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

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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.

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. 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 Philip Moon (Clerk), Gosia McBride (Second Clerk), Maxine Hill and Djuna Thurley (Committee Specialists), Luke Robinson (Committee Media Advisor), Louise Whitley (Committee Assistant), Emily Lumb (Committee Secretary) and John Kittle (Senior Office Clerk).

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First Special Report


2. We have now received in the form of a letter from the Secretary of State for Work and Pensions, the Government’s Response to the Report, which is printed as an Appendix to this Special Report.

Appendix

Summary

The Government welcomes the Committee’s report on ‘The Performance of the Child Support Agency’ and its continued interest in the Agency. The Committee’s work has been particularly valuable in helping to shape the plans being developed by the Agency to stabilise its operations and recover from its present difficulties.

The Government recognises that there is much more work needed to bring the Agency’s performance to an acceptable level of service for all its clients. This is being progressed urgently through a Business Transformation Programme that takes account of the Committee’s recommendations and will address both short term recovery and longer term development. There are a number of strands to the programme:

• **Maintaining staffing levels.** The Secretary of State for Work and Pensions announced on 26 January that there would be no major reductions in front line staffing until the new computer system is working effectively. This was one of the Committee’s central recommendations. The Agency is now recruiting staff to meet current and anticipated needs.

• **IT Stabilisation.** The next major computer software release is scheduled for May 2005. This will be an important milestone as it will help to resolve system problems as well as provide additional functionality to support migration of cases from the old computer system to the new. This is an important step on the way to conversion. The Agency is continuing to work with EDS to fix residual defects and missing functionality. It will also review its approach to migration and conversion of the existing old scheme caseload, to minimise risks.

• **Improving compliance.** The Agency has strengthened its emphasis on compliance and there are some early indications that this may have an effect. In February 2005 rates of compliance reached 75 per cent (for cases calculated in September and October 2004). The Agency is continuing to study the most effective methods of payment and is implementing deduction from earnings orders more quickly. It will continue to give high priority to compliance and enforcement and ensure rapid action in cases of non-compliance.
• **Reducing outstanding debt.** The Agency will publish a target in its Business Plan and is working on a new debt strategy to reduce the build up of debt.

• **Cutting backlogs.** The Agency attaches high priority to reducing backlogs and has set up a new team to review backlogs, analyse their causes and identify effective short and medium term actions. IT stabilisation and improved productivity and performance will make an important contribution.

• **Training and guidance for staff.** Improvements in training for staff are already having an impact. For example training for staff in finance and compliance have contributed to improved compliance rates. There will be more support for staff and managers, including guidance and training to help them get the best out of the Agency’s computer and telephony services.

The Agency’s new Chief Executive, who starts on 4 April 2005, will wish to review the position and make his own assessment of the Business Transformation Programme before recommending it to Ministers. The Government will want to ensure that the Programme is well constructed and independently assured before it is published. The Office of Government Commerce will therefore be involved to ensure that all aspects of the Programme are robust.

Targets for the Agency in 2005/06 will be developed alongside the Business Transformation Programme, with the new Chief Executive taking a crucial role. In the meantime, the Agency’s targets for 2004/05 will be rolled forward and published in the Business Plan along with a debt arrears reduction target.

The Business Transformation Programme will be available by summer 2005 and the Select Committee will receive a copy as soon as it is available. Whilst we share the Committee’s desire to improve things rapidly, some of the actions suggested in the Committee’s report cannot be met by the dates suggested. However, the recommendations are very useful and will help shape the development of the Business Transformation Programme.

**Background**

The Government is committed to ensuring that children whose parents live apart are financially supported by them and that parents accept their responsibility to their children even when a relationship ends.

To deliver this the Government re-affirms the need for a professional, efficient and sensitive child support service that can assist parents who want to financially support their children, and professionally pursue those non-resident parents who do not want to fulfil their social responsibilities.

The Child Support Agency was set up in 1993. It is widely accepted that the original scheme is complex and difficult for staff to explain and clients to understand. It could take up to 100 pieces of information and up to six months to make an assessment so many non-resident parents immediately find themselves in arrears. The complexity meant that it was easy for parents to delay the process.
The Child Support, Pensions and Social Security Act 2000 established the new child support scheme, based on a simple percentage rate of the non-residents parent’s net weekly income. It also introduced a new Child Maintenance Premium, which means parents with care on benefit can keep up to £10 a week of maintenance paid.

**Current performance**

The early experience of the new scheme has been unsatisfactory, principally because of very serious IT problems. The Government recognises that the Agency’s current level of performance falls short of that which its clients might reasonably expect and it is planning a Transformation Programme to address this. The Agency has acknowledged problems with the IT system, and work is underway to remedy these.

That said, the Agency, using the new computer system, is currently providing a day by day service for over 630,000 cases. Performance is showing some signs of improvement:

- In the current financial year the number of first payments of child maintenance premium will be double that made in the previous year.
- The number of first payments made through the Agency will also be double the number made last year (2003/4)
- Just under 90% of new scheme calculations result in a positive liability. Under the old scheme it was just over 50%.
- Average maintenance paid is higher under the new scheme because fewer non-resident parents have a nil liability.
- As a result of recent initiatives to improve compliance, early indications are that, for cases newly calculated in September and October 2004, case compliance in February 2005 has stabilised at around 75%.

The annex to this response provides the position in relation to the new arrangements to the end of February.

The Government welcomes and endorses the Committee’s recognition that staff within the Agency have a very difficult job to do and the effort and dedication given by staff in complex circumstances.

**Technology, risk and the new arrangements**

The Government introduced the new scheme for new cases on 3 March 2003. Feedback since then from staff and clients has been that where it works well, the new scheme is simpler, easier to use and understand.

