAS software; giving Social Fund staff access to all benefit computer systems to arrange repayments through benefit deductions; pursuing with HM Revenue and Customs the possibility of recovering Social Fund debt from tax credits; and pursuing debt owed by customers whose benefit payments are insufficient to cover agreed repayments.
11. **Social Fund debt amongst those not on benefit increased from £90 million in 1999 to £181 million in 2004.** Debt cannot be recovered automatically from these people and around half of Social Fund districts said they did not have the resources to pursue this debt. With the centralisation of responsibility for recovering off-benefit debt, the Department should aim to reverse this increase and halve the amount outstanding.



# 1 Raising awareness of the Social Fund

1. Around one-fifth of people in the United Kingdom live in low income households, and a quarter of households have no savings. As a result, many find it hard to pay for important items or cope with emergencies from regular income. The Social Fund provides an important safety net for some of the most vulnerable people in society. It was introduced in 1988 as a flexible way to allow exceptional, one-off or emergency payments to be made without affecting the efficiency of the main Income Support scheme. There are seven types of Social Fund award, which address different needs. The Committee considered five: Budgeting Loans, Crisis Loans, Community Care Grants, Funeral Payments and Sure Start Maternity Grants<sup>1</sup> (Figure 2).

Figure 2: Details of the Social Fund awards covered in this Report

Award	What is the award for?	Who is eligible?	How is the award made?
Budgeting Loan	To help pay for furniture, household goods, clothes, travel costs, advance rent, removal costs, items to help find or start work, home improvements, maintenance and security, and some debt repayments.	The applicant must have been receiving Income Support, Jobseekers Allowance (income-based), or Pension Credit, or payments on account of such a benefit, for at least the last 26 weeks.	Interest-free loan (generally repaid, where possible, through at-source benefit deductions).
Crisis Loan	To help meet expenses in an emergency or disaster, to prevent serious risk to the applicant's (or their family's) health and safety).	Most people who require assistance with immediate and short-term needs. The applicant does not have to be receiving any social security benefit or tax credit.	Interest-free loan (generally repaid, where possible, through at-source benefit deductions).
Community Care Grant	To help applicant move out of institutional or residential care or prevent them going into care; to help families under exceptional pressures; to help care for a prisoner on temporary release; to help people with an unsettled way of life set up home; to help with certain travel costs.	The applicant must receive Income Support, Jobseekers Allowance (income-based), or Pension Credit, or payments on account of such a benefit, or be likely to be receiving one of them within 6 weeks of leaving care.	Grant.
Funeral Payment	To help pay for a modest funeral or cremation.	The claimant (or their partner) must receive Income Support, Jobseekers Allowance (income-based), Pension Credit,	Grant (unless can be repaid from deceased's estate).

1 C&AG's Report, *Helping those in financial hardship : the running of the Social Fund* (HC 179, Session 2004–05), paras 1.1–1.3, Figure 5. The other awards – Winter Fuel Payments and Cold Weather Payments – are paid automatically, and so were excluded from the C&AG's work.

		Housing Benefit, Council Tax Benefit, Working Tax Credit with a disability element or Child Tax Credit (higher rate).	
Sure Start Maternity Grant	To help buy things for a new or expected baby.	The claimant (or their partner) must receive Income Support, Jobseekers Allowance (income-based), Pension Credit, Working Tax Credit with a disability element or Child Tax Credit (higher rate).	Grant.

Source: National Audit Office

2. To be eligible for all but Crisis Loans, applicants must be on certain benefits or tax credits. All loans are interest-free and are generally re-paid by reducing benefit payments.<sup>2</sup> In 2003–04, almost 3 million payments were made, amounting to £854 million of gross expenditure. More than half of this was in Budgeting Loans. Around 93% of gross loans expenditure of £569 million was funded by loan recoveries of £530 million.<sup>3</sup> Figure 1 summarises the expenditure for each award in 2003–04.

3. Although it has existed for 17 years, awareness of the Fund is low. According to the National Audit Office's survey only half of people on low incomes were aware that jobcentres and benefit offices paid grants and loans for emergency or important items.<sup>4</sup> Different groups of people use the various awards to differing degrees, with pensioners, for example, less likely than others to use the Fund. The Department said that some awards were better known among their specific target groups, for example, Sure Start Maternity Grants among pregnant women, but accepted that awareness of Crisis Loans amongst those potentially eligible (a wider group) was lower. However, given the limitations on the budget, the Department considered it had to be careful not to raise expectations.<sup>5</sup>

4. The Department is nevertheless taking steps to raise awareness among target groups, especially through leaflets for benefit claimants. The Department proposes to rationalise and improve leaflets in 2005–06 by introducing new client group products and new benefit specific information sheets, including on the Social Fund. In the Department's view one of the difficulties in publicising the scheme effectively is its complexity and a lack of transparency in some of the eligibility rules. The discretionary nature of some awards and the complex decision-making procedures make it hard for the Department to explain simply the circumstances in which applicants are likely to be successful. Consequently, it is hard for some customers to identify when they might qualify for help or what might be the

2 C&AG's Report, Figure 2

3 *ibid*, para 1.4

4 *ibid*, paras 2.16–2.17; Q3

5 C&AG's Report, para 2.4; Qq 3, 89–90

most appropriate award for them.<sup>6</sup> Evidence that the Fund is seen as complex by customers and their advisers is of concern since it was originally introduced because Supplementary Benefit was itself considered too complex and rigid.

5. The National Audit Office reported that some customer groups used the Fund less than others. Jobcentre Plus is working with the Pension Service to ensure that the latter's contact centre staff are more aware of the Fund,<sup>7</sup> but the Department also recognised that many pensioners did not want to take out loans. To improve awareness amongst pensioners, the Department is distributing new leaflets to Pension Service local service staff to use in their work with partner organisations. It has also developed a Social Fund awareness programme, which is being piloted in Wales. Subject to satisfactory evaluation, the programme will be rolled out across the country in 2005–06.<sup>8</sup>

6. There was evidence of a low level of awareness of the Social Fund among Jobcentre front-line staff, particularly among those who joined from the former Employment Service. Personal Advisers did not as a matter of course tell customers about the Fund, and lack of knowledge also meant some did not always advise customers appropriately, for example, suggesting applications for loans when grants might be more suitable. There was also evidence of some staff advising customers not to apply as they would not succeed, despite promises made to the Social Security Select Committee in 2001 about improving aspects of customer service.<sup>9</sup> The Department acknowledged the need to improve.<sup>10</sup> In early 2004, 'mystery shopping' was carried out to test customers' experience of accessing the Fund, and this was being repeated. Errors and failures would be highlighted in guidance to staff.<sup>11</sup>

7. Some aspects of the handling of the Fund suggest it is not accorded high priority by Jobcentre Plus. Although localised training exists, the Department does not provide training centrally for Social Fund staff (including decision-makers). In addition, training material is out of date and optional for use by districts. In the absence of central training, the Independent Review Service (the body which carries out independent reviews for dissatisfied customers of the Social Fund), provides self-instruction computer packages and workshops for staff on request.<sup>12</sup> In 2003–04, the Service delivered 522 workshops, of which 136 were for Jobcentre Plus staff (including 71 awareness sessions for frontline advisers). Others were provided for interest groups and advisor organisations.<sup>13</sup> Training had increased since the merger of the Employment Service and Benefits Agency to create Jobcentre Plus, but provision for the Social Fund had to compete with other demands.<sup>14</sup>

6 Qq 3–4; 53

7 C&AG's Report, para 2.4; Qq 3, 48–51

8 Qq 4, 48–53

9 C&AG's Report, paras 2.18–2.20; Qq 11, 20, 27, 60–61; 3<sup>rd</sup> Report from the Social Security Committee, *The Social Fund* (HC 232, Session 2000–01)

10 Qq 11, 24

11 Q 67; Ev 12–13; Q 4

12 C&AG's Report, para 3.4; Q 23

13 C&AG's Report, para 3.4; Ev 12–13; Qq 4, 53

14 Qq 20–24

8. To concentrate attention on improving performance of the Fund, the Department had introduced new key management indicators to monitor all parts of the programme.<sup>15</sup> Currently, however, quality checking is limited at a national level, and the results are not sufficiently detailed at a regional or district level, so there can be only limited local feedback to decision-makers on the quality of decision-making. The Department is redefining its internal checking criteria to concentrate more on the quality of decision-making, rather than process.<sup>16</sup>

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15 Q 66

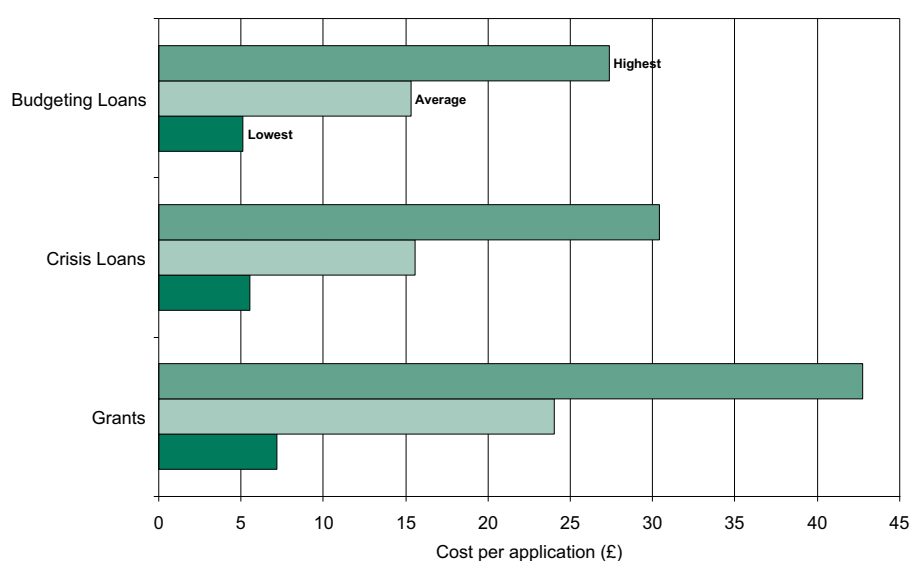
16 C&AG's Report, para 3.6

## 2 Running the Social Fund

9. The Social Fund is administered by nearly 3,500 staff at a cost of approximately £70 million. Application volumes have risen by 4% since 2001–02, whilst staff numbers have fallen by 8%. It is not currently possible to consider the Fund’s annual administrative costs over time because the Department is unable to provide comparable figures for previous years. It has recently introduced a new costing system which calculates all staff costs for Jobcentre Plus activities. On the basis of the information available, average cost per application in 2003–04 was £15 for Budgeting Loans, £16 for Crisis Loans and £24 for grants. However, the data has significant limitations.<sup>17</sup>

