



House of Commons
Work and Pensions Committee

The Child Maintenance and Enforcement Commission and the Child Support Agency's Operational Improvement Plan

Third Report of Session 2009–10

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written evidence*

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The Work and Pensions Committee

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1 Introduction

1. The Child Support Agency (CSA) was established in 1993 under the Child Support Act 1991 to assess, collect and enforce child maintenance on a formulaic basis. This was deemed necessary by the perceived failings of the courts to establish fair and consistent maintenance awards and to ensure that these awards were kept up to date and enforced. However, the complicated calculation process, IT failures and shortcomings in enforcement all contributed to the poor performance, in practice, of the system introduced under the 1991 Act. The Child Support Act 1995 introduced provision for “departures” from the existing formula, a move intended to address injustice but further adding to complexity.

2. In order to reform the system, the Government brought forward proposals in 1999 which were enacted in the Child Support, Pensions and Social Security Act 2000. These reforms simplified the formula for calculating child support liabilities, introduced new enforcement powers and promised a better service for the CSA’s customers. However, our predecessor Committee concluded that the new scheme performed poorly from its inception in March 2003 owing to chronic problems with its IT and operational systems.¹ One particular problem that beset the organisation was that old scheme cases, taken on before 3 March 2003, could not be transferred to the new scheme’s simpler assessment process and the CSA was left to administer two different systems concurrently.

3. The then Secretary of State for Work and Pensions, Rt Hon John Hutton MP, announced in February 2006 a new “twin-track” approach to the reform of child maintenance: a three-year operational improvement plan (OIP) to improve the performance of the CSA, together with a longer term re-design of the child maintenance system to be led by Sir David Henshaw, former Chief Executive of Liverpool City Council. Sir David Henshaw’s report was published in July 2006 (together with the Government’s response); it concluded that there was a need for a fundamental change in the administration of child support and it recommended a “clean break” to create a new start for child maintenance arrangements.²

4. The White Paper, *A new system of child maintenance*, was published in December 2006. We published a report on the White Paper, in March 2007.³ The White Paper stated that there should be four principles of reform, to:

help tackle child poverty by ensuring that more parents take responsibility for paying for their children and that more children benefit from this;

promote parental responsibility by encouraging and empowering parents to make their own maintenance arrangements wherever possible, but taking firm action—

¹ *The Performance of the CSA*, Second Report, Session 2004–05, HC 44, paragraph 226.

² Sir David Henshaw’s report to the Secretary of State for Work and Pensions, *Recovering child support: routes to responsibility*, July 2006 and *A fresh start: child support redesign—the Government’s response to Sir David Henshaw* July 2006 Cm 6895

³ *Child Support Reform*, Fourth Report, Session 2006–07, HC 219

through a tough and effective enforcement regime—to enforce payment where necessary;

provide a cost-effective and professional service that gets money flowing between parents in the most efficient way for the taxpayer; and

be simple and transparent, providing an accessible, reliable and responsive service that is understood and accepted by parents and their advisers and is capable of being administered by staff.⁴

5. The Child Maintenance and Other Payments Act 2008 established the Child Maintenance and Enforcement Commission (the Commission) as a Crown non-departmental public body, sponsored by DWP on 24 July 2008. On 1 November 2008 the Commission took over responsibility from DWP for the functions of the CSA in operating the statutory maintenance scheme. The CSA will continue to operate as a delivery body of the Commission, retaining the “CSA brand” until the introduction of the new statutory scheme, currently scheduled for 2011. The Commission’s stated objective is to “maximise the number of effective child maintenance arrangements in place for children who live apart from one or both of their parents”, both those privately arranged and through the statutory provisions of the Child Support Act 1991.⁵ It has three core functions:

- Promoting financial responsibility of parents for their children;
- Informing parents about the different child maintenance options available and providing guidance; and
- Providing an effective statutory maintenance service with effective enforcement.

