



House of Commons  
Work and Pensions Committee

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**Social Fund:  
Government Response  
to the Committee's  
Sixth Report of Session  
2006–07**

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**Second Special Report of Session  
2006–07**

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## The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

### Current membership

Terry Rooney MP (*Labour, Bradford North*) (Chairman)  
Anne Begg MP (*Labour, Aberdeen South*)  
Harry Cohen MP (*Labour, Leyton and Wanstead*)  
Natascha Engel MP (*Labour, North East Derbyshire*)  
Michael Jabez Foster MP (*Labour, Hastings and Rye*)  
Justine Greening MP (*Conservative, Putney*)  
Joan Humble MP (*Labour, Blackpool North and Fleetwood*)  
Greg Mulholland MP (*Liberal Democrat, Leeds North West*)  
John Penrose MP (*Conservative, Weston-Super-Mare*)  
Mark Pritchard MP (*Conservative, The Wrekin*)  
Jenny Willott MP (*Liberal Democrat, Cardiff Central*)

### Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/parliamentary\\_committees/work\\_and\\_pensions\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/work_and_pensions_committee.cfm). A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are Sarah Davies (Clerk), Emma Graham (Second Clerk), Amy Sweeney and Hanna Haas (Committee Specialists), Laura Humble (Committee Media Advisor), Louise Whitley (Committee Assistant), Emily Gregory (Committee Secretary) and John Kittle (Senior Office Clerk).

### Contacts

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## Second Special Report

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1. The Work and Pensions Committee agreed its Sixth Report of Session 2006-07, The Social Fund, on 16 May 2007. The Report was published on 23 May as House of Commons Paper No. 464.

2. We have now received the Government's Response to this report in the form of a memorandum from the Secretary of State for Work and Pensions. This memorandum is printed as an Appendix to this Special Report.

## Government response

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### Introduction

1. The Government welcomes the Sixth Report of the Work and Pensions Select Committee Session 2006-07 on the Social Fund published on 23 May 2007. The Committee has identified a number of issues that it believes need to be addressed in order to improve the delivery and operation of the Social Fund. The Department for Work and Pensions is equally committed to ensuring that the Social Fund fulfils its aim of helping the poorest and most vulnerable people meet one-off needs.

2. In April 2006 a package of changes to Budgeting and Crisis Loans was supported by additional funding worth £210 million over the period 2006/07 to 2008/09.

3. Significant changes are being made to the way that the Social Fund is delivered to maintain and improve efficiency. The Government will continue to consider the scope for further improvements to the scheme as a whole with careful consideration of the interactions between policy and operational issues.

### Conclusions and Recommendations

**1. The Committee notes the Department's admission that centralisation of Social Fund administration has caused short-term problems in some areas and the Minister's comment that he was "pretty confident" that these would not be repeated. We ask the DWP to set out its timetable for rollout to the remaining nine Benefit Delivery Centres, and what specific measures it is taking to prevent similar disruption to the operations of the Social Fund.**

**2. We have been told that the DWP is currently reviewing the operation of the Standard Operating Model. We ask that this review includes a detailed analysis of whether the current call handling problems are being caused by poor sharing of best practice between Centres, or by a lack of staffing resources. A copy of the full review should be sent to us for consideration. We also ask DWP to set out precisely when it will have national, comparable, management information about Centres' call handling performance.**

4. The timetable for the roll-out of the Social Fund Benefit Delivery Centres (BDCs) since the hearing on 25 April 2007 is shown in the table below:

<b>Region</b>	<b>BDC</b>	<b>Roll-out Date</b>
Yorks and Humber	Bradford	21.05.07
West Midlands	Perry Barr	04.06.07
Scotland	Inverness	28.06.07
London	Ilford	24.09.07
South West	Bristol	15.10.07
North East	Stockton	17.10.07
Wales	Newport	22.10.07
North West	Belle Vale	29.10.07
North West	Chorlton	29.10.07

5. Jobcentre Plus began its Social Fund Improvement Plan in June 2007. In addition to tackling existing problems, this plan will help to prevent similar problems arising in BDCs as they are set up. Measures being taken include:

- Putting in place a “Q Busting” system which involves re-directing staff from other Social Fund activities to the telephones so that more calls can be answered first time.
- Allowing Contact Centres to take Crisis Loan applications as well as BDCs. These Contact Centre applications have to be e-mailed to the BDC for a decision to be made and so this process is less efficient than our preferred one-call application process. However, in the short-term, this will result in an additional 500 agents available to take calls; an increase of around 50%.
- Improvements will be made to the Interactive Voice Recognition messaging on telephony, and the deployment of “call logger”, a system in use in Contact Centres, to produce nationally comparable management information from autumn 2007.
- Changing telephone opening hours from 9.00 am to 5.00pm to 8.30am to 4.30pm. This will allow Jobcentre Plus to clear more awards on the same day.
- Changes to the Standard Operating Model (SOM) for calls where it is identified that the customer is not going to qualify for a Crisis Loan. Most of these cases should now be identified within five minutes rather than the current average time of 20 minutes.