Child Support Reform involves changes to policy, technology, business processes, organisation and culture. Its technology was implemented against the background of a private finance initiative, a new Departmental technology infrastructure and the outsourcing of much technology expertise. Delivery was described both by the external reviews and to the Select Committee as involving risk.
The Agency sought to manage this risk in a number of ways:

- Developing the basis for and involving staff in culture change through a series of roadshows led by the Agency senior leadership team.

- Embedding the culture change dimension in the Agency training given prior to staff moving to the work on the new scheme and in the control arrangements for the new system.

- The Agency gave a practical dimension to this through its Positive Customer Contact initiatives in 1999 – 2000 (encouraging greater use of the telephone) and by re-organising its new client teams in 2001 around the proposed operating model for the new arrangements.

- It prepared its managers for the changes through a Management Development Foundation course (launched in 2001) and a Management Development Programme developed and run in partnership with the Universities of Ulster and Leicester.

- It implemented those aspects of the new legislation not requiring technology support in early 2001 and separated implementation of the new arrangements for new clients from that for existing clients.

Despite these actions the Agency was unable to manage fully the impact on its operations when the technology service did not meet expectations. The key responses to this were EDS’ acceptance of the issues and remediation programme and the Agency’s short term initiatives to shield its clients, as best it could, from the worst impacts of the technology difficulties. The Government accepts that the level of service resulting from this was not, for many clients, acceptable and endorses the apology already offered to the Committee by the outgoing Chief Executive.

EDS will complete the initial phase of its remediation programme in May 2005. This has been more complex and time consuming than originally thought and consequently is taking longer to deliver. Some significant work remains before the technology service will meet the Agency’s requirements. This includes:

- Further work to enhance the audit trail within the system to identify unauthorised access.

- The software to enable the conversion of old scheme assessments to new scheme calculations needs to be implemented.

- Correction of remaining defects and functionality gaps.

The Agency believes – in the light of external reviews - that the system should be capable of full recovery. EDS’ specific future plans must also be subject to independent review and be within the gateway process recommended by the Office of Government Commerce.

Some general lessons about the development of major IT problems have been learnt in recent years. The original PFI framework – under which the Child Support Agency system was procured has been overhauled; and there is an increased emphasis on building up in-house expertise rather than relying fully on outsourcing.
Looking to the future

The Department for Work and Pensions has recently concluded the recruitment of a new Chief Executive. This appointment is key to the next phase of the Child Support Agency’s recovery and eventual transformation. The Agency’s executive team has been further strengthened by the appointment of a new Chief Operating Officer and further appointments will be made over the coming months.

The first task of this new team will be to review the planning work already undertaken and to create a robust plan for recovery and transformation covering the current spending review period through to March 2008 and beyond.

Meanwhile the Government has always made it clear that old scheme cases will not be transferred to the new scheme until it is confident that the new arrangements are working well. The Government acknowledges the breadth and depth of issues that the Agency has to address to improve performance and get to an acceptable level of service.

Money continues to flow under the old scheme to children. The Government is not willing to risk interrupting that flow of money and potentially put at risk these cases by bringing them across before there is confidence that both the new system and the business are robust.

The Government has carefully considered the Select Committee’s report and its responses to the individual recommendations follow.

1. The Committee recommends that the Department supplies management information by 24 March 2005 or that external consultants be engaged by 1 May 2005 to provide by 1 November 2005 detailed up-to-date management information. (Paragraph 38)

The Government agrees that the Agency’s management information is currently not as robust or comprehensive as it needs to be. However, it is improving steadily and work is currently ongoing to ensure that this is developed. The Agency is confident that by 1 November 2005 it will have management information which is as robust and comprehensive as the information published on the old scheme.

The most recent management information the Agency has available is attached at the annex.

2. We recommend that a detailed CSA strategy, with a contingency plan, including an abandonment option, be made available to Parliament before 24 March 2005. (Paragraph 40)

While the Government cannot rule out an abandonment option if the system was shown not to be working or capable of recovery within a satisfactory timeframe, the current situation is that:

- The new computer system is providing a day to day service to over 620,000 cases;
- Performance of the new scheme is continuing to improve and the vast majority of cases can be progressed on the new IT system;
• There was an independent review of the IT system which concluded that it was remediable and to date EDS have delivered broadly in line with the remediation plan;

In light of this the Government does not intend to work up detailed abandonment plans at this stage. Instead:

• The Agency is developing a detailed plan that covers short, medium and long-term actions which the new Chief Executive will want to examine and sign-off in due course.

• In the meantime the Agency continues to work closely with EDS to develop plans to remove the residual system defects and maintaining the levels of improvements to the operability of the new scheme and associated IT systems as the best contingency.

The Secretary of State will continue to make progress reports to Parliament and, he will also make a statement, as early as he usefully can.

3. We recommend that the National Audit Office undertakes a comprehensive study of the background to the CSA contract with EDS, as soon as it is feasible to do so and that Parliament should debate the findings in Government time on the floor of the House. (Paragraph 45)

The Government notes the Committee’s recommendation.

4. We recommend that the Secretary of State makes a statement in the House on the progress made in migration and conversion of CSA cases before the scheduled date for the House to rise for the Easter recess i.e. 24 March 2005. (Paragraph 61)

The Government has always made it clear that it will not transfer the remaining old scheme cases until it is satisfied that the system is stabilised and the business operation is robust. In the meantime, the Secretary of State for Work and Pensions will continue to report progress to the House and hold regular stocktake meetings with the Agency and EDS.