10. There are very large variations in unit costs between districts (**Figure 3**). For example, for Crisis Loans, the highest cost per application was six times the lowest and nearly double the average.<sup>18</sup> The Department suggested they were probably due to different approaches to claim handling, such as the greater use of phone contact in some districts for collecting evidence and taking in Crisis Loan applications. Greater use of the telephone is an aspect of the standard operating model which is being developed by the Department and which is designed to help improve efficiency and consistency of case handling. The model included defined roles, better training and clearer use of IT. It is being piloted in two districts in Wales and will be reviewed in April 2005. There is no date yet for full roll-out.<sup>19</sup>

**Figure 3: Variation between districts in cost per application**



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

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

17 C&AG’s Report, paras 4.2–4.4

18 C&AG’s Report, Figure 23; Ev 15; Q 101

19 Qq 27, 102

11. The National Audit Office found that other practices reducing costs included the use of specialist teams in some districts and specific practices such as logging all applications on the computer system immediately on receipt, which not all districts do. Factors driving costs up included the poor quality of applications received by those processing them from some jobcentres.<sup>20</sup> In some districts, a large number (up to 50%) had to be returned because of a lack of basic information, wasting staff time and frustrating applicants. Jobcentre staff were tending to take applications in too quickly without checking, because of their urgent nature, and needed better training.<sup>21</sup>

12. A further factor affecting efficiency is the adequacy of the Social Fund computer system. The system is delivered through the Strategic Outsourcing Business Allocation contract, awarded to Affinity (the EDS led consortium) in 2000. For services relating to the Social Fund, the Department expect to pay £3.72 million in 2004–05, plus a portion of standby/recovery and other costs. Future costs are not currently available as contractual arrangements with EDS are being reviewed.<sup>22</sup> The Department considers that the system meets its requirements, but the National Audit Office still found evidence of a number of shortcomings. Its lack of capacity for cases with a large number of applications or outstanding loans can slow down the processing of awards in all districts.<sup>23</sup> The timescale for necessary upgrades has slipped from April to September 2006 since the National Audit Office reported, apparently because of shifting priorities.<sup>24</sup>

13. It is important to get decisions on benefits right first time for the sake of the claimant, as well as to ensure efficient administration.<sup>25</sup> There are low levels of decision-making accuracy in Funeral Payments and Crisis Loans, for which only 52% of initial decisions are correct (76% and 69% respectively for 2000–01), and in Community Care Grants, for which only 76% are correct (79% in 2000–01), according to departmental checking criteria, which have changed over time, making comparisons difficult.

14. The Department said that the discretionary nature of decision making for some awards meant that there would be differences of view,<sup>26</sup> and that these figures included errors which did not affect the outcome for the customer. Where the Department could not retrieve customers' papers, it was impossible to verify the accuracy of the decisions made.<sup>27</sup> Nearly 40% of Crisis Loans are alignment payments, where customers are awaiting payment of another benefit. Although tiding customers over until their first payment is legitimate, delays in starting such payments cut into the money available for other uses of the Social Fund.<sup>28</sup> For its monitoring in 2004–05, the Department is distinguishing between

20 C&AG's Report, paras 4.5–4.14; Qq 8, 12–15

21 Qq 92–94

22 Qq 79–87

23 Qq 62–65; C&AG's Report, para 4.17

24 Qq 80–81

25 12<sup>th</sup> Report from the Committee of Public Accounts, *Getting it right, putting it right: Improving decision-making and appeals in social security benefits* (HC 406, Session 2003–04)

26 C&AG's Report, Figure 15; Qq 8–9, 15, 17, 72; Ev 13–14

27 C&AG's Report, paras 4.19–4.20; Q 8

28 C&AG's Report, paras 2.9, 3.15, 4.20; Q 8

those cases where it is clear from available evidence that the outcome was wrong in monetary terms, and those where having insufficient evidence is treated as an error.<sup>29</sup>

15. There are problems with clearance times for applications for certain awards. The most significant is for Crisis Loans, where in 2003–04, for example, only 7% of districts met the 1 day clearance time target, and some took an average of 3.5 days, even though these awards are paid out to people in emergencies. The Department said that the current way of measuring meant that districts could not record a clearance time of less than one day, and so a single case taking over one day would cause a district to miss the annual average target. It was increasing the target to 2 days (but would monitor for both 1 and 2 days).<sup>30</sup>

16. Jobcentre Plus offices are an improvement on previous arrangements, with better facilities and a more forthcoming approach to customers. But progress could be lost with the large number of staff reductions to be implemented by the Department by 2008. Levels of staff turnover might also undermine efforts to develop wider knowledge of the Social Fund.<sup>31</sup> The Department was aware of the risk, but had plans to mitigate the effect of staff reductions by making efficiencies and centralising processing. A reduction from 140 to 20 in the number of sites that processed Fund awards would help to achieve a critical mass of staff for training and development purposes, and so build up expertise.<sup>32</sup> Comparisons of staff turnover over time are hampered by changes in the organisation, such as the creation of Jobcentre Plus, but figures for 2004 are broadly the same as for the Benefits Agency in 2000–01.<sup>33</sup>

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29 Qq 9, 72; Ev 14

30 C&AG's Report, Figure 16; Qq 28–31

31 Qq 41–42, 73

32 Q 27

33 Q 74; Ev 14–15

## 3 Whether the Social Fund treats people consistently

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17. The Social Fund is designed to help those in greatest need. The annual budget for discretionary awards is limited, so that the Department must make judgements about and priorities between individual cases. The Committee was concerned applicants may suffer if the Department did not allocate the Fund budget accurately. The Department explained that this should not happen for loans as the budget is managed on a national basis. For Community Care Grants, money is allocated to districts, taking account of forecast demand and levels of unmet need in the previous year. Since districts only pay out for high priority cases for these grants, the Department said it was hard to see from whom it could take the money to reallocate.<sup>34</sup> For Community Care Grants, where a budget is made available to districts and they are then required to prioritise, it is possible that two people in identical situations in different parts of the country can be treated differently, although the Department doubted that two similar cases would in practice be treated completely differently.<sup>35</sup>

18. There are large variations between districts in the percentages of decisions that result in a payment. For example, for Crisis Loans, the payment rate varied from 48–94% of applications across the districts.<sup>36</sup> There are also large variations in the average amounts districts pay for the different awards. For Funeral Payments, for example, the most generous district on average pays over twice as much (£1,405) as the least generous district (£694). This suggests that decision-making for some awards can be quite arbitrary.<sup>37</sup>

19. The Department explained that the extent and reasons for geographical variations in the outcome of applications is different for different types of award. For Budgeting Loans, any variations were likely to be solely because of different demographic profiles, and for Community Care Grants variations were related to the different needs of people in different communities. Decisions were made within locally set and administered cash-limited budgets, and so some variation was inevitable. For funeral payments, the Department noted that there were different burial charges around the country. The difference in costs were substantial (for example, £443 in Powys and £1,960 in Wood Green) and explained much of the variation. In addition, the deceased person's assets which are available to pay the funeral bill are deducted. In more affluent areas, it is more likely there will be assets. Nevertheless, there was some inconsistency in decision-making and the Department agreed it needed to work on improvements.<sup>38</sup>

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34 Qq 18, 32–37

35 C&AG's Report, 2.14; Qq 17–19

36 C&AG's Report, Figure 12

37 *ibid*, Figure 13; Qq 5–8

38 Qq 5–8, Ev 13–14

20. Social Fund debt arises when Budgeting Loans and Crisis Loans are awarded. In 2003–04, some £569 million was paid out and £529 million recovered. If a customer receives benefits, Fund debt is recovered automatically through benefit deductions, and 98% of all recoveries are made this way. Fund loans are recovered one at a time and the Department sets a limit on multiple loans of £1,000 of total indebtedness. More than 40% of those with Fund debt have more than one loan, and 1.5% have more than ten.<sup>39</sup> For benefit claimants the Department planned to reduce the ordinary maximum repayment rate from 15% to 12% of weekly benefit entitlement.

21. With many people moving address regularly, the Department was unable to monitor outstanding debt. The Department explained that its system flagged up outstanding debt for people returning to benefit, although it accepted that the information was not always acted upon.<sup>40</sup> It also runs checks of all outstanding Budgeting Loans against all new benefit claims in order to pick up those who return to benefit. By July 2004, only just over half of districts had used the new MIDAS system to identify returning claimants with outstanding debt.<sup>41</sup> Regular use was part of the new standard operating model being trialled.