6. The call handling problems have been predominately an issue of unexpected and dramatic increases in claim volumes rather than call management procedures. Jobcentre Plus has learned lessons from these problems and the action plan set out above should address these issues. Jobcentre Plus will continue to monitor the situation and the impact

of the Social Fund Improvement Plan. Jobcentre Plus will share the findings and proposals for the future administration of Crisis Loan applications with the Committee.

**3. The Committee recommends that training on the Social Fund should be part of the initial training package for all Jobcentre Plus staff and that the necessary resources should be made available to facilitate this. We also recommend that Jobcentre Plus continues its efforts to ensure that all managers and offices are aware that applications for the Fund can be made by calling into a local office, and by post, and takes steps to collect statistics of incidents of non-compliance nationally.**

7. Social Fund training is available to all Jobcentre Plus staff. However this training is not a priority for staff in non-customer facing roles. Jobcentre Plus has set out a Standard Operating Model to cover the handling of all claims to benefit, including the Social Fund, and is currently extending this work to cover Jobcentres. This Jobcentre component of the Standard Operating Model will emphasise the various ways people can pursue an application for the Social Fund. We intend to introduce this during this financial year. Jobcentre Plus sees this option as a more cost effective and efficient way to ensure that appropriate Jobcentre Plus staff are fully informed about the Social Fund.

8. External partners, such as Citizen's Advice and Child Poverty Action Group, have been invited to inform Jobcentre Plus where they feel that Jobcentre Plus has not followed the correct Social Fund procedures. This information is recorded on a log and action is taken to ensure the customer is contacted and any Social Fund application is speedily progressed. In the first month of its operation (May 2007) there were only nine log entries compared to over 147,000 applications for crisis loans. Some of these entries were as a result of the customer misunderstanding the process rather than the incorrect processes being used. Jobcentre Plus is continuing to be vigilant and welcomes the continued dialogue with stakeholders on this issue.

9. At the same time we welcome customer feedback and monitor and respond to all customer complaints both locally and nationally.

**4. The Committee remains concerned that a person applying for a Crisis Loan - who by the nature of the claim is in a vulnerable position - should be refused the use of a customer service phone in a Jobcentre Plus office to make an application. The Committee therefore recommends that the Department should make swift progress including talks with PCS to remedy this situation, and we urge both sides to come to a resolution as soon as possible. We also ask the Department to review the number of "warm phones" in Jobcentre Plus offices in relation to footfall and examine the possibility of creating greater privacy for users.**

**5. The Committee recommends that more effort is put into ensuring that calls from people applying for Crisis Loans are answered as soon as possible to take account of the costs incurred by mobile phone users. The Committee also trusts that the DWP will do everything it can to ensure that the freephone 0800 number is extended to all areas of the country as soon as possible.**

10. The Department has begun consultation with PCS colleagues to review the use of warm phones in Jobcentres to make Crisis Loan applications and has passed on the Committee's recommendations to the PCS.

11. Whilst the number of warm phones is kept under review, in the light of operational experience Jobcentre Plus does not expect there to be an increase in demand to use the warm phones even if there is an agreement that these can be used to apply for Crisis Loans. Jobcentre Plus expects the numbers of customers coming into Jobcentres to fall in future as more customers choose to access Jobcentre Plus services from their own home.

12. The roll-out of Social Fund sites has been brought forward to ensure that by October 2007 all customers have the option of dialling 0800 numbers when applying for Crisis Loans.

**6. We recommend that the issue of alignment payments is dealt with swiftly and that the Department takes steps to learn the lessons of what has been achieved in Northern Ireland. Although Jobcentre Plus has reduced the proportion of alignment payments, the fact that 33% of Crisis Loans are being used, in effect, to cover benefit delays is unacceptable.**

13. Working Age benefits are paid in arrears. This means there will always be a gap between a claim and a customer's first pay day. If at the point of claim the customer has no resources then there will often be a Crisis Loan application for an alignment payment. Even in Northern Ireland, alignment payments are made in significant volumes – nearly a fifth of all Crisis Loan awards are alignment payments.