The Secretary of State for Work and Pensions held a meeting with Michael Jordan (Chief Executive Officer) and Steve Schuckenbrock (Executive Vice President for Global Sales and Client Solutions) on 1 February 2005. At this meeting, he took stock of the present position in relation to EDS’ contract to provide computer and telephony services to the Child Support Agency. He concluded that acceptable progress is being made in improving that service and proposes to hold a further meeting later in the year. EDS has already committed to deliver the next software upgrade to improve the system and provide a long term plan for correction of the remaining defects. Ahead of this, potential risks of migration of old scheme cases to the new IT system remain very uncertain. Following the next software release, the Secretary of State will make a statement to Parliament.

5. We recommend that both DWP and CSA create, maintain, and disclose publicly, records of the staff time and costs associated with the delayed introduction of CS2. (Paragraph 65)

An exercise is underway to collect information on the costs of delay that will form part of commercial negotiations with EDS. Following conclusion of these commercial discussions a paper on the costs of delay will be submitted to the Select Committee.
6. We recommend that the CSA estimates: how long it will take to put into payment all outstanding cases still awaiting a maintenance calculation; how long it will be before it expects new claims to be completed within six weeks; and how long it will take for new case information to be accurately collected and passed to the CSA within three working days of being accepted by Jobcentre Plus. We recommend that these estimated dates are made available to Parliament before 24 March 2005. (Paragraph 82)

The Government understands the Committee’s desire to see such estimates, and will be developing key milestones as part of the Business Transformation Programme. It is concerned to ensure that all new applications for child support are dealt with promptly and this is what the Child Support Agency now needs to focus on. The six week target was suspended in 2004/5 because of the difficulties faced by the Agency. Inevitably, as the IT problems are resolved, the stuck cases are freed up and the Agency begins to tackle the backlog, average clearance times will rise.

In the meantime, there are a number of improvements taking place, including:

- The IT improvements and EDS remediation work
- Work to increase productivity in the Agency
- Ongoing work to improve business processes.

The Agency’s Business Transformation Programme, which, of course, has to be developed and agreed by the new Chief Executive and management team, will consider how a meaningful and robust throughput target can be developed.

Jobcentre Plus relies on parents with care to supply the information needed for child support purposes. The current target for Jobcentre Plus to gather all the relevant information and submit this to the Agency is within 20 days.

7. The Committee recommends that a strategy for increasing the accuracy rate of maintenance calculations be developed and published by 24 March 2005. (Paragraph 85)

The Government shares the Select Committee’s concern at the lower than expected level of accuracy of maintenance calculations. As the Select Committee noted, the Annual Report of the Agency’s Standards Committee identified the main causes of error (setting of effective dates and calculation of income) itself a valuable starting point for rectifying the situation.

The Agency has recognised that accuracy is a major concern, and is currently taking action to achieve an upward turn in the accuracy rate. This will be further addressed in the Transformation Programme. Actions include checking for the most common errors found to date, and ensuring that decisions are correctly documented. (Cases with inadequate documentation are classified as inaccurate even if the calculation is correct).

To ensure improvements, a series of measures is currently being developed which include:
• Introduction of a Standardised Adjudication Form – The completion of this will be mandatory on all off-line decisions not supported by the system. This will improve the documentation to support these decisions.

• Moving to a risk based checking system – Checks will be targeted against agreed high-risk stages and decisions in processing a case.

• Centralised Checking Teams – The Agency is looking at the feasibility of a centralised checking approach, to ensure consistency and standardisation.

• Introduction of Quality Support Officers – This role will bring errors identified to the attention of the decision maker and the Team Leader to ensure that weaknesses are addressed through coaching and support.

• Enhancement of Training – A User Education Programme will include training aimed at eliminating the top 5 errors. Amendments to training material will be updated to cover areas where improvements can be made.

8. We recommend that the Department investigates the reasons for the comparatively low assessments under the new scheme. We also recommend that the Agency ensures that both parents are, in writing and at least once a year, kept fully informed of the procedure for notifying the CSA of changes in the non-resident parent’s income. (Paragraph 89)

Looking across the caseload as a whole, assessments under the new scheme are not in fact lower than under the old scheme. Under the old scheme many more cases had a nil assessment. It is possible that the Committee’s concern on this point reflects data previously given in answer to a Parliamentary Question (paragraph 86 and tables 3 and 4) which highlight average assessments only for those who had a positive assessment. The policy intent had always been to ensure that more cases had an assessment under the new scheme, so it is essential to include those cases with a nil assessment for a fair comparison.

The first table referred to the average weekly amount assessed under the old and new schemes and the second to average weekly payments made under the old and new schemes. But the information the Committee would need to support the comparison it was looking for is:

Table 1: Average Maintenance – including cases with a nil assessment

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<tr>
<th></th>
<th>Per case</th>
<th>Per child</th>
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<tbody>
<tr>
<td><strong>New scheme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(January 2005)</td>
<td>£25.25</td>
<td>£17.26</td>
</tr>
<tr>
<td><strong>Old scheme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(cases on old computer system in August 2004 – latest data available)</td>
<td>£22.22</td>
<td>£15.29</td>
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</table>
For both measures, the average assessment for new scheme cases is higher than old scheme cases. This is because around half of all old scheme cases were assessed to pay nil against only around 12% in the new scheme. The effect of this is shown in the table below.

**Table 2: Average maintenance: excluding cases with a nil assessment**

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<th>Per case</th>
<th>Per child</th>
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<tbody>
<tr>
<td><strong>New scheme</strong></td>
<td>£28.67</td>
<td>£19.54</td>
</tr>
<tr>
<td>(January 2005)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Old scheme</strong></td>
<td>£43.23</td>
<td>£30.22</td>
</tr>
<tr>
<td>(cases on old computer system in August 2004 – latest data available)</td>
<td></td>
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</tbody>
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The Government notes the suggestion of proactively writing to clients on an annual basis, and the Agency will look at this option in due course as resources allow.