22. Currently repayment methods make it difficult for some customers not on benefit to repay their debts. Two-thirds of districts accept repayment by cash or cheque only, because the direct debit facility had been suspended pending the transfer of off-benefit repayment to the central Debt Management team. Customers did not always have information on their debt position despite recommendations to that effect by the Social Security Committee in 2000–01.<sup>42</sup> Over half of Budgeting Loan refusals in 2003–04 were due to existing Fund debt, suggesting customers did know how much credit they could expect to receive. The Department said that they had no plans to provide information on debt level routinely to individuals because it had to be calculated manually, although people could request it.<sup>43</sup>

23. The Department collect money from benefit claimants automatically via deductions, but not always from those who have returned to work. It was harder and more costly to do off-benefit recovery, which was why responsibility had been transferred to their Debt Management team. The off-benefit debt balance has risen from £90 million in 1999 to £181 million in 2004, and many districts advised the National Audit Office that lack of resources was responsible for their failure to pursue this debt.<sup>44</sup> Other barriers include limited repayment methods, an inability to recover debt from tax credits, and difficulties in retrieving papers. In deciding whether to pursue debts, including through the small claims courts, the Department considers value for money as well as the importance of maintaining the overall integrity of the scheme. The cost of any legal action needed varies between an

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39 C&AG's Report, para 5.4; Ev 12

40 Q 39

41 C&AG's Report, para 5.14; Qq 96–98

42 3<sup>rd</sup> Report from the Social Security Committee, *The Social Fund*, (HC 232, Session 2000–01)

43 C&AG's Report, paras 2.21–2.22; Q 60

44 C&AG's Report, paras 5.11–5.12

average of £50 for a full warrant, £60 for an attachment of earnings and £23 for a summons.<sup>45</sup>

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45 Qq 54-59

# Formal minutes

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**Monday 24 October 2005**

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Sadiq Khan
Mrs Angela Browning	Jon Trickett
Mr Greg Clark	Kitty Ussher
Mr Ian Davidson	Mr Alan Williams
Helen Goodman	Stephen Williams
Ms Diana R Johnson	

Draft Report (Helping those in financial hardship: the running of the Social Fund), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 23 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Twelfth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned until Wednesday 26 October at 3.30 pm]

## Witnesses

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**Wednesday 26 January 2005**

*Page*

**Mr David Anderson**, Jobcentre Plus, Department for Work and Pensions

Ev 1

## List of written evidence

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Jobcentre Plus

Ev 12

Department for Work and Pensions

Ev 12

## List of Reports from the Committee of Public Accounts Session 2005–06

First Report	Managing National Lottery Distribution Fund balances	HC 408
Second Report	The regeneration of the Millennium Dome and associated land	HC 409
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410
Fourth Report	Fraud and error in benefit expenditure	HC 411
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414
Eighth Report	Navan Centre	HC 415
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563
Tenth Report	Jobskills	HC 564
Eleventh Report	Local Management of Schools	HC 565
Twelfth Report	Helping those in financial hardship: the running of the Social Fund	HC 601



# Oral evidence

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## Taken before the Committee of Public Accounts

on Wednesday 26 January 2005

Members present:

Mr Richard Bacon  
Mr Frank Field  
Mr Brian Jenkins

Jim Sheridan  
Mr Gerry Steinberg  
Mr Alan Williams

In the absence of the Chairman, Mr Alan Williams was called to the Chair

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**Sir John Bourn KCB**, Comptroller and Auditor General and **Mr Jeremy Lonsdale**, Director of Work and Welfare Value for Money Studies, National Audit Office, further examined.

**Ms Paula Diggle**, Second Treasury Officer of Accounts, HM Treasury, further examined.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

#### HELPING THOSE IN FINANCIAL HARDSHIP: THE RUNNING OF THE SOCIAL FUND (HC 179)

*Witness:* **Mr David Anderson**, Chief Executive, Jobcentre Plus, Department for Work and Pensions (DWP), examined.

**Q1 Mr Williams:** Today, we are going to question on the running of the Social Fund and I welcome here Mr Anderson. Is this your first visit?

**Mr Anderson:** No, it is not; it is my third Committee of Public Accounts.

**Q2 Mr Williams:** Third, is it? You do not show any scars or wounds.

**Mr Anderson:** Only on the inside.

**Q3 Mr Williams:** As I have explained to you, and I will explain to people sitting around you, there is going to be a series of votes non-stop which will go on for an hour and a quarter to an hour and three quarters, we do not know, starting at 4.30. My aim is to see whether we can get through this so that instead of keeping you here, we will be able to complete it when the voting starts and then you can go, otherwise you will be sitting around and we would just be doing five minute snatches. Shall I start straightaway with the most fundamental question? The Social Fund has been around a long time, yet what comes over in the Report is how few people are aware of it and aware quite of what it offers or even that they have a right of appeal if they have made an application and failed. Why do you think awareness is so low and what are you planning to do to rectify that?

**Mr Anderson:** There are different levels of awareness amongst different groups for different parts of the Fund and a consistent theme, looking at the whole Report, is that you find different levels of decision making and understanding around Funeral Payments, Sure Start Maternity Grants on the one hand, which are quite well known by the communities who need them, through at the other end of the spectrum to Crisis Loans, which probably

have the widest possible community in that they are open to anybody and they are less known. Then the Community Care Grants and the Budgeting Loans are quite well known to benefit claimants, who are eligible for them. So the question you ask has different parts. We have a lot of activity for replacing leaflets, improving leaflets which will help the key groups who use the service. Most of the customers of the services are benefit claimants and they will get information through that. We have programmes to work with the Pension Service to improve awareness of Social Fund amongst pensioners and we have work planned with Ministers to simplify the Fund so that we find it easier to make our own staff more aware of it, which is also one of the key things in the Report. So there is a lot of work in train to address the issue you raise.

**Q4 Mr Williams:** The impression we get is that the message still is not getting through to a lot of the most needy. Perhaps if you have any proposals in mind, you will drop us a note to tell us exactly what you are intending to do to heighten awareness, is that all right?

**Mr Anderson:** That is fine<sup>1</sup>.

**Q5 Mr Williams:** I am one of the few people here, other than Sir John I think, who was here 12 years ago when there was a hearing on the Social Fund. I remember it very well. We made certain recommendations at that time, particularly we were very worried about the local variability in the level of grant and loan that was available and also in the percentage of people who were getting those loans and grants. If we turn to page 19, where we have the

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<sup>1</sup> Ev 12

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two graphs, 12 and 13, if we look at the upper one, that deals with variations in the percentages who get payment and you find if you look at the first of them, which is the Community Grant, it varies between 29% and 63%, so it more than double in some localities than others. It varies between 40% and 88% on Funeral Payments and if you look to the third column, Crisis Loans which after all are particularly important, it can be as high as 97%, but it can be as low as 46%, again half. Then, if you look at the lower part, we see the same variability in the amounts that are given. So you have double shown in relation to the Community Care Grant, up to double in the Funeral Grants. Now 12 years ago, we highlighted this. Why is it still so apparent and so widely varied in view of the fact that we are dealing with people who are often in very great need?

**Mr Anderson:** The key changes that have happened over the 12 years are in Budgeting Loans, where much more work is done now to set a national budget and make sure that the money which is available for each district is as closely as possible aligned to its need. As far as Community Care Grants go, there is so much discretion in the scheme in terms of the decision making, particularly in terms of whether the case is a priority, which is concerned with those cases where people need help to establish themselves or remain in the community and demographics have a very, very important part to play there. You would expect more people to need that kind of help in some districts than in others, therefore you would expect on Community Care Grants to see quite a difference in the variations of people who get a payment and those who do not.

**Q6 Mr Williams:** When you look at the level of amounts as well, take for example Funeral Payment, it can vary between £700 and £1,400. You cannot put that down to demographics can you?

**Mr Anderson:** No. In terms of payment on Funeral Payments, obviously there are variations in cremation charges and funeral charges in different parts of the country and a good part of this money is—

**Q7 Mr Williams:** But it is hardly likely to be double.

**Mr Anderson:** No, I do not think it would be as much as double and some of this will be differences in the number of people, for example, who get further away from where they are buried, across one boundary or another, and some of it will be the difficulty in consistency in decision making. Certainly in Funeral Payments, we are aware that there are some aspects of the decision making that we need to improve, notably around some of the technical areas about what you can include and what you cannot include and we have to work on that.

**Q8 Mr Williams:** How can we stop it being quite as arbitrary as it is? The ranges are utterly unacceptable. Could you again put in a note, unless one of my colleagues asks for further clarification now, of what you are doing to try to remove the arbitrary discretionary nature of decision making, in

order to get a greater degree of consistency?<sup>2</sup> In a way that is reflecting the next question. If you look to page 26, paragraph 15, this is the correctness of initial decision making between the types of awards. It is very worrying that urgent decisions such as Crisis Loans and Funeral Payment have just over 50% accuracy and the Community Care Grants have about 75%. Why is there such a lack of precision in decision making?

**Mr Anderson:** If we look at the two poorest results here, for Crisis Loans and for Funeral Payments, there are several differing factors for each. One reason for these low numbers is a common reason in other benefit areas; it is where we have had difficulties in retrieving papers and therefore a decision is marked as an error where we cannot provide all the evidence that was used to make the decision. That would make a significant difference in the decisions that were correct. Another key area for Crisis Loans is so-called alignment payments and these are deemed incorrect where we make an alignment payment when a benefit payment is due and in those cases, we should make an interim benefit payment rather than use a Crisis Loan. In practice the reason that people do that is because very often the people who would make the interim benefit payment are the same people who have delayed making the original benefit payment, but the Crisis Loan team are a different team and they can give the money straightaway and they do so. That is deemed as an error, rightly so because it is an error. Those two reasons show that some of the decision making is not as poor as this graph would suggest it is. The statistics that we have for errors which actually affect customers—this table includes errors which do not affect customers, but are technically incorrect decisions—are much better than this. If we looked at Crisis Loans for this year, overall the number would be 65% accuracy, where we were talking about affecting customers. So there is a number of reasons there.

**Q9 Mr Williams:** Could we have a note on those up-to-date figures with explanations, where appropriate, of the changes which have taken place?

**Mr Anderson:** Yes.<sup>3</sup>

**Q10 Mr Steinberg:** Regardless of what you say, Mr Anderson, I think this is a very poor Report. I have to say that I have never actually ever been impressed with the Social Fund and I have always seen it as a sort of derisory way in which to treat people who are in poverty and crisis. As far back as when it was introduced in the early 1980s and the 1990s, I always felt that it did not meet the needs of the people for whom it was meant and that was the people who were in crisis and were in poverty; it seemed to neglect their needs. My experience at the time clearly showed that as well. The way that I actually saw a crisis and the way that was dealt with by the benefits officers clearly did not reflect, as far as I was concerned, the situation that people were in. Right from the beginning I thought it was a very, very poor

<sup>2</sup> Ev 13

<sup>3</sup> Ev 18

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system. However, it is with us now and there is nothing we can do about it. I have to say that at the present time I get very few cases from the Social Fund and I put this down either to it being administered much better, there is not so much crisis about because people are actually better off, or people just ignoring it altogether. Which is it?