14. Processing times for new claims to benefits such as Income Support, Jobseeker's Allowance and Incapacity Benefit have been falling steadily for the last 12 months and continue to fall. With the work Jobcentre Plus is doing to ensure the scope for interim payments are properly identified, it is reasonable to expect a reduction in the number of alignment payments paid by Social Fund.

**7. The Committee recommends that Social Fund decision-makers should be provided with more time to attend training and more time to take decisions. DWP should make the resources available to Jobcentre Plus and the Independent Review Service to make this possible. In addition to this the Committee endorses the recommendation by the Social Fund Commissioner that Jobcentre Plus puts in place "appropriate quality assurance, improvement strategies and external validation of decision-making" and asks the Department to have such a programme in place along with a report to the Committee on it by the rising of the House for the Summer Recess. We further recommend that the Department investigates the discrepancies in accuracy figures between districts, identifies the causes and ensures solutions are in place; this too should be reported back to the Committee.**

15. Jobcentre Plus is committed to improving the standards of decision making within the Social Security system. Jobcentre Plus is making progress, supported by the Independent Review Service (IRS), in putting in place a new checking regime. A meeting was held on 1 June 2007 between Jobcentre Plus and the IRS where it was agreed to develop a revised Social Fund Payment check and the development of a Quality Assurance Framework. The plan involves 2-3 BDCs working with the IRS as trailblazers to test new payment/quality

frameworks from 1 November 2007. A working group will also be set up to develop any new products required.

16. Jobcentre Plus agrees that it is important to monitor accuracy rates across the organisation to ensure that variations are addressed. However, Jobcentre Plus does not feel that currently there are significant variations in accuracy figures between districts and last year all of its Regions significantly exceeded the accuracy target.

17. The Department does not accept the need for external validation suggested by the Social Fund Commissioner as the Social Fund accounts are already subject to annual scrutiny by the National Audit Office. To add an additional layer of external scrutiny would involve diverting resources from delivering services to our customers and the Department does not believe that the need for this additional scrutiny is justified by the evidence.

**8. The Committee recommends that the standard of information given to Social Fund applicants on decisions is improved as a matter of priority. The Department should also ensure that all those who have applied for a Crisis Loan by telephone and who have been refused are sent a letter confirming that a Crisis Loan application has been turned down with the reasons for the rejection clearly set out.**

18. As part of the Standard Operating Model, all Crisis Loan customers have their application properly entered on the Social Fund Computer System so that they are issued with the appropriate decision letter.

19. Jobcentre Plus acknowledges that, in the case of discretionary Crisis Loans and Community Care Grants, the nature of information delivered by computer produced notifications is limited in terms of the individual merits of a case. However, all Social Fund system decision notifications provide the key reasons for the decision and are regularly reviewed to ensure compliance with the Department's conventions for written customer communications. In addition, all decision letters invite the customer to make contact with Jobcentre Plus should they want more detail about how the decision has been arrived at. Social Fund letters will form part of the review of computer generated letters starting in summer 2007. Jobcentre Plus will review the content of Crisis Loan and Community Care Grant decision letters to ensure that they are as meaningful as possible in communicating the key elements of the decision. However, due to the limitations of the current computer systems, this work will not result in individually tailored decision notifications.

**9. While recognising the trade off between speed and accuracy, we recommend that more work should be done to improve Social Fund clearance times, as it is unacceptable for claimants to have to wait for long periods of time for payments which by their nature are needed urgently. There should also be greater monitoring of clearance times on a regional basis, and areas which are consistently missing their targets should be investigated and provided with more resources or greater training to remedy the situation.**

20. Jobcentre Plus has in place a set of targets to ensure that acceptable standards of service are provided to customers applying to the Social Fund. These targets balance the tensions between providing an immediate payment when this is required and the need for careful scrutiny to ensure high quality of decision making. Clearance times are monitored on a

national, regional and local basis. Jobcentre Plus analyses this information and investigates the reasons behind units not reaching clearance times in order to improve overall levels of service and take remedial action where necessary.