9. **We recommend that new powers be granted by Parliament to ensure compliance by self-employed non-resident parents including the prevention of deprivation of income deliberately to evade CSA liability. (Paragraph 94)**

The Government shares the Committee’s concern that all non-resident parents, including the self-employed should comply and be responsible for making maintenance payments. To increase levels of compliance by self-employed non-resident parents the Department is encouraging the Agency to make greater use of existing information gathering and enforcement powers. Providing false statements and failing to provide information became criminal offences from 31 January 2001.

The Government recognises that child support liability should be based on a proper and reasonable estimation of the actual income of the non-resident parent. Individual Members of Parliament have drawn attention to cases where it has been possible to draw income in a way which significantly affected the level of liability. The Child Support (Miscellaneous Amendments) Regulations 2005, made in March 2005, ensure that child support maintenance calculations can take account of income not otherwise used in working out liability, such as dividends. This applies to persons who can control the flow of income from a company, such as its directors.

10. **The Committee recommends that, before 24 March 2005, the CSA sets target levels of compliance on old scheme cases. (Paragraph 98)**

The Agency set internal targets for compliance on old scheme cases at the beginning of 2004-05. The levels are 75% for case compliance and 68% for cash compliance. At the end of February 2005 performance was 72% for case compliance and 70% for cash compliance. For 2005-06 the Government intends to set the Agency published compliance targets encompassing both old and new schemes.

11. **We recommend that up-to-date cash and case compliance statistics for the new CSA system are made available to Parliament before 24 March 2005 (Paragraph 101)**
Due to problems with the Child Support Agency’s management information systems, previous published estimates of case compliance have been measured on a monthly basis. This is not consistent with either the definition used to measure old scheme compliance or the basis on which the new scheme targets were set, both of which rely on a rolling last quarter measure which provides a more accurate reflection of performance. The Agency is now able to report performance on a rolling last quarter.

Table 3

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<th></th>
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<tbody>
<tr>
<td>Case Compliance</td>
<td>63%</td>
<td>64%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>Cash compliance</td>
<td>55%</td>
<td>55%</td>
<td>58%</td>
<td>58%</td>
</tr>
</tbody>
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12. We strongly recommend that a debt reduction target and a strategy to reduce debt be published by 24 March 2005, without fail. (Paragraph 108)

The Government is determined to tackle the issue of child support debt. It is equally determined to improve delivery of the new child support scheme. The proposed approach reflects the priority to stabilise the business of calculating and collecting child maintenance before focusing resources on previously uncollected maintenance.

A debt arrears reduction target will be set for the Agency for 2005/06 and published in the Business Plan with the Agency’s other targets. The target will require the Agency to collect an amount of arrears equivalent to a defined percentage of the amount accruing in year. The structure of this target acknowledges the direct relationship between debt reduction and improved compliance. Increased cash compliance will reduce the amount of arrears amassed in year, so once the Agency meets its compliance target, further reductions in the build up of total debt can be achieved. The level of the target will reflect historical performance and the multiple business pressures on the Agency. The Government’s intention is to make the target progressively more demanding year-by-year.

The Agency is working on a debt strategy, which will link into the development of the Transformation Programme.

13. We recommend that the CSA urgently adopts the “whole service” approach to case management and compliance across all departments of the Agency as was intended in the first place. (Paragraph 124)

The Government recognises the importance and value of the Child Support Agency adopting a ‘whole service approach’. One of the stated aims of the Child Support Reforms was that the Agency’s clients would receive a personalised service with caseworkers having accountability for dealing with individual clients.

On receipt of a new application the intention is that the system assigns the case to a caseworker who retains responsibility for it until the first payment has been received from the non-resident parent. From that point it is referred to another caseworker with ongoing
responsibility for maintaining the case. Some activities require the intervention of a more specialist caseworker e.g. enforcement officers. Any telephone call received from the client will be routed to the caseworker currently dealing with the case. If they are unavailable the call is routed to a caseworker on the same team or to the National Help-line if a caseworker is not available.

However the full implementation of the caseworker approach has been hindered by system problems. The Agency is therefore examining its business processes and organisation to ensure these are aligned with the computer system as delivered rather than as originally conceived. This might result in the need for a degree of functionalisation to help it deliver the overall customer service improvements the Agency is seeking to make.

In the meantime the Agency is enhancing the “whole service approach” through its programme of enhanced user education for caseworkers.

14. The Committee recommends closer coordination – drawing on information available concerning the Australian system of Family Relationship Centres – of services provided across all central government departments and agencies including the Department of Constitutional Affairs, Department for Education and Skills to help provide preventative and family support systems at an early stage of prospective family breakdown. (Paragraph 128)

The Government agrees that it would be worthwhile to watch with interest this important Australian initiative after it starts in 2006, to see what we can learn from it. Informal inter-Departmental Ministerial discussions have taken place during the last 18 months. Ministers in the Department for Constitutional Affairs and the Department for Education and Skills have been informed of the Select Committee’s concerns. The Government will therefore take this forward.

15. The Committee recommends that the CSA urgently evaluates the performance of the Maintenance Direct pilot and publishes the results. We also recommend that the roll-out is closely monitored to ensure that case compliance is maintained and the Agency takes over collection as soon as they are aware of problems occurring. (Paragraph 132)

The Government recognises the need to evaluate and further understand Maintenance Direct and its impact on Agency customers. The pilot helped improve the way that staff handled potential Maintenance Direct customers.

Arrangements are underway for independent research to look at factors that affect customers’ decisions about Maintenance Direct. It is anticipated that the results will be published in Spring 2006.