6. Alongside the re-design of the system, the Operational Improvement Plan (OIP) was designed to improve the CSA’s service to clients; increase the amount of money collected; achieve greater compliance from non-resident parents; and provide a better platform from which to implement the policy changes being brought in. It promised to focus on

- Getting it right: gathering information and assessing applications;
- Keeping it right: active case management;
- Putting it right: enforcing responsibilities; and
- Getting the best from the organisation.⁶

7. The OIP set targets for the numbers of children benefiting from maintenance payments and amounts of statutory maintenance collected; time taken to answer telephone calls; time taken to process new scheme applications and progress in clearing the backlog of cases; progress in collecting arrears; and maintenance outcomes. The OIP ran from April 2006 to

⁴ Department for Work and Pensions, *A new system of child maintenance*, Cm 6979, December 2006, p 27

⁵ Child Maintenance and Enforcement Commission, *Annual Report and Accounts 2008–09*, page 5.

⁶ Child Support Agency *Operational Improvement Plan 2006–09*.

the end of March 2009. A summary of performance against the targets of the OIP is set out in an appendix to the National Audit Office's (NAO) memorandum to the Committee.⁷

8. We took evidence from Janet Paraskeva, Chair of the Child Maintenance and Enforcement Commission, and Stephen Geraghty, Child Maintenance Commissioner and former Chief Executive of the Child Support Agency, on 2 December 2009. In advance of the session, we were provided with a performance report by the NAO on the Commission, focusing in particular on performance against the benchmarks of the OIP.⁸ We are extremely grateful to the staff of the NAO who undertook this work for us.

9. So late in the Parliament, we have not had time to undertake a full inquiry into the work of the Commission. However, a number of points arose during the course of our evidence session, relating particularly to performance under the OIP and its implications for the Commission's ability to launch the future scheme on schedule, which we wish to draw to the attention of the House and of our successor Committee.

⁷ Ev 41

⁸ Ev 23

2 Information Technology

10. Improving the effectiveness of the CSA's IT was one of the key features of the Operational Improvement Plan (OIP). By October 2005, the CSA had paid a total of £190 million to EDS for its work on the CSCS (the IT system for the old scheme) and CS2 (the IT system for the current scheme) IT systems.⁹ However, in 2006 the National Audit Office (NAO) found that there were over 500 defects with the CS2 system "that were having a significant impact on staff productivity and maintenance outcomes".¹⁰

11. The OIP acknowledged "well documented problems with computer systems" contributing to the CSA's under performance and noted, given particular shortcomings in data held on the old computer system, that conversion of old scheme cases on to the new scheme would "carry substantial risks and be costly and complex".¹¹ However, it promised that

The CSA Operational Improvement Plan while not incorporating bulk migration and conversion will bring many improvements. It is flexible enough to facilitate the re-design of future child support arrangements. It will deliver a much better level of service for clients and provide a stable base from which to move forward in the future.¹²

12. Over the course of the OIP, £107 million was spent on upgrades to the CS2 system (one third of the total spending on the OIP). In September 2008, the most significant IT upgrade, Productivity Release 1 was launched to support the restructured business and fix outstanding problems with CS2.

13. The NAO reported that the CSA had agreed a work programme with EDS to rectify 500 defects in the CS2 system over the course of the OIP and that

The Commission reports that 350 of these defects were rectified over this period and reports that the rest were addressed by Productivity Release 1.¹³

14. However, the remaining defects in the CS2 system are still generating a large number of problems, many of which appear to be insoluble. The NAO reported that, as of October 2009, the CS2 system had over 1,000 reported problems, of which 400 had no known workaround and therefore resulted in cases being stuck in the system.¹⁴

15. We asked the Commission about these continuing IT problems and were told that it currently experienced around 3,000 IT incidents a week, 70% of which were caused by around 60 of the problems.¹⁵ This was down from 7,000 incidents a week before the launch

⁹ Ev 29

¹⁰ Ev 28

¹¹ Child Support Agency, *Operational Improvement Plan 2006–09*, paragraphs 12–13.

¹² Child Support Agency, *Operational Improvement Plan 2006–09*, paragraph 14.

¹³ Ev 28

¹⁴ Ev 28

¹⁵ Q21

of Productivity Release 1, and was expected to fall below 2,000 by April 2010. The Commission anticipated fixing around 30 of the remaining defects in its IT systems, which was expected to remove some of the problems. Despite the progress made over the course of the OIP, there still remain a very large number of IT problems which have no workaround and are causing cases to get stuck.