**Mr Anderson:** I should like to think that what is happening is that there are fewer people unhappy with the way decisions about Crisis Loans are made.

**Q11 Mr Steinberg:** I thought you would say that. If you read the Report, that is just not a true reflection of the Report, is it? Absolutely not. If you read the Report, it clearly states in the Report that the staff do not understand it, the staff are not trained in it, the staff do not give advice in it, the staff do not know about it themselves, in fact some of the staff do not even know it exists. You are sitting there and saying it is because it is being better administered by staff. That is not what this Report says.

**Mr Anderson:** I think the evidence is that the majority of decisions are correct and that the staff who deal with—

**Q12 Mr Steinberg:** The majority of decisions are correct? That is not what this Report says; far from it. This Report says that over 50% of decisions made were wrong.

**Mr Anderson:** A high proportion of the decisions which go to review are overturned, but that is different from the proportion of decisions which are correct in the first instance. Obviously, the cases that go to review are a sub-set where people have been unhappy with the decision. If we look at Figure 15 which is on page 26 of the Report, which is the one to which Mr Williams just referred to that is about the decision making—

**Q13 Mr Steinberg:** The Report clearly says that 50% of the applications made at job centres to the Benefits Agency which pays them, are wrong. The applications which come in from your own job centres are returned. Right or wrong?

**Mr Anderson:** I do not believe that is correct.

**Q14 Mr Steinberg:** Let us have a look. Over 50% are returned, only 47% are correct.

**Mr Anderson:** I do not have the page reference you are talking about, but the statistics sound as though they may be referring to the cases that are reviewed rather than all the cases.

**Sir John Bourn:** Paragraph 3.10.

**Q15 Mr Steinberg:** I knew I had read it somewhere. “The quality of initial decision-making varies between types of award. 92% of Budgeting Loan initial decisions are correct but only 52% of Crisis Loans and Funeral Payments initial decisions”.

**Mr Anderson:** Yes, and overall the figure—

**Q16 Mr Steinberg:** That is appalling and you are sitting here defending it, are you not? You are saying it is being administered better now and it is not being administered better, it is being administered no better than it was right at the very beginning.

**Mr Anderson:** As I just explained to Mr Williams, the statistics on the decision making which are in Figure 15, which is on page 26, show that we have difficulty in decision making for Crisis Loans and Funeral Payments. The discretionary nature of these decisions means that they are difficult—

**Q17 Mr Steinberg:** Go to paragraph 2.14. You have said all that before and you are just repeating yourself. If you go to paragraph 2.14, page 18, it tells us here that two people with identical circumstances, at the same time, could go into a different job centre and get different decisions regarding their applications for a Community Care Grant. The system that can do that is therefore, in my view, fundamentally unfair. How can two people be treated totally differently with exactly the same conditions?

**Mr Anderson:** The way that the Community Care Grant is administered is that the district has an amount of money which is available to it to pay out and the decision makers have to allocate a priority to the cases that they get. Therefore, it is possible that cases of equal priority would receive different—

**Q18 Mr Steinberg:** How is that fair then? How is it fair if a constituent of mine goes to get a loan and Frank Field’s in Liverpool goes, they both have exactly the same conditions, yet one could come out with a different grant from the other; exactly the same circumstances. How is that fair? Is it fair?

**Mr Anderson:** In those particular cases, if that arose, it would not be fair. That would be very rare indeed, because we make enormous efforts to make sure that the way the budget is allocated for Community Care Grants matches the demand that will arise and it is based on forecasts of the demand for the Community Care Grant which could arise in each district.

**Q19 Mr Steinberg:** So really it depends upon the resources you have.

**Mr Anderson:** Yes, we try to allocate the resources across districts according to the likely demand.

**Q20 Mr Steinberg:** Well that cannot be a very good system, can it? I want to return now to the Report. If you read the Report, it makes it quite clear that the vast majority of the staff in the benefits offices and the job centres do not understand the system. So presumably they cannot answer questions. How can the system work when the staff themselves do not understand the system?

**Mr Anderson:** The Report does identify some shortfall in knowledge of staff and we are working very hard to improve that. We take a lot of action—

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**Q21 Mr Steinberg:** How long has the scheme been going?

**Mr Anderson:** The Fund has been going a long time, as you point out.

**Q22 Mr Steinberg:** About 15 years. It is taking a very long time to do a bit of training. On the other hand I also read in the Report, if I remember rightly, that there is no training anywhere. There is no official training. Am I right?

**Mr Anderson:** No, that is not correct.

**Q23 Mr Steinberg:** Well it says so in the Report.

**Mr Anderson:** The training has not been updated nationally since 2002. Training is done on a local basis, training is presented on a local basis and bulletins have been issued to update the training which is available to make sure that it is accurate. So there is training and it is available to people. We are trying to address the issue that you recognise, which I accept needs improvement, by the introduction of a standard operating model across the country, which will increase the size of the processing units. We are doing this work in 142 places; we are going to do it in about 20 places. That will allow us to have more people with better knowledge and should improve the decision making.

**Q24 Mr Steinberg:** Twenty years ago, 17 or 18 years ago, when I first became a Member of Parliament, the attitude at the benefit office was never to give advice; if the person did not ask a question, then they did not pre-empt it: "Just tell them what they ask and if they do not ask, do not tell them". Now that was the attitude of benefit offices throughout the country 15 to 16 years ago. I hope it has changed, I hope the philosophy behind that has all changed now, the culture has changed, but when I read this Report, I do not believe it has. I do not believe that the staff give advice, I do not believe that the staff guide the people in the right direction and I do not believe that the staff tell them what they are entitled to and what they can claim. I do not believe they do it out of vindictiveness; I think they do it because they do not know themselves. How accurate is that?

**Mr Anderson:** Since the beginning of this year, our customer service target has included a particular reference to proactivity and that is now measured as part of our regular service monitoring. We are improving our performance on that measure as we go through the year. Previously, as you rightly say, there was not a measurement of proactivity in the service measures, so we have recognised the problem you address. It is also fair to recognise that there has been significant change in the Benefits Agency since it merged with the Employment Service and the amount of training that people have had to adapt to new processes, new ways of working is enormous. The priority that is focused specifically on the Social Fund in that area has to be viewed in a line with the priority for everything else.

**Q25 Mr Jenkins:** Mr Anderson, I want to continue to some degree on the line of Mr Steinberg. When you read this Report, did you feel elated with the Report or did you feel somewhat disappointed?

**Mr Anderson:** I felt that the Report was well balanced. It recognised some of the things that we are doing well and drew attention to some of the things that we need to improve.

**Q26 Mr Jenkins:** What are the things that you feel you need to improve on?

**Mr Anderson:** We need to improve the consistency of the decision making, and we need to improve the consistency of the service levels that were being provided. We have a number of activities which are designed to achieve that.

**Q27 Mr Jenkins:** Like Mr Steinberg, when I read this Report I was, to say the least, disappointed and I thought it looked like we had an organisation here that was not really in control and there are lots and lots of questions I could ask you on particular details. Overall, your organisation does not seem to have the control and as Mr Steinberg pointed out, you have staff who do not know what is available to them and maybe you are taking the wrong approach. Maybe you should have less staff, better qualified, better trained and more able to assist. Maybe you should be dealing with the telephone, maybe you should deal with IT and maybe you should have touch screens so that people know what is available to them. Are we going to make any progress in this service to make sure this is available to people?

**Mr Anderson:** Yes. The key change is a centralisation in the number of sites from 142 to round about 20, which will improve the critical mass for training measurement and everything else and the introduction of a standard operating model, which is one consistent model applied across the country. It includes definition of roles, definition of training, definition of how to use the IT and will improve our consistency considerably. That model is being piloted from the beginning of December; we have been going with it for six weeks.

**Q28 Mr Jenkins:** In the Report it talks about Crisis Loans. Crisis Loans tend to be people walking into the office and they want a loan because they want it now, because it is a crisis, and you have a target of one day to assess and make that loan. How many of your districts actually achieve that target?

**Mr Anderson:** The vast majority of districts achieve it most of the time. The problem is the average over the year. You cannot get below one day, because that is the minimum time we can record, but if you have one loan in the year that takes two days, then you have missed the one day target. That is why the Report shows a very low proportion of districts, 7%, achieving one day, because that is 7% of districts which never went to more than one day to deliver a crisis loan.

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We have made that target two days, so that realistically, we can see what is happening. 90-odd per cent of districts—

**Q29 Mr Jenkins:** That would be an improvement: double the amount of time you have.

**Mr Anderson:** It would provide a more accurate picture of what is happening because the one day target does not tell us anything either.

**Q30 Mr Jenkins:** So you were not disappointed with 7%, you accept that.

**Mr Anderson:** I do not believe that 7% provides a useful picture when all that is telling me is that there are 7% of districts that never took more than one day. If, for reasons of priorities, occasionally a Crisis Loan takes two days, then that may be acceptable. Not all Crisis Loans are for immediate cash.

**Q31 Mr Jenkins:** So you are going to have a new target, a two day target. Will it remain a one day and a two day target and will we get figures for that in the next accounting?

**Mr Anderson:** We can certainly monitor both and it would be more helpful to show how many of these were actually done in one day and how many in two days. That is certainly a statistic we can produce.

**Q32 Mr Jenkins:** When Mr Steinberg talked about these two people going into two different offices and getting two different amounts of money, you said districts have a set amount of money, so they set different priorities and different awards are made and you said you allocate money according to the need in the district. Would you tell us which districts would get the most money? Would it be the most socially deprived districts, or would it be the wealthiest?