To minimise the risk of maintenance stopping in Maintenance Direct cases the Agency asks parents with care to tell the Agency as quickly as possible when a regular pattern of payment is broken. And as soon as the parent with care asks the Agency to take on collection responsibility it can take enforcement action. The Agency will carefully monitor the extent to which payment arrangements break down, the reasons for this and the effect on compliance.
16. The Committee recommends that if a strategy on case migration from the old to the new system has not been set by 24 March 2005, the Government should tackle the statutory problems and introduce the £10 Child Maintenance Premium for old scheme cases. (Paragraph 137)

The Government has made clear that the Child Maintenance Premium is an integral part of the new child support scheme. The IT system which supports the administration of the majority of old child support scheme cases was not designed to support the payment of the Child Maintenance Premium.

The Government has looked carefully to see whether it would be possible to pay the Child Maintenance Premium to cases on the old child support scheme. The Government has concluded that it would not be possible, operationally, to make this payment. The old scheme is continuing to get money to children without interruption, and modifying it, when the Agency is already in difficult circumstances would be risky. The whole exercise would have to be carried out clerically, which is slow and inefficient. And the very significant extra resource required to deliver this modification of the old scheme would have a large opportunity cost in terms of improving the new system.

17. The Committee recommends that an urgent investigation should be undertaken into the reasons for the lower than expected numbers of Child Support Premiums being paid under the new system. (Paragraph 139)

The Government recognises the importance of ensuring that all eligible parents with care receive Child Maintenance Premium payments as soon as possible.

The Agency has already investigated the reasons for the current volumes of Child Maintenance Premium. These payments are directly linked to the amount of Child Maintenance received by the Agency.

The Agency is responsible for the payment of the Child Maintenance Premium in those cases where the parent with care receives benefit (and maintenance consequently is paid directly to the Secretary of State). The payment of the premium is therefore linked to the compliance levels currently being achieved on new scheme cases by the Agency. To the end of February 2005 almost 50,000 parents with care have received at least one payment of the Child Maintenance Premium, via the Agency. The remedial activities that are currently under consideration will have a direct benefit on the amount of Child Maintenance Premium paid to parents with care on benefit.

The Agency has recently carried out a specific exercise in relation to cases where the non-resident parent is in receipt of benefit in an effort to increase compliance from this client group. Since September the number of non-resident parents who are having maintenance deducted from their benefit has increased by approximately 6,500 cases and this will have had a positive impact on the number of Child Maintenance Premiums in payment.

In addition to levels of compliance there are a number of other factors, which may impact on the number of Child Maintenance Premium in payment. These include:

- Cases, which are currently unprogressable due to problems associated with the new IT system
• Cases which have been sent across the interface between Jobcentre Plus and the Child Support Agency’s computer systems but require further data to be gathered before the case to be progressed

• Cases where a calculation has been completed but have yet to have a collection schedule set up.

18. We recommend that the DWP undertakes a cost/benefit analysis of raising the Child Maintenance Premium and completely disregarding child support payments. (Paragraph 142)

The value of the Child Maintenance Premium was set by the Government at a maximum of £10 a week, following consideration of its value at the time of both the Green and White Papers, in 1998 and 1999 respectively. As the Government stated in the White Paper “Children’s rights and parents’ responsibilities” [CM 4349 July 1999], page 18, paragraph 9.

“We understand the desire for a higher premium, but we have to establish a balance between the taxpayer’s responsibility for paying benefit and our attempts to improve the financial position of lone parents and children on benefit.”

As with all aspects of the new scheme, the Government intends a full evaluation of the policy to be carried out, once there is sufficient evidence to do so. Given the slow start to the new scheme, the Government’s current belief is that it is premature, at the moment, to consider changes to the premium.

19. The Committee recommends that more research be done by the DWP on guaranteed child support. (Paragraph 152)

The Government shares the Select Committee’s view that the Child Support Agency should focus on getting the old and new schemes working better, rather than introducing more change that could further de-stabilise the situation and undermine the principle that parents should provide financial support for their children. The Government does not support the principle of guaranteed maintenance. This would essentially become an additional benefit payment, no longer linked to the non-resident parent and the support of their children. The danger is that parents on benefit would lose their incentive to comply with the Agency.

20. The Committee recommends that the Department investigates the feasibility of marking all DEOs in payment on P45 Forms provided to new employers; and to make existing DEOs automatically transferable to new employers. (Paragraph 155)

The Government is committed to keeping under review the processes used by the Agency and other organisations, such as the Inland Revenue, to assist the Agency to carry out its task of getting maintenance for children. The Department will investigate further the feasibility of marking all Deduction from Earnings Orders in payment on P45 Forms provided to new employers; and to make existing orders automatically transferable to new employers. Initial indications are that changes will be required to tax and child support law.
21. The Committee recommends that Deduction of Earnings Orders should in future be a standard method of payment for all CSA liabilities due from employed non-resident parents who default on more than 2 payments in any rolling 12 month period. (Paragraph 157)

The Government recognises that deduction from earnings orders are a powerful means of collecting maintenance from non-resident parents who are employed. The Department encourages the Agency to use this method of enforcement as quickly as possible when there is a break in a regular flow of maintenance. And for some parents this collection method is employed on a voluntary basis. The Agency now imposes deduction from earnings orders sooner than previously, where it is obvious there is no other reliable way to collect the maintenance that is due. But, in exercising its discretionary powers the Agency must judge each case on its merits.

The Agency can face difficulties when using deduction from earnings orders to enforce payments of maintenance. This is because the non-resident parent is usually disinclined to comply and, for example, may change jobs in order to avoid the impact of an order. In January 2005 20% of maintenance collected was through deduction from earnings orders. This method of collection had a 52% compliance rate, compared to 76% for direct debits payments and 72% for standing orders.