16. We are concerned that the work conducted over the course of the Operational Improvement Plan to rectify the problems with the CS2 IT system have either not resolved the problems or have revealed new problems. More than 400 of these problems are sufficiently serious to cause new cases to get stuck in the system. We hope that our successor Committee will maintain a close interest in progress made in resolving the IT problems with the old and current systems. We request that the Commission supply our successor Committee with quarterly reports on progress in this respect.

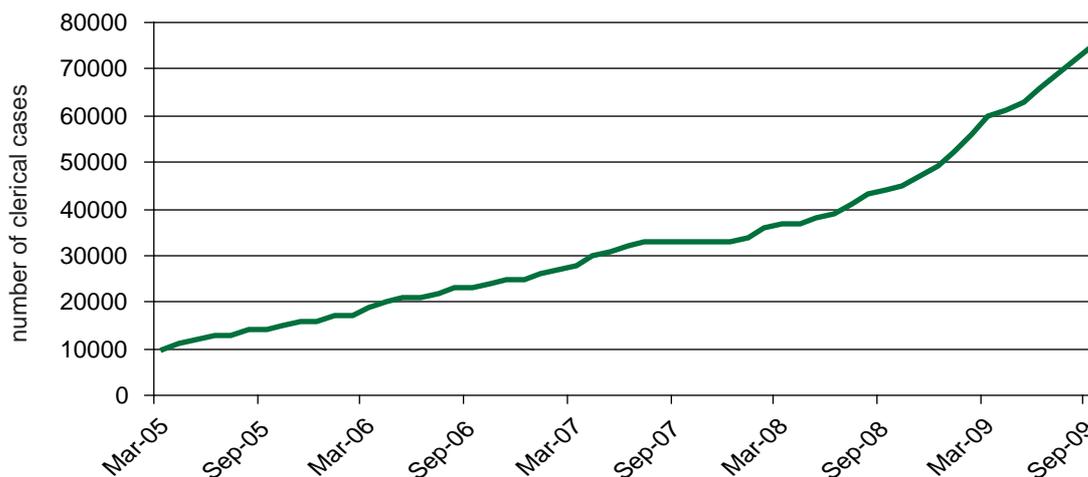
Clerical cases

17. It is the persistent problems with the CS2 IT system that have resulted in a large number of cases getting stuck in the system, requiring them to be managed “clerically” (manually by staff). The Commission reported that it was only as a result of the Productivity Release 1 IT upgrade that it was able to identify that many of these cases had become stuck; previously it had been unable to deal with these cases clerically unless the customer notified them that there was a problem.¹⁶ Although it is to be welcomed that the Commission is now systematically identifying cases that need to be managed clerically, and that this is a successful result of the IT upgrades under the OIP, this process seems to be throwing up an ever increasing number of these cases. Furthermore, the 400 IT problems with no work around, mentioned above, are also causing new cases to get stuck.

18. In March 2006, 19,000 cases were being managed clerically outside the IT system; this number had more than trebled to 60,000 by the end of the OIP in March 2009. The NAO report that this figure had risen yet higher to 75,000 by September 2009; it estimates that, at the current rate of increase, around 108,000 cases would be managed clerically by September 2010.¹⁷ A graph of the number of current scheme cases being managed clerically since March 2005 is reproduced below:

¹⁶ Q26

¹⁷ Ev 29



Number of current-scheme cases being managed clerically

Source: National Audit Office, Ev 29

19. In March 2006, the CSA outsourced the management of clerical cases to Vertex Data Science Limited in an attempt to reduce the burden of these cases on CSA staff. However, the continuing increase in clerical cases has required the retention of 302 caseworkers to manage wholly clerical processes and 252 caseworkers to manage partly clerical cases within the Commission.

20. The Commission estimated the cost of managing clerical cases in September 2009 at around £3.7 million per month, including the cost both of the contract with Vertex Data Science Limited and of its own staff doing the work in-house.¹⁸ However, as the number of clerical cases rises, the cost of managing them will also rise. The NAO has estimated that the annual cost of managing each clerical case is £967 compared to £312 per case administered through the IT systems.