**Mr Anderson:** Yes, the forecasting for how much money is needed is based on the proportion of cases that were able to be met from the budget the previous year. So those districts which met the least number of cases the previous year get more money. It is effectively measuring demand and deprivation and allocating the budget on that basis.

**Q33 Mr Jenkins:** So the people walking into the district office with the most deprivation would get a greater award than the people walking into the office in the nice leafy suburbs or shire counties.

**Mr Anderson:** They would not necessarily get more money, but there would be more money in total available for awards in that district.

**Q34 Mr Jenkins:** But it would depend on the number of cases calling on that money then.

**Mr Anderson:** Yes.

**Q35 Mr Jenkins:** I think I understand that. Now can you tell me, and I might be wrong here, because I used to vire money around between different budget headings and all sorts of things, if

somebody walks in and they need a set amount of money, why their award should be affected because you did not get the formula right?

**Mr Anderson:** We have to do the best job we can to allocate the money where the demand will be and that is what we try to do.

**Q36 Mr Jenkins:** But within the national network we can transfer funding around so we know that when the Fund has gone down to 80%, you can trigger an alarm to send extra cash.

**Mr Anderson:** For loans that is exactly what happens and we move money around for loans during the course of the year from one district to another. For Community Care Grants, we only meet high priority cases in the vast majority of districts; districts all use the high priority money that is awarded to them. It is therefore hard to see from whom to take the money to move it to other people. This is a budget where we have three categories of award: high priority, medium priority, low priority. We paid no low priority cases last year and hardly any medium priority cases<sup>4</sup>. All the cases, wherever they arose, were high priority and the determination of that is the same.

**Q37 Mr Jenkins:** So you have no plan to even out this allocation of money then.

**Mr Anderson:** We believe that it is allocated in the fairest way that it can be at the moment.

**Q38 Mr Williams:** May I just interrupt there? Take the recent floodings we have had and the gales and so on, this must lead to an enormous demand, a widespread demand. Is there an emergency top-up available for everyone?

**Mr Anderson:** There is a contingency budget which is held centrally to which districts can apply if there is a particular emergency in their area that means that the pattern of demand that they have is dissimilar from that which they have had historically. A flood would be a perfect example.

**Q39 Mr Jenkins:** I hope Mr Anderson realises that we have certain concerns and that the recommendations the NAO have placed in this Report have flagged up certain concerns. I am going to ask now about the person who walks in, very often treating you like a bank, a no-interest bank and they want a loan from you and they pay it back out of all sorts of benefits over the next six months and when they have paid it back, they walk back in and get another loan and pay that back. I am not worried about that, believe me. I would rather they came to you than to a loan shark on the corner. You are doing a good job socially and I would support you. If you want extra money to do that, you can have extra money to do that. What about the people who walk in and say “My giro

<sup>4</sup> *Note by witness:* The NAO Report (para 3.20) confirms that payments of applications lower than high priority are rare, but notes that one District in fact paid low priority items during 2003–04. This was an exceptional occurrence and was for a short period only.

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cheque has not come for a Job Seeker's Allowance, I need some cash now"? You give them some cash, because the efficiency of the Department is not very good to start with, they should have been paid to start with. So the first count is that it is an own-goal. The second one is, when they have not paid it back and maybe they disappear into the world of work and then reappear somewhere else, in a different part of the country maybe or come back on the books, how do you track these people down? I get the impression that some of these can call in your offices time after time, take money out, make little or no repayments and you lose track of them and your debts are building up.

**Mr Anderson:** Each account will have a flag on it if there is an outstanding loan at the point that somebody leaves benefit and when a new claim comes in, the system will match that up and a Report will be printed which should be actioned in each office. That does not happen perfectly in every case and we have another process which allows us to run a check of all outstanding loans against all new benefit claims and assess whether an office has actually missed something from these regular reports. We ought to pick people up when they come back onto benefit. For people who are still in work, the Report indicates that we are moving the responsibility for reclaiming their debt to the Debt Management service part of the Department for Work and Pensions, because they can use direct debit, which we do not have, and that will improve the quality of recovery from people who are in work.

**Q40 Mr Jenkins:** So if John Smith is unemployed and has a debt in Liverpool, leaves Liverpool and goes down to London and signs on in London, you would pick him up immediately?

**Mr Anderson:** Yes, the system would indicate that he had an outstanding loan.

**Q41 Jim Sheridan:** Mr Anderson, I do not necessarily disagree with either of my colleagues, either about the Report or indeed the Social Fund itself but I have to give credit where credit is due. As a young man with a young family, I had the misfortune to use the benefit system and it really was quite an embarrassing position to be in and an embarrassing experience; I am thankful I am over it. I have been in the new Jobcentre Plus offices and I have to say that nowadays it is a million miles better than it was maybe 20 years ago. Someone picks you up at the door and walks you through the system, whereas in the past you waited in one queue and another queue and another queue. So credit where credit is due: the Jobcentre Plus system is absolutely first class and deals with the people who use the system. However, one thing does worry me in the sense that the staff were extremely helpful. Do you have any concerns whatsoever, given that there are proposals on the table to cut the number of staff in your Department and given what Mr Steinberg has already said about training and people being

allowed time off for training, *et cetera*, that the cuts in civil servants will affect the service to the general public from your Department?

**Mr Anderson:** Yes, as a management team obviously we are concerned that we need to formulate a plan to continue the quality of service delivery while we reduce staff numbers. I believe that to be possible, I believe that there is a number of improvements that we can make in the efficiency of the way we operate. In the benefits processing space, this is notably centralising activity. We previously had some 650 offices with an average of around 30 people processing benefits in each; half of those sites had fewer than 10 people processing benefits and we are going to go down to about 80 sites where we process benefits. I think that will give us a significant improvement in productivity.

**Q42 Jim Sheridan:** What really concerns me is the progress made just now where people are treated as people in benefit offices now, and not just as a particular number. I am really concerned that any cuts in the staff will take us back to where we were some years ago and that progress would be halted. In this assessment you have done of the staff, have you factored in the appropriate time to allow people to take up quality training in order to deal with the general public?

**Mr Anderson:** Yes, we have. I do not trivialise some of the issues about training that are in here; we have had a huge amount of training to do. The priority for Social Fund training is around the new operating model. Fundamentally we aim to direct the face-to-face service which we will have available in our offices to the people who need it most and we will encourage those people who are able to look for work themselves to use telephone or internet and that will mean that we have time for the most deserving customers.

**Q43 Jim Sheridan:** So for those who require face-to-face interviews, because there are still people who prefer it, that service will definitely still be there.

**Mr Anderson:** It will.

**Q44 Jim Sheridan:** Can I then just turn to Funeral Payments? You talk about who is eligible and that is obviously the claimant or indeed their partner. What happens, for instance, if a single parent has lost their life, or the other partner is already dead? How far down the extended family do you go to try to get them to meet the costs of the funeral?

**Mr Anderson:** The normal procedure would be to go to a near relative and that is defined as one line up or down in terms of the family tree, or a partner clearly, if there is one.

**Q45 Jim Sheridan:** So what do you mean by near relative? Is that a daughter or son?

**Mr Anderson:** Yes.

**Q46 Jim Sheridan:** An auntie or uncle?

**Mr Anderson:** Yes; in the next generation, if they are in regular contact. If they are not in regular contact—

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**Q47 Jim Sheridan:** And if they cannot pay it?

**Mr Anderson:** We then get into grey areas. If they cannot pay it and the person who has applied is on benefit then obviously we will pay the claim<sup>5</sup>.

**Q48 Jim Sheridan:** Another concern I have, and I share the concerns that the Chairman has already expressed, is about pensioners, extremely independent people who, despite the fact that they do not have the money to pay for these things, will find the money from somewhere, because they do not like to be seen to be dependent on the state. What advice or service do you offer them just to encourage them that that Fund is there and it can help them?

**Mr Anderson:** The key leaflet for total service to pensioners, which is available at all main Post Offices, which describes the services which are available to pensioners, does have a section on the Social Fund and obviously that is helpful. We are working with the Pension Service to make sure their people in contact centres are aware of the Social Fund in the same way that we are working to try to improve awareness amongst our own staff. The contact centres are now the key method that the Pension Service is using to contact their customers.

**Q49 Jim Sheridan:** What do you mean by contact? What is a contact centre?

**Mr Anderson:** A telephone answering centre. The vast majority of pension—

**Q50 Jim Sheridan:** Pensioners will not go near telephone answering machines. Is this one of these things which says press one for this one, press one for this one?

**Mr Anderson:** No, no; it is answered by a person but the bulk of pension activity is now delivered through the telephone.

**Q51 Jim Sheridan:** Do you take that information out to pensioners' forums, Age Concern, elderly forums? Do you take that service out and explain it to them?

**Mr Anderson:** Yes, we are working with various groups to make information more available to pensioners. I think we accept the criticism in the Report that there is more to do and we have not succeeded, but I also think the point you make is very valid that pensioners do not want to take loans by and large and they are averse to using this sort of service.

**Q52 Jim Sheridan:** So if an elderly forum in my constituency contacts your Department to send someone along to talk about benefits or funeral allowances or whatever it may be, you are more than happy to send someone along?

**Mr Anderson:** We would be.

**Q53 Mr Williams:** Will you encompass that within my request for information on what you are doing to increase awareness?

**Mr Anderson:** Yes<sup>6</sup>.

**Q54 Jim Sheridan:** Does that not sort of mask the figures in terms of people whose benefit payments are late being then encouraged to go for a Crisis Loan because their benefits have been held up or are late? Is that not just an easy option to go for a Crisis Loan?

**Mr Anderson:** That appears in these statistics as an error and it is an error and we should not do it. On the other hand, if we do have a delay in paying benefit in a particular district and it is those same staff that make the interim payments as well as the initial payments and they cannot do it, then it is understandable that staff faced with a customer who needs the money will give a crisis loan. I accept that is not good practice, we do not encourage people to do it, we are trying very hard to drive down clearance times in all the districts so that this does not arise, but it does arise in too many cases now as the Report points out.