22. The Committee recommends that Parliament provides greater administrative powers to the CSA to recover arrears of maintenance, but, because of the very poor levels of CSA accuracy, there will need to be appropriate administrative appeal rights for the non-resident parent, which should not include a stay pending an appeal's outcome. (Paragraph 167)

The Government is committed to a continuous review of the Agency’s powers to carry out its task of getting maintenance for children. These powers in terms of requiring information from a wide range of sources and getting employers to make payments from the pay packet through a Deduction from Earnings Order, are already considerable, backed as they are by criminal sanctions.

The Agency is putting more emphasis on enforcement. It has appointed a Director of Enforcement to see this through. The Government acknowledges that the Agency has not performed adequately at enforcing liability and is looking for significant improvements. If the Government concludes that the problem of getting people to pay is caused by inadequate powers it shall seek additional powers from Parliament.

23. The Committee recommends that the Department investigates the feasibility of driving licence removal from non-compliant non-resident parents becoming an administrative rather than a judicial process and its use of such power at a much earlier stage in enforcement. Once again, though, it would seem imperative, in view of the CSA’s lamentable record of inaccuracy, that there should be an administrative appeal system, but without a stay pending the determination of the appeal. (Paragraph 172)

The Government is committed to keep under review the power to disqualify from driving non-resident parents who will not pay. The Government accepts the Committee’s view
that any change from a judicial to an administrative process would require safeguards. Any change would need to be compatible with Human Rights law.

24. The Committee recommends that Parliament provides additional powers, backed by court sanctions, to require NRPs to provide current address and contact details to the CSA. We also recommend that utility companies should be required to provide a NRP’s contact details to the CSA on request. (Paragraph 177)

The Government is committed to keeping under review the powers the Agency has to carry out its task of collecting maintenance for children. The Government acknowledges the Agency has not made the most effective use of its information gathering powers and is looking for significant improvement. Progress is being monitored and the Government is examining the potential for further powers to require non-resident parents to provide current address and contact details.

25. The Committee recommends that the CSA makes much greater use of its already wide-ranging powers of access to information and, if necessary, that the Department revisits the list of organisations that have a statutory duty to disclose information to the CSA, with a view to extending the range and number of organisations covered. (Paragraph 182)

The Government accepts the Committee’s recommendation that the Agency makes much greater use of powers to access information.

The Government recognises the need to keep the extent of powers of access to information under review and is examining the potential for extending the range and number of organisations covered. Indeed, the Department for Work and Pensions is actively working with other departments to investigate the scope to expand data sharing. As this work progresses it could bring important benefits for the Agency.

26. The Committee recommends that the Department further examines the use of travel bans and passport withdrawal as a child support enforcement tool for the non-resident parents who persistently default on their child support commitments. (Paragraph 192)

The Government recognises that other countries use travel bans and passport withdrawal as a child support enforcement tool. In the United Kingdom, passports are issued by the Passport Agency and are not provided under legislation. In the light of recent changes allowing travel restrictions to prevent disorder abroad, the Government will examine the scope for adding similar tools to the Agency’s existing enforcement powers.

27. The Committee recommends that the CSA publishes a revised strategy for staff training from front-line staff to senior managers to be made available to Parliament before 24 March 2005. (Paragraph 199)

The Government understands that all Child Support Agency staff must receive appropriate learning and development. The Child Support Agency has a learning and development strategy and training plan which it reviews on a regular basis. A prioritised training plan for the Agency will be developed as part of the Agency’s Transformation Programme.
In the meantime:

- The Agency’s Executive Team commenced an externally procured leadership programme last Autumn.

- Senior managers in the Agency will be participating in a Departmental initiative to raise core standards in the Senior Civil Service cadre as part of the Professional Skills for Government initiative.

- The Agency will continue to deliver its Management Development Programme in 2005/6, targeting first line supervisors and will build on its successful Performance is Our People programme for middle managers.

- The Agency has launched a short term education programme for frontline staff.

28. We believe that the senior management team are responsible for a multitude of problems within the Agency: they did not recognise that the new IT system (if and when working) needs to be accompanied by a business transformation; not least, they failed to lead the Agency through a significant cultural shift; there is an apparent lack of adequate training for frontline staff; guidance and procedures appear to be lacking; and there is little evidence of adequate monitoring to ensure that frontline staff follow procedures. The 2004-05 focus on supporting staff, outlined in the CSA’s Annual Report and Business Plan, also refers to planned efforts to develop the managers within the Agency, and the Committee recommends that this is prioritised and reviewed during the coming year. (Paragraph 201)

Both the Government and the Agency recognise that there is an important cultural and business dimension of change. The Agency sought to manage this in a number of ways in preparation for the new scheme, including:

- Developing the basis for, and involving staff in, culture change through a series of roadshows led by the Agency senior leadership team.

- Embedding the culture change dimension in the Agency training given prior to staff moving to the new arrangements and in the control arrangements for the new system

- The Agency gave a practical dimension to this through its Positive Customer Contact initiatives in 1999 – 2000 (encouraging greater use of the telephone) and by re-organising its new client teams in 2001 around the proposed operating model for the new arrangements

- It prepared its managers for the changes through a Management Development Foundation course (launched in 2001) and a Management Development Programme developed and run in partnership with the Universities of Ulster and Leicester.

- It implemented those aspects of the new legislation not requiring technology support in early 2001 and separated implementation of the new arrangements for new clients from that for existing clients.
Despite these actions the Agency was unable to fully manage the impact on its operations when the technology service did not meet expectation. The aspects of cultural shift, training, guidance and support to staff will be addressed in the Transformation Programme.