21. The Commission acknowledged that there would be a continued increase in the number of clerical cases “for a couple of years”.¹⁹ It has also explored a number of ways of reloading clerical cases back on to the CSCS and CS2 systems but has concluded that it is “too risky” to try and do this.²⁰

22. We are concerned at the almost exponential rise in the number of clerical cases caused by shortcomings in information technology. The additional costs of clerical administration of cases are mounting alarmingly. We are concerned that this does not represent the “stable base” that the Operational Improvement Plan set out to establish for introduction of the future scheme.

¹⁸ Ev 29

¹⁹ Q22

²⁰ Q26

Development of a new IT system for the Commission

23. The Commission is now procuring a new IT system for the operation of the future scheme. It went out to tender in August 2008 for the contract for the system and signed a £45 million contract with Tata Consultancy Services on 30 March 2009. It informed us that

The new system will utilise commercial ‘off-the-shelf’ software packages already widely used in the financial services industry, which will ensure better customer service and greater value for the taxpayer.²¹

It explained the rationale for this approach, noting that “the bespoke nature of the current CS2 system contributed to many historic and current problems and made the system expensive to operate and improve.”²²

24. In its 2006 report, the NAO also found that a number of aspects of the CSA’s contract with EDS for the IT system for the current scheme (CS2) did not represent good practice. The Commission believes that it has taken adequate steps to address the concerns identified by the NAO in their 2006 assessment, by

- improving clarity about the functionality required of the system;
- improving clarity about its responsibilities in the contract;
- improving clarity about managing changes in the contract;
- improving clarity about term, termination and exit management rights – the Commission will not own the intellectual property rights to the IT but will have rights for perpetual use;
- ensuring that the contract will operate on a pay as you go basis, with full payment only released after it has been ensured that progress is in line with the implementation plan; and
- improving certainty about what constitutes delivery.²³

25. Stephen Geraghty estimated that “the putting in place cost, the development cost and the lifetime licences for the future scheme” including three years of running costs would amount to around £120 million.²⁴ He was confident that the future scheme system, utilising existing off-the-shelf packages, including one used by the National Bank of China, would be more efficient to run than the current (CS2) and old scheme (CSCS) systems. Janet Paraskeva added

We are effectively [...] a bank—we take money in, we give money out—so a banking system. We manage cases; so there is a case management system on the front of it. So, actually, the costs are really only in the integration of those and the relatively

²¹ Ev 48

²² Ev 48

²³ Ev 30

²⁴ Q24

small amount of customisation that would be needed for our people to actually interact with our customers.²⁵

Stephen Geraghty added that the development work required of TCS to adapt the packages would amount to around £10 million.²⁶

26. We welcome the steps that the Commission has taken to learn from the disastrous mistakes made in commissioning the CS2 IT system. We are encouraged by the organisation's confidence that the IT system to administer the future scheme will be more efficient to run and we note the strong case that has been made for using off-the-shelf packages.

27. However, it is often the process of making different packages work together that creates IT problems. We ask the Commission to keep our successor Committee up to date with the progress of development of the future scheme system and we therefore request that it make six-monthly reports to our successor Committee on its work in this area.

²⁵ Q25

²⁶ Q25

3 Transitional arrangements

28. The Commission, through its delivery body, the CSA, currently administers both the 1993 scheme (the old scheme) and the 2003 scheme (the current scheme). However, the Commission will also be responsible for the introduction in 2011 of the future statutory scheme, as provided for in the Child Maintenance and Other Payments Act 2008. It notes that it:

currently plan[s] to introduce a new child maintenance service in 2011 to administer a new statutory scheme ('the future scheme'), with new calculations and rules. The future scheme is designed to be more simple and transparent than its predecessors, more cost-effective and professional and backed by a tougher enforcement regime.²⁷

29. Over a period of approximately three years from the introduction of the future scheme in 2011, there will be a period of transition for clients on the old and current schemes. Cases on the old and current schemes will be closed and clients will be advised of the options available to them, including applying to the future scheme. The Commission adds that its ability to launch the future scheme and manage the transitional arrangements for those parents on the old and current schemes "is, of course, dependent on the availability of sufficient public funding over the next two–three years".²⁸