**Q55 Jim Sheridan:** The Department considers that legal action is often too costly, so why do you pursue these cases?

**Mr Anderson:** The vast majority of loans that are recovered are through benefit payments and the cost of that is very low.

**Q56 Jim Sheridan:** Is that deducted from people already on benefits?

**Mr Anderson:** Yes. For the people who are off benefit, there are occasions when we have to take legal action and the cost can be high. On the other hand, I think we need to maintain the integrity of the loan scheme by making it clear that people are expected to repay and it is possible, if we did not pursue the loans, that the proportion of people who did not repay might go up. It is difficult to quantify that.

**Q57 Jim Sheridan:** So how do you pursue them? Through the small claims courts? How do you pursue it through the legal system?

**Mr Anderson:** Yes.

**Q58 Jim Sheridan:** Is it through the small claims court and is that somewhat costly?

**Mr Anderson:** I have figures somewhere. I think it can cost about £30 to get a judgment, but I could check that figure for you and have it directly to hand.

**Q59 Mr Williams:** Does it then cost you a lot to enforce it and if opposed to getting a judgment?

**Mr Anderson:** Yes. The last paragraph of the Report points this out. The most expensive debt that we collect costs us £1.35 per pound to collect and we have therefore to look at the value for money of that.

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<sup>5</sup> *Note by witness:* The priority order for determining Funeral Payment eligibility is defined in statute. A Funeral Payment can be made to the partner, a close relative or a close friend of the deceased. Where the person who died has a partner then payment cannot be considered for anyone else. Where the person who died is a child, payment is normally made to the parent. Where a claim is made by a close relative or close friend no payment will be made (subject to certain qualifications and exceptions) if there is another immediate family member who is not in receipt of a qualifying benefit.

<sup>6</sup> Ev 12

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I think the value for money of that is in maintaining the overall integrity of the loan scheme; we have to make sure that people realise that these loans are repayable. In the case of benefit claimants, there is a maximum proportion of anybody's benefit that we will take as a repayment, which is currently 25%; the standard rate is 15% and there are plans to bring that down to 12% which were announced in the Pre-Budget Report. So we are actually limiting the amount of debt we will take from benefit payment and we just defer the remaining loan until people can afford to pay it. Somebody has handed me the numbers: £50 for a full warrant, £60 for an attachment of earnings and £23 on average for a summons. Those are the costs of taking action.

**Mr Williams:** That is useful for our records; thank you very much.

**Q60 Mr Field:** Four years ago the Social Security Committee reported on this very topic and was pretty scathing. In response the Government said it was resolutely going to change its performance. I wonder whether I could ask you about the three main findings of the Social Security Committee and compare them with the findings of the National Audit Office Report on how you are conducting the Social Fund now. The first main finding of the Social Security Select Committee was that Social Fund applicants need more active and informed assistance from staff. Yet we find in this Report that the awareness of staff is poor, customers are still not informed of the types of awards and information on Social Fund debt is not easily obtainable. What progress have you made then in the last four years on this main recommendation which you accepted?

**Mr Anderson:** There are some key changes which have either been made or are in the pipeline in order to help—

**Q61 Mr Field:** You say it is in the pipeline, but this was four years ago.

**Mr Anderson:** Some of them are changes to systems which take some time. One of the key things on Budgeting Loans was announced in the Pre-Budget Report which was a removal of the so-called double debt rule, which is one of the things that customers find very hard to understand and that will be implemented. We have changes planned in the computer system which will allow us to have all the loans on the system and that is due for delivery in 2006. Some of these things have taken some time, but they have been addressed.

**Q62 Mr Field:** May I just ask who is in charge of the computer system?

**Mr Anderson:** I am.

**Q63 Mr Field:** Is it an in-house job?

**Mr Anderson:** Well, we are responsible indirectly; it is contracted out. The operation of it is contracted out.

**Q64 Mr Field:** To whom was it contracted out?

**Mr Anderson:** EDS.

**Q65 Mr Field:** If it does work, would you come back specially and tell us, because we would really like to be able to record a first for EDS. Sorry, I interrupted you with the excitement of knowing the computer system was going to deliver.

**Mr Anderson:** In fairness the operation of the Social Fund computer system is very reliable and is not subjected to some of the difficulties in some other systems that we operate, which I know have exercised the Committee.

**Q66 Mr Field:** It is just that my heart sank; my poorer constituents have enough trouble in their lives without having to deal with EDS again. It makes it more of a lottery than I thought. Sorry, Mr Anderson, I interrupted you.

**Mr Anderson:** At the beginning of 2003 we implemented a Social Fund Focus Group which is led by one of our deputy field directors and aims to draw together best practice from across Jobcentre Plus and to make sure that the staff know about it. They have made significant progress. We have implemented a new set of Key Management Indicators for the Social Fund within Jobcentre Plus. We used to have just one indicator which was around the clearance times for Community Care Grants: we now monitor that for all Social Fund payments. We have seven management indicators where there used to be one.

**Q67 Mr Field:** And that comes in when, Mr Anderson?

**Mr Anderson:** That is operational already; it came in at the start of this financial year, so April last year. We have included Social Fund performance in our mainstream Mystery shopping programme. Whereas previously Social Fund was not specifically an element of our key service assessment it now is.

**Q68 Mr Field:** When did that come into force?

**Mr Anderson:** At the beginning of this year. The letters for notifying customers about their payments were changed after a full review in 2002.

**Q69 Mr Field:** That came into effect when?

**Mr Anderson:** In 2002. We have introduced access to the Social Fund by telephone, which will gradually make a difference.

**Q70 Mr Field:** And that started when, Mr Anderson?

**Mr Anderson:** Last year<sup>7</sup>. We had to get new regulations to allow the loans to be done by telephone. Our immediate plans are to introduce the standard operating model which I described, which I think will make a big step forward.

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<sup>7</sup> *Note by witness:* Legislation to allow Crisis Loan applications by telephone was in fact introduced in October 2002; the facility has been introduced incrementally across the country since that date.

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**Q71 Mr Field:** Would it be fair to say that although there is one change in 2002, the thought of coming before the Committee with a National Audit Office Report supporting you concentrates the mind wonderfully on fulfilling commitments which the Department made in 2001?

**Mr Anderson:** I am sure the Department entered into the commitments with a recognition that they would help improve service for customers. I certainly accept the recommendations in the current Report and am committed to making sure we implement them.

**Q72 Mr Field:** May I go on to the second undertaking you gave to the Select Committee in 2001. The Committee expected to see a significant reduction in administrative errors and your response as a Department was that you would meet that. Yet if we look at this Report, which Mr Steinberg has already commented on, it says there is a high number of initial decisions in some types of award which still contain errors. Nearly half of the cases for Funeral Payments and Crisis Loans come into that category. Could you remind us what the error rate was in 2001 Mr Anderson and what you have now improved it to? If not, might we have a note on that?

**Mr Anderson:** I do not have that statistic to hand. I will provide a note<sup>8</sup>.

**Q73 Mr Field:** It would be very helpful. The third main area where you promised to improve markedly was to reduce the staff turnover in the Benefit Agency. There are obviously difficulties, which Mr Sheridan touched upon, with the numbers that you are having to get rid of in the service by government edict, but how significant has the reduction in turnover been since you gave that commitment to the 2001 Report?

**Mr Anderson:** The current staff turnover in the benefit processing area is not broken down by the allocation of staff to a particular task; it is only broken down by grade. Therefore I cannot answer that question.

**Q74 Mr Field:** Might you give us a note on what the turnover generally was then, in 2001, compared with what it was when this Report was compiled?

**Mr Anderson:** Certainly<sup>9</sup>.

**Q75 Mr Field:** My last question is about the Contingency Fund which you hold centrally which the Chairman raised. Can you tell us how large that is?

**Mr Anderson:** Yes. I believe it is a million pounds and I will just check. I am told that is correct.

**Q76 Mr Field:** A million pounds. In the West Country last year we had that flooding. I should have thought that would have scooped the pile, would it not?

**Mr Anderson:** I was monitoring Social Fund applications during the course of that flooding. There was increased activity, but it was in the tens of

cases and not in the hundreds or thousands. Clearly, I suspect the vast majority of people who were affected had other means and were not benefit claimants or Social Fund customers.

**Q77 Mr Field:** Or did not know about the Fund.

**Mr Anderson:** Or did not know about the Fund.

**Q78 Mr Field:** Or the staff did not know about the Fund or the extra money they might call down.

**Mr Anderson:** We did actually provide out-of-hours service on the day that those things arose and people were made available locally to help and local offices would have been very well aware of the contingency fund at that point when it was arising.

**Mr Field:** If we could have a note on those two points, Mr Anderson, that would be helpful. Thank you.

**Q79 Mr Bacon:** I just have one or two questions about the computer. How confident are you that the Social Fund computer system will be fit for purpose by April 2006?

**Mr Anderson:** The change I referred to in changing the system is due for implementation in the year starting April 2006. We would expect that to come in, at the latest, in October, based on our current plan and I am confident that that will be delivered.

**Q80 Mr Bacon:** So the sentence "The Department plans to increase system capacity to remedy this problem in April 2006" in paragraph 4.17 is not actually correct.

**Mr Anderson:** It was correct at the time.

**Q81 Mr Bacon:** But you have had a six month delay since then.

**Mr Anderson:** We are balancing the priorities for all our computer changes based on our budgets for the SRO full period, therefore priorities are moving all the time.

**Q82 Mr Bacon:** How much do you pay EDS? Do you pay them some money each year on the contract?

**Mr Anderson:** Yes, we do.

**Q83 Mr Bacon:** How long has the contract been running?

**Mr Anderson:** The contract for the Social Fund in particular or the contract for all our activities with EDS?

**Q84 Mr Bacon:** You have just given me a great idea. Answer the first one first.

**Mr Anderson:** I do not have that information with me.

**Q85 Mr Bacon:** Do you know how long the contract has been going with them since?

<sup>8</sup> Ev 13

<sup>9</sup> Ev 14

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*Mr Anderson:* No.