29. The Committee strongly recommends that reductions in the CSA staff levels are suspended until the IT system has proved to be fully functioning and all old scheme cases have migrated onto the new system and been recalculated using the new scheme. (Paragraph 207)

The Secretary of State stated on 26 January 2005 that there will be no major reductions in front line staffing until the new computer system is working effectively.

30. The Committee recommends that consideration must be given to the option of winding up the Child Support Agency and plans made for an alternative set of policies that work, in order to provide financial support for children in future. We also recommend that our successor Committee considers alternative policies in the event of the CSA being wound up. (Paragraph 226)

The Government’s priority is to improve the level of financial support the Child Support Agency delivers to children. Money continues to flow under the current arrangements and that flow must not be put at risk. Progress is being monitored closely and some improvements are being made. But if sufficient recovery cannot be delivered then all options would need to be considered.

Annex

New Child Support Scheme: Progress Report

The Secretary of State for Work and Pensions (Alan Johnson)

The new arrangements for child support came into operation for new cases and some linked old scheme cases from 3rd March 2003. Despite recent progress, some significant problems remain with the new computer and telephony systems. These continue to slow progress on business recovery. The Department continues to retain substantial payments from EDS. The payment each year is determined by the contract and is linked to service levels and to the degree of functionality delivered. Between 27 January 2003 and 16 January 2005, the Agency retained £13.3 million of payments otherwise due to EDS.

This report is intended to form part of the Department’s response to the Work and Pensions Select Committee report into the performance of the Child Support Agency. It therefore includes information up to the end of February 2005 (my last progress report covered the quarter ending September 2004). During this period the Agency’s performance has continued to improve. More families continue to benefit from the new scheme - a further 16,600 families have received child maintenance premium. The quarter ending December 2004 produced the highest quarterly total since the new arrangements were introduced and this upward trend is continuing. It brings the total number of beneficiaries to almost 50,000. Similarly, the number of first payments of maintenance
received through the Agency’s collection service during the quarter ending December was the highest achieved so far.

The number of cases cleared during the period from October to February (both calculations and closures) was over 72,000, bringing the overall total of clearances to around 310,000. The position fell back somewhat in the run up to Christmas, however this was not unexpected and the underlying position is recovering as we move through the next quarter. During both October and November, the monthly volume of clearances grew faster than at any other point in the year.

Based on regular monthly sampling the current level of accuracy (to the nearest penny) is estimated at around 78% against a target of 90%. This is lower than the preceding quarter. The Agency is taking urgent action to correct this trend but it is now clear that the end of year target is unlikely to be achieved. Regular monthly sampling will continue to be used to monitor accuracy levels and determine the end of year position.

As a result of improvements with the Agency’s management information systems, case compliance performance will now be reported on a ‘Rolling-Last-Quarter’ basis. Previously published estimates of case compliance in the new scheme have been measured on a monthly basis. This is not consistent with either the definition used to measure old scheme compliance, or the basis on which the new scheme target was set. Both relied on a Rolling Last Quarter measure. Reporting performance using a Rolling Last Quarter basis provides a more accurate reflection of performance and gives a direct comparison between old and new scheme performance.

This change in reporting has resulted in an uplift in case compliance performance by around 8 percentage points. At the end of February case compliance stood at 65% against a target of 78%. Cash compliance at end of February stood at 58% against a target of 75%. Focus on improving compliance continues, with activities targeted on core operational service teams together with the creation of the Agency’s Enforcement Directorate. Early indications show that for cases newly calculated in September and October 2004, case compliance in February 2005 has stabilised at around 75%.

Although the rate at which work-on-hand is increasing has slowed down, clearances are still less than intake. An Agency Business Transformation Programme is being developed, which will contain short-term tactical initiatives and also places significant emphasis on ensuring medium to long-term sustained recovery.

The Agency has made progress in investigating the anomalies in its management information. Some over counting of cases has been identified, which has reduced intake reported since March 2003 by 34,000 cases. Indications are that there is potential for further reductions in intake of around 12,000 cases and an understatement of around 17,000 clearances. Overall this is likely to equate to a downward revision in the work on hand of 63,000 cases. Some of these cases are still within the system and some operational intervention will be required. Work is continuing to identify and examine the full range of issues and apply necessary remedies. The revised data in the tables below is the Agency’s best current estimate.
Summary of Agency Performance to February 2005

Table 1 – Average Weekly Payments

The method by which these figures are calculated has been changed to include, in the calculation, those collections of child maintenance made (on behalf of the Secretary of State) in those cases in which the parent with care is on benefit.

<table>
<thead>
<tr>
<th></th>
<th>1 Qualifying Child</th>
<th>2 Qualifying Children</th>
<th>3+Qualifying Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Weekly Payment£</td>
<td>£28</td>
<td>£41</td>
<td>£44</td>
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Table 2 – Agency Quarterly Performance

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<tr>
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</thead>
<tbody>
<tr>
<td>Applications received</td>
<td>73,582</td>
<td>78,982</td>
<td>85,306</td>
<td>83,652</td>
<td>83,094</td>
<td>73,534</td>
<td>69,395</td>
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<tr>
<td>Double counting of intake</td>
<td>-1,171</td>
<td>-5,313</td>
<td>-6,997</td>
<td>-6,027</td>
<td>-5,211</td>
<td>-3,316</td>
<td>-3,406</td>
</tr>
<tr>
<td>Applications received (adjusted)</td>
<td>72,411</td>
<td>73,669</td>
<td>78,309</td>
<td>77,625</td>
<td>77,883</td>
<td>70,218</td>
<td>65,989</td>
</tr>
<tr>
<td>Application cleared of which:</td>
<td>12,648</td>
<td>38,583</td>
<td>49,453</td>
<td>51,876</td>
<td>45,097</td>
<td>40,465</td>
<td>39,645</td>
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<tr>
<td>Maintenance Calculations</td>
<td>6,671</td>
<td>23,857</td>
<td>29,672</td>
<td>31,229</td>
<td>25,657</td>
<td>23,526</td>
<td>23,816</td>
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<tr>
<td>Closures</td>
<td>5,977</td>
<td>14,726</td>
<td>19,781</td>
<td>20,647</td>
<td>19,440</td>
<td>16,939</td>
<td>15,825</td>
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<tr>
<td>First payments made through the Agency</td>
<td>461</td>
<td>5,164</td>
<td>11,473</td>
<td>14,017</td>
<td>14,974</td>
<td>15,098</td>
<td>18,119</td>
</tr>
<tr>
<td>First Child Maintenance Premium payments made</td>
<td>77</td>
<td>3,314</td>
<td>6,173</td>
<td>7,484</td>
<td>8,070</td>
<td>8,055</td>
<td>10,300</td>
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</table>
Table 3 – Agency Monthly Performance