**10. The Committee recommends that the formula for allocating Community Care Grants be reviewed and additional funds made available so that all high priority needs are fulfilled. We agree with the Social Fund Commissioner that it is “unacceptable that someone can qualify [for a Grant] and have the items assessed as high priority and still not get a payment because there is not enough money.”**

21. The Department is currently reviewing the formula used to allocate the Community Care Grant budget between Social Fund operating units. The Department will be taking into account a range and combination of different factors to develop a basis for allocation that will achieve greater parity nationally in meeting the highest priority needs of our customers. The Department aims to conclude this work in time for the consideration of the 2008/09 Community Care Grant allocation and is happy to share the outcomes with the Committee.

22. The Government has made significant annual increases in the Community Care Grants budget in recent years. However, as with all areas of the welfare system, the Social Fund must target its support to meet genuine needs within the limited resources it has available. The Government is currently exploring the scope to make improvements to the Community Care Grant scheme, to tighten its focus on those with the strongest case for help.

**11. We recommend that further research be conducted on ethnic minorities’ experience of the Social Fund to explore the causes of low participation and that the Department extend monitoring of take-up of Social Fund to cover ethnicity, gender and age.**

23. Jobcentre Plus is developing a system of diversity monitoring across a range of customer groups, including ethnic minorities, during the course of this operational year.

24. Last December the Department published its Gender and Disability equality schemes. In order to meet the requirements of equality legislation the Department is putting systems in place to monitor the effects of all of its policies by gender, disability and ethnicity. The results of this monitoring may be used to identify areas where further research may be needed.

25. The Department has no legal requirement to monitor the effects of its policies and practice by age, religion or belief and sexual orientation however it promotes best practice in these areas.

26. Following the undertaking given to the Committee at the hearing on 25 April, analysts within the Department are examining whether there is any bias with regard to ethnicity for discretionary Social Fund payments. As soon as this work is complete it will be passed to the Committee.

**12. While the Committee welcomes the Government’s campaign to tackle financial exclusion, the lack of reform of the Social Fund is at odds with the forward steps taken with these strategies. Credit unions cannot fill this gap. Evidence received from several**

**sources pointed out that credit unions have an important role to play in helping people on low incomes, but are not an affordable solution for destitute people. We recommend that access to mainstream financial services should be developed alongside improved availability of grants and interest-free loans for those eligible for the Social Fund, recognising that these are the only appropriate means to meet the immediate needs of the most vulnerable in society.**

27. The Government recognise that considerable progress would be needed before credit unions and other third sector lenders could provide nationwide coverage but believes that they have an important role to play in helping financially excluded people gain access to a wider range of mainstream financial services. That is why the Government has asked the Financial Inclusion Task Force and representatives of the banking sector to consider how to achieve a nationwide increase in coverage and capacity of the third sector. The Department for Work and Pensions will continue to consider options for reform of the Social Fund in this context. This work will include consideration of the case, and scope, for improvements to Community Care Grants as well as to Budgeting and Crisis Loans. Any reform options will be assessed for their potential contribution to tackling poverty and promoting financial inclusion.

**13. We encourage the Government to look in more detail at the potential for increasing the eligibility for the Social Fund and report back to us on its findings.**

28. The Government remains of the view that Community Care Grants and Budgeting Loans, as they stand, should continue to be targeted at vulnerable people on low income. Any argument for, and implications of, expanding the range of customers potentially eligible for help must be considered within the context of targeting limited resources to help the most vulnerable people.

**14. It is our impression that Social Fund policy is currently in limbo, pending wider Government work on financial inclusion. Given the severe operational and resource issues which we have described in this report, we recommend that the DWP must now address the performance of the Fund as a matter of urgency, and launch a formal consultation exercise on how it can be improved.**

29. Although the Social Fund had not been the subject of radical change, the Department has made a number of improvements and has continued to consider its role and the scope for reform. In April last year, a package of changes to Budgeting and Crisis Loans were supported by additional funding worth £210 million over the period 2006/07 to 2008/09. The formula for allocating the Community Care Grant Budget is under review and possible improvements to the design of the grant scheme are being considered. Significant changes are also being made to the way Jobcentre Plus delivers the Social Fund to maintain and improve efficiency. Concentration in bigger centres provides an opportunity to centralise expertise and share best practice. Improvements have been made to the telephone service handling Crisis Loan applications for living expenses and Jobcentre Plus is monitoring the impact. The Government will continue to consider the scope for further improvements to the scheme as a whole with careful consideration of the interactions between policy and operational issues.