**Q86 Mr Bacon:** Is it possible to send us a note about how long it has been going, for both the contract or contracts between DWP and its various bits and EDS generally and EDS and the Social Fund specifically? In addition to stating when those contracts began, could you put in there a little note on each year since the contract or contracts began with the amount that has been paid to EDS each year under those contracts, both generally and for the Social Fund and what you are expecting to pay into the future? Could you do that?<sup>10</sup>

*Mr Anderson:* If that is not affected by commercial confidence, yes. I am not aware of the exact rules on what we can and cannot disclose around those contracts but I will check that.

**Q87 Mr Bacon:** The amounts themselves do not tend to be commercially confidential, even if the negotiation process by which they were reached was.

*Mr Anderson:* I shall certainly provide the information if I am able to do so.

*Mr Williams:* We have asked a comprehensive set of questions and I hope collectively between the NAO and your colleagues you will be able to pull them all together and make sure that none of them are missed.

**Q88 Mr Steinberg:** I just want to sum up where I was going because I did not actually have the opportunity to get there. I was previously given statistics and I have been very selective about the statistics that I have used from the Report. Mr Sheridan touched on this. 47% of people on low incomes do not know the Fund exists, 50% of applications from job centres are rejected, 50% of the Community Care Grant decisions, 41% of Crisis Loan decisions are overturned on review. Tell me, why do only 47% know about it, why are 50% of applications from job centres rejected and why are 50% and 41% of Crisis Loan decisions overturned on review?

*Mr Anderson:* I think they are three very different questions there. On the overall awareness of the Fund, obviously the vast majority of parts of the Fund are only available to people who are benefit claimants. I think the awareness amongst benefit claimants would be significantly higher and we notify people in various ways who are benefit claimants. Crisis Loans are available to all people on low incomes, some of whom clearly are not benefit claimants and we need, for example, to improve the information that we give to people on tax credits or who do not receive any support and try to make that more available.

**Q89 Mr Steinberg:** You are waffling, are you not? 50% of the people who are entitled to this Fund do not even know it exists. That has to be a failure of your Department.

*Mr Anderson:* We have a dilemma in the fact that the Fund is limited in the amount of money that we have.

**Q90 Mr Steinberg:** So you do not tell people about it.

*Mr Anderson:* We currently use all the money to meet the demand that we have.

**Q91 Mr Williams:** Rather than repeating the questions we have already had, you have already undertaken to give us a note on what you are doing at the moment to increase the awareness.

*Mr Anderson:* Yes.

**Q92 Mr Steinberg:** So why are 50% of applications from the job centres rejected?

*Mr Anderson:* I do not recognise that statistic, I am sorry Mr Steinberg. Can you tell me which aspect of the Report that is from?

**Q93 Mr Steinberg:** I read it in the Report; I would not take it from thin air but I cannot remember exactly where I read it.

*Mr Lonsdale:* It is in paragraph 4.12.

*Mr Steinberg:* I read the Report while I was watching the football match on Sunday afternoon, which is perhaps the reason why I did not write down the exact paragraph. "Districts told us that they return up to 50% of the applications received from jobcentres for this reason." What is the particular reason? It is because they are inefficient, are they not? They have given insufficient information. It is as simple as that: administrative errors.

**Q94 Mr Williams:** Could we have the answer to one question before we lose sight of what the question was?

*Mr Anderson:* This is referring to crisis loan applications and Crisis Loans are obviously being dealt with in a hurry. Very often the person taking the information from the person applying for the Crisis Loan may not have access to all the information that is required by the form, but may submit the form out of the desire for speed to try to make sure that the payment gets to the person on the same day.

**Q95 Mr Steinberg:** Finally, why is the appeal upheld for 50% of people who go to appeal? Because you made the wrong decision in the first place.

*Mr Anderson:* Because the decisions under this Fund are discretionary and it is very difficult to have a clear-cut decision where there is so much discretion in the hands of the decision maker. Very often people who are going to appeal or to the review service provide more information at that point than they did when the original decision maker looked at the case. Therefore, very often the outcome is different.

**Q96 Mr Jenkins:** Mr Anderson, the last question I asked you was about John Smith moving from Liverpool to London and you said quite categorically that he would be picked up automatically. If you read paragraph 5.14, "If

<sup>10</sup> Ev 14

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someone with a Fund loan returns to benefits having not claimed them for a period of time, recovery is not re-initiated automatically . . . Fund staff have to arrange benefit deductions manually. Many districts said they have insufficient staff to do this on a regular basis<sup>11</sup>. You lose £6.1 million that could be collected in and yet only 56 districts, that is 62% of your districts, use MIDAS to identify people with outstanding debts when they return to benefit. Would you like now to reconsider your previous answer? If you want, you can send in a note to tell us which one is right.

**Mr Anderson:** The answer which I gave, that the system produces a report, is correct. The system does produce a report which staff can read which they ought to action to recover the money. I do not think I said that this was automatic process and it is not. The Report is correct in what it says. I also said that staff do not always use the report as well as they should and are encouraged to use the MIDAS system. I can assure you that the regular use of the MIDAS system is part of the standard operating model that we are currently introducing.

**Q97 Mr Jenkins:** Only 62% use it.

**Mr Anderson:** Yes.

**Q98 Mr Jenkins:** Are you going to do anything about the other 38%?

**Mr Anderson:** Yes, we are going to centralise this into a small number of centres and make sure everybody uses it because it is in the standard operating model.

**Q99 Mr Williams:** If you turn to page 37, Table 23, a graph, it deals with variations between districts in cost per application for grant dealt with. You see for Budgeting Loans that the highest district is five times higher than the lowest. In the case of Crisis Loans, it is more than five times higher than the lowest and in the case of grants, it is nine times higher than the lowest. How on earth can there be such glaring variations between the costs of processing cases?

**Mr Anderson:** The key difference arises where some districts have introduced a telephone system and others have not and that makes a very significant difference to the cost.

**Q100 Mr Williams:** Favourable or unfavourable?

**Mr Anderson:** It is cheaper if we use the telephone service. The standard operating model will implement the telephone service nationally and this variation should be reduced significantly. I agree that this does not suggest overall that currently we are being as efficient as we should be in processing across the country.

**Q101 Mr Williams:** I do not know how many this will involve, but I should like to have a list of those which are in the highest category of each of those three: that is the Budgeting Loan, the Crisis Loan and the Grant. Could you get us a note on that within the next couple of weeks?<sup>11</sup> I am told by the NAO that you are developing a standard operating model which you hope will produce savings. What can you tell us about that in the one minute that is left to us?

**Mr Anderson:** That we intend that it should both improve the quality of decision making and the consistency of service available to customers across the country.

**Q102 Mr Williams:** Over what timescale? Where is it?

**Mr Anderson:** It started piloting at the beginning of December in two districts in Wales; it has currently been going for six weeks. Based on the evidence we plan to review it at the end of April and provided we have been successful, we will then roll it out nationally. I do not yet have a timescale for rolling it out nationally.

**Q103 Mr Williams:** Thank you. The bell has not gone yet, so let me get rid of one more question. This is paragraph 2.22. When will customers routinely be provided with the information they need to assess their individual debt position? I gather that is not available very readily at the moment.

**Mr Anderson:** It is available to customers on request currently; we do not send out statements to customers and there are no immediate plans to send statements to customers.

**Q104 Mr Williams:** A final one, following on from something we had before about collection of debts. I understand that you are doing less to collect debts from customers who are off benefit than you are from customers on benefit. Yet the customers on benefit are obviously the poorer. Why this reverse of what would seem to be logic?

**Mr Anderson:** The cost and techniques for pursuing customers who are off benefit are significantly higher than for those on benefit. What we are doing is transferring this activity to the Debt Management service within DWP who are specialist in this area and they will have a wider range of techniques available to reclaim this money. We shall be addressing that point.

**Mr Williams:** Thank you. We have done what we set out to do: we have just beaten the division bell. May I thank you very much for your co-operation and look forward to seeing the detailed answers you promised us; there are quite a lot of them. I thank my colleagues as well for being so co-operative. Thank you very much.

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<sup>11</sup> Ev 15

### Memorandum submitted by Jobcentre Plus

In advance of the PAC hearing on 26 January, I wish to advise you that I have identified three comments in the NAO Report that I felt it would be helpful to clarify. These points have been discussed with the National Audit Office and they agree that this information be forwarded to the Committee for the purpose of absolute accuracy.

On page 36, paragraph 4.8, the Report implies that there is to be a phasing out of the Administrative Assistant (AA) grade. This is inaccurate. There are no plans within Jobcentre Plus or in the Social Fund Standard Operating Model to phase out the Administrative Assistant (AA) grade.

Secondly, on page 6, paragraph 21 the Report overestimates the percentage of customers with multiple loans. The correct figures as at March 2004 should reflect that, "41% of those with Fund debt have more than one loan and 1.5% have more than 10."

Finally, I would also like to clarify that at page 33, paragraph 3.36 the clearance time target referred to has only been introduced for the review of discretionary awards.

I forward my sincere apologies for the late presentation of these facts and would appreciate it if you could please make arrangements for this information to be made available to the Committee before the hearing.

David Anderson  
Chief Executive

21 January 2005

### Supplementary memorandum submitted by the Department for Work and Pensions

*Questions 4 and 53 (Mr Williams): Perhaps you will drop us a note to tell us exactly what you are intending to do to heighten awareness?*

#### Improving leaflets and forms

Information on the Social Fund is already contained in a range of client-group based leaflets, including the Pensioners Guide, Help for Widows, and in information sheets sent to all Jobseeker's Allowance and Income Support recipients.

We propose, in the year commencing April 2005, to rationalise and improve leaflets by introducing:

- new client group leaflets for: lone parents; sick/disabled/carers; school leavers and students; over 50s; people out of work;
- new benefit-specific information sheets—including the Social Fund—to be distributed by first contact staff and Jobcentre Plus advisors.

We also intend to review and revise references to Social Fund in all other publicity material to ensure it is as clear and informative as possible. We are also redesigning the Community Care Grant application form, to help applicants provide the information we need to make fair and accurate decisions.