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<tr>
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</thead>
<tbody>
<tr>
<td>Applications received</td>
<td>24,653</td>
<td>24,868</td>
<td>19,874</td>
<td>69,395</td>
<td>22,536</td>
<td>24,182</td>
<td>46,718</td>
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<tr>
<td>Double counting of intake ²</td>
<td>1,412</td>
<td>1,108</td>
<td>886</td>
<td>3,406</td>
<td>1,153</td>
<td>1,242</td>
<td>2,395</td>
</tr>
<tr>
<td>Applications received (adjusted) ²</td>
<td>23,241</td>
<td>23,760</td>
<td>18,988</td>
<td>65,989</td>
<td>21,383</td>
<td>22,940</td>
<td>44,323</td>
</tr>
<tr>
<td>Applications cleared ³ of which:</td>
<td>14,171</td>
<td>15,307</td>
<td>10,167</td>
<td>39,645</td>
<td>14,710</td>
<td>18,022</td>
<td>32,732</td>
</tr>
<tr>
<td>Maintenance Calculations</td>
<td>8,317</td>
<td>8,648</td>
<td>6,851</td>
<td>23,816</td>
<td>8,783</td>
<td>10,083</td>
<td>18,866</td>
</tr>
<tr>
<td>Closures ⁴</td>
<td>5,854</td>
<td>6,659</td>
<td>3,316</td>
<td>15,829</td>
<td>5,927</td>
<td>7,939⁵</td>
<td>13,866</td>
</tr>
<tr>
<td>First payments made through the Agency</td>
<td>5,681</td>
<td>6,278</td>
<td>6,160</td>
<td>18,119</td>
<td>4,736</td>
<td>5,256</td>
<td>9,992</td>
</tr>
<tr>
<td>First Child Maintenance Premium payments made ⁶</td>
<td>3,139</td>
<td>3,685</td>
<td>3,476</td>
<td>10,300</td>
<td>3,098</td>
<td>3,228</td>
<td>6,326</td>
</tr>
</tbody>
</table>

Table 4 – Agency Compliance Performance

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</tr>
</thead>
<tbody>
<tr>
<td>Cash Compliance [3 month rolling average] ³</td>
<td>41%</td>
<td>44%</td>
<td>49%</td>
<td>50%</td>
<td>51%</td>
<td>52%</td>
<td>53%</td>
<td>55%</td>
<td>55%</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td>Case Compliance [rolling last quarter basis]</td>
<td>55%</td>
<td>57%</td>
<td>59%</td>
<td>61%</td>
<td>61%</td>
<td>62%</td>
<td>62%</td>
<td>63%</td>
<td>64%</td>
<td>65%</td>
<td>65%</td>
</tr>
</tbody>
</table>
Notes:

1. Average weekly child support maintenance payments to parents with care are shown in the table. The method by which these figures are calculated has been changed to include, in the calculation, those collections of child maintenance made (on behalf of the Secretary of State) in those cases in which the parent with care is on benefit. Figures are for February 2005 only and are calculated as the total amount received and allocated divided by the number of cases.

2. Based upon our best information on the extent of the double-counting of applications that has taken place and emerging findings from the Management Information Improvement Project. These figures may be subject to change.

3. Figures from Quarter 4 2003/04 onwards and Scheme to Date figures include clerical cases (new scheme cases unable to be progressed on the new system). Quarter 2 2004/05 figures also incorporate some adjustments to take account of a reconciliation of clerical cases. The clerical case position is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Scheme to date June 2004</th>
<th>Scheme to date September 2004</th>
<th>Scheme to date December 2004</th>
<th>Scheme to date February 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications cleared</td>
<td>1,345</td>
<td>2,130</td>
<td>2,340</td>
<td>3,063</td>
</tr>
<tr>
<td>Maintenance Calculations</td>
<td>1,134</td>
<td>1,937</td>
<td>2,069</td>
<td>2,673</td>
</tr>
<tr>
<td>Closures</td>
<td>211</td>
<td>193</td>
<td>271</td>
<td>390</td>
</tr>
</tbody>
</table>

4. Closures: Applications close for a variety of reasons. The main reasons are that the parent with care withdraws the application, perhaps due to reconciliation, or having agreed private arrangements with the non-resident parent.

5. Closures for February include 1,000 un-progresable cases that have been deleted from the IT system.

6. Figures for Child Maintenance Premium payments include an estimate of the number of parents who receive the premium by way of a disregard to their Income Support/income-based Jobseekers Allowance.

7. Cash compliance is measured on a three-month rolling average basis, as this best illustrates performance. Case compliance is measured on a rolling-last quarter basis (in line with old scheme reporting).

8. A proportion of cases that have a maintenance calculation in place may already be receiving payment directly, but will not be reflected in the figures shown above.