#### Simplifying the policy

One of the main difficulties in publicising the scheme effectively is the complexity and lack of transparency of some of the eligibility rules. This makes it hard for customers to identify when they may qualify for help. One important simplification, to abolish the confusing "double debt" rule, has been announced and will be implemented in April 2006.

#### Improving staff awareness

The Independent Review Service delivered 136 workshops in 2003–04 to Jobcentre Plus staff, of which 71 were awareness sessions for frontline advisers.

We carried out a "mystery shopping" exercise in January/February 2004 to test customers' experience of accessing the Social Fund. We are currently carrying out a further exercise to maintain the spotlight on this area and track improvement. Any errors or failures identified will be communicated in guidance and we will review existing awareness training to address any learning gaps.

We also plan to introduce tailored awareness training and aide memoirs to support the rollout of the standard operating model for the Social Fund.

New leaflets and aide-memoirs on the Social Fund are currently being distributed to The Pension Service Local Service staff for use in the community with partner organisations.

A Social Fund awareness programme for The Pension Service staff has been developed jointly with the Independent Review Service and piloted in Wales. Everyone in Local Service is receiving a half-day Social Fund awareness workshop and Pension Centre staff with daily customer contact will also be given awareness training. Subject to satisfactory evaluation, the programme will be rolled out across the country in 2005–06.

Each Local Service unit of The Pension Service has at least one experienced person who is responsible for giving presentations to community groups and for ensuring that partners and interested parties are kept up to date with changes in processes and procedures.

If an older person requires a home visit The Pension Service Local Service expect to be able to provide one, although the vast majority of queries can be dealt with quickly and effectively by a telephone call to a pension centre. It may also be possible to make an appointment so that they could make their enquiries at an Information Point in their locality.

During a home visit, the Local Service will offer information on Pension Credit, Direct Payment, other entitlements, Social Fund payments and social care issues. In addition, a home visit ensures that vulnerable older people do not need to carry personal and important financial documents to an external location but can have their business handled in the comfort and security of their own homes, often with support from relatives or friends.

*Question 8 (Mr Williams): Could you again put in a note of what you are doing to try to remove the arbitrary discretionary ability of decision making in order to get a greater degree of consistency?*

The extent of and reasons for geographical variations in the outcome of applications to the Social Fund is different for different parts of the scheme. A significant amount of the variation is due to demography and to variations in the type and urgency of claims/applications received.

#### Funeral Payments

The main reasons for variation, are the differences in burial charges up and down the country. The necessary cost of a new grave and internment fees are allowed in full.

The differences in costs are substantial and account for most of the variation in amounts awarded. Costs range from £443 in Powys to £1,960 in Wood Green.

Another reason for variations in awards is the requirement to deduct from the award any assets of the person who has died which are available to pay the funeral bill, for example money in bank accounts, arrears of benefit, insurance policies etc. In more affluent areas, it is more likely that the deceased will have higher assets.

#### Crisis Loans

Crisis Loans rely heavily on the discretion of the decision-maker. Within the current legal framework, it will never be possible to achieve absolute consistency, but we are taking a number of steps to improve it. Most importantly, we are:

- introducing a standard operating model for taking crisis loan applications, which will mean that the telephone is used universally;
- introducing a new standard form for information gathering by telephone with additional guidance;
- reducing the number of crisis loan processing sites from around 140 to 20;
- supporting the rollout of the new processing centres by training, including help from the Independent Review service in delivering seminars on decision-making good practices.

#### Community Care Grants

We operate the Community Care Grant scheme within a legislative framework which requires that decisions are made within locally set and administered cash-limited budgets. In this context, some variation in outcome for customers is inevitable. We have already done a great deal of work to minimise inconsistency by, for example, introducing a new approach to allocating budgets based on forecast demand, and improving guidance on priority setting and budget management.

For the future, we anticipate that the number of local budgets may reduce from the current 90 to around 20 (linked to the number of Social Fund processing centres). This will present new challenges to managers in controlling such large budgets, but will help in forecasting demand and achieving increased national consistency.

### Budgeting Loans and Sure Start Maternity Grants

The NAO Report confirms that variations for these two types of payment are small and likely to be solely for demographic reasons.

*Question 9 (Mr Williams): Could we have a note on those up-to-date figures with explanations, where appropriate, of the changes which have taken place?*

*Question 72 (Mr Field): Could you remind us what the error rate was in 2001 Mr Anderson and what you have now improved it to?*

#### COMPARISON OF ACCURACY FIGURES: 2000–01 AND NOW

	2000–01	2003–04	2004–05 (to end Nov)
Budgeting Loans	83%	92%	91%
Crisis Loans	69%	52%	65%
CCGs	79%	76%	83%
SSMGs	92%	85%	88%
Funeral Payments	76%	52%	70%

There have been various incremental changes in checking methodology over the five year period which means that not all figures are directly comparable. For all years, cases where there was insufficient evidence to determine whether the decision was right or wrong are treated as errors.

#### COMPARISON OF ACCURACY FIGURES: EXCLUDING CASES WITH INSUFFICIENT EVIDENCE

	<i>Accuracy rate: (cases with insufficient evidence treated as errors)</i>	<i>Accuracy rate: (confirmed monetary errors only)</i>
Budgeting Loans	91%	97%
Crisis Loans	65%	70%
CCGs	83%	95%
SSMGs	88%	95%
Funeral Payments	70%	80%

For this year's accuracy figures we have identified those cases where it is clear from available evidence that the outcome was wrong in monetary terms. The resultant accuracy rate is shown in column 3.

While the accuracy rate in column 3 is slightly overstated (as some of the cases where evidence is incomplete may also have been wrong in monetary terms) we believe that it gives a more meaningful indication than column 2 of the extent to which decision-making errors affect customers.

For future years we propose also to record the amounts of monetary error found.

*Question 74 (Mr Field): Might you give us a note on what turnover was in 2001, compared with what it was when this Report was compiled?*

Direct comparison between the Benefits Agency of 2001 and Jobcentre Plus turnover rates is not a strictly like-for-like exercise. For example, staff who are now working in The Pension Service are included in the original Benefits Agency picture, whilst job-broking staff previously working for the Employment Service are included in the Jobcentre Plus figures.

<i>Business</i>	<i>Period</i>	<i>% Turnover</i>
Jobcentre Plus	January 2004–December 2004	6.12
Jobcentre Plus	April 2003–March 2004	5.70
Jobcentre Plus	April 2002–March 2003	36.90
Benefits Agency	April 2001–March 2002	4.96
Benefits Agency	April 2000–March 2001	15.40

*Source:* Jobcentre Plus data—DWP Staffing Statistics website  
Benefits Agency data—FAMIS payroll

The turnover rate is based on the number of leavers (permanent and fixed term appointments) expressed as a percentage of the average number of permanent/fixed term appointments employed during the corresponding period of time. This is expressed as a rolling 12 month figure—normally April–March (with the most recent rolling 12 month figure we have for this year).

#### COMPARISONS WITH OTHER ORGANISATIONS

The Chartered Institute of Personnel and Development (CIPD) “Labour survey” assesses annual turnover throughout the UK economy. Results from the 2003 CIPD survey found that the UK Public Sector had a relatively low turnover rate when compared to the rest of the economy in 2002.

The 2003 CIPD Survey highlights:

— Average public sector turnover in 2002	12.5%
— Average across the economy turnover in 2002	16.1%

*Question 87 (Mr Bacon): Is it possible to send us a note about how long it has been going for both the contract or contracts between DWP and its various bits and EDS generally and EDS and the Social Fund specifically?*

The Department has awarded the following contracts with EDS:

1. a 10-year contract for the IT Partnership Agreement (ITPA) between the Employment Service and EDS for the provision of IT and telephony services awarded in August 1998 and extending to July 2008. The total cost of this arrangement over its lifetime is estimated at £1.356 billion;
2. a 10-year contract for the Strategic Outsourcing Business Allocation (SOBA) awarded to Affinity (the EDS led consortium) on 8 August 2000. The total cost of this arrangement over its lifetime is estimated at £1.52 billion;
3. a 10-year contract for the Child Support Reforms business allocation awarded to Affinity on 8 August 2000. The total cost of this arrangement over its lifetime is estimated at £444.7 million;
4. a 4-year contract to support Pensions Forecasting awarded to Affinity on 6 June 2002. The total cost of this arrangement over its lifetime is estimated at £60 million;
5. an 8-year contract to support New Tax Credit systems awarded to Affinity on 13 December 2002. The total cost of this arrangement over its lifetime is estimated at £64 million; and
6. a 3-year contract to support Pension Credit Front End awarded to Affinity on 1 February 2003. The total cost of this arrangement over its lifetime is estimated at £41.8 million.

The actual amounts paid to EDS in total each year are subject to commercial confidence.

#### SOCIAL FUND COMPUTER SYSTEM

The provision of IT services in support of the Social Fund is delivered through the Strategic Outsourcing Business Allocation (SOBA) contract summarised above. This contract provides for, amongst other services, the operations, maintenance and support of our existing IT systems. For these services in respect of Social Fund, we expect to pay £3,720,000 in financial year 2004–05. Payments for other IT services, such as Standby/Recovery would also be apportionable to the Social Fund as appropriate.

Our existing contractual arrangements with EDS are currently being reviewed as part of our supply strategy. Consequently, payments for future years cannot be given at this point.

*Question 101 (Mr Williams): I should like to have a list of those which are in the highest category of each of those three; that is the Budgeting Loan, the Crisis Loans and the Grant?*

The three districts with the highest unit costs for the three staff cost categories for 2003–04 were (in descending order within each category):

#### *Budgeting Loans*

Somerset  
Lambeth, Southwark and Wandsworth  
Brent, Harrow and Hillingdon

#### *Crisis Loans*

North-West Wales and Powys  
West London  
Derbyshire

*Grants*

Manchester  
Dudley and Sandwell  
Sheffield

Some of these districts were subject to boundary changes during 2003–04.

*February 2004*

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ISBN 0-215-02617-9



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