30. Once the future scheme is launched in 2011, the first wave of the old and current scheme case loads to be transferred to the future scheme will be the clerical cases.²⁹ Stephen Geraghty expected most of the clerical cases to have been transferred to the future scheme by the end of 2012.³⁰ However, Janet Paraskeva emphasised that the rate of transition of cases, and the objective of completing transition by 2014, were "absolutely dependent on the resource that we have mapped out".³¹

31. The Child Maintenance Options Service was made available to all parents from October 2008. It meets the Commission's statutory function, under the Child Maintenance and Other Payments Act 2008, to provide "such information and guidance as it thinks appropriate for the purpose of helping to secure the existence of effective maintenance arrangements for children who live apart from one or both of their parents."³² It is intended to advise parents on the range of options available for putting a maintenance arrangement in place and provides "authoritative, impartial information and support to parents so that they are able to make informed choices about the child maintenance arrangement most suited to their circumstances".³³ Many parents who will be moving off the old and current schemes will opt for a private arrangement; the demands placed on the

²⁷ Ev 47

²⁸ Ev 47

²⁹ Q26

³⁰ Q29

³¹ Q28

³² Child Maintenance and Other Payments Act 2008, Section 5.

³³ Ev 46

Child Maintenance Options Service are therefore likely to increase as the Commission moves into the transitional period.

32. We asked the Commission whether it would be able to cope with the administrative burden of effectively operating three different schemes on three different IT systems, as well as continuing clerical management of many cases, during the transitional period. We were told that on current projections, the Commission was expecting to maintain administrative costs for managing the old and current schemes while preparing for the new scheme. Stephen Geraghty predicted

an increase [in administrative costs] in the years when we are actually moving the cases from the current two schemes to the future scheme [...] and once we have got everybody [transferred to the future scheme], in 2014 we envisage about a third reduction in the running costs of the scheme through a more efficient system, more automation and spending more time on enforcement rather than on calculation, because we will be using data from elsewhere round government to do the calculations.³⁴

33. However, the “bulge” in administrative costs will occur largely after the end of the Comprehensive Spending Review 2007 period, financial years 2008–09 to 2010–11 (CSR 2007). The Commission has agreed a 10-year business plan with the Treasury, the first three years of which are covered by the CSR 2007 financial settlement. No guarantee can yet be given that the additional funding will be made available when required.³⁵

34. Janet Paraskeva noted that the Commission had already “built in something like 70% efficiency savings over the next ten years”;³⁶ on the basis of the funding in the original business plan, this would be “tough but achievable”.³⁷ However, she feared that making even further cuts could jeopardise the rate at which transition from the current two schemes on to the new system could be carried out.³⁸ She added

Our skill in negotiating with our sponsor department has to be to try to help them see that the greater savings to the public purse come by leaving investment where it is, because delays are not only not good for our customers but are not good in terms of the overall costs. You simply push them away and then they increase not decrease.³⁹

35. The Child Maintenance and Enforcement Commission faces the challenge of introducing the new statutory maintenance scheme in 2011 and arranging for the transition of cases on the old and current schemes. The Commission acknowledges that it will increase its administrative costs, although it expects significant administrative savings once the future scheme is up and running and the old and current schemes have closed.

³⁴ Q7

³⁵ Q8

³⁶ Q9

³⁷ Q84

³⁸ Q9

³⁹ Q84

36. The launch of the future scheme represents the “clean break” from the past and current systems of child maintenance recommended by Sir David Henshaw. It is essential for the future health and equity of the system of child maintenance that this launch, and the transition of cases from the old and current schemes is managed successfully. However, we are concerned that the requirement to operate three schemes on three different IT systems concurrently during the transitional period will pose a formidable administrative headache.

37. We are very concerned that the escalating costs of clerical administration of cases risk placing an intolerable burden on the Commission at just this crucial moment. We also note that delaying the process of transition will only increase the long-term costs of clerical administration.

38. It will be for our successor Committee to oversee the transition process and maintain a close eye on the work of the Commission in this crucial period. We call on the Commission to provide our successor Committee with six-monthly updates on what steps it is taking to contain the numbers of clerical cases and on the total monthly cost of clerical administration. We also ask for six-monthly reports on its planning for handling old and current scheme cases in the transitional period.

4 Improving service delivery and case management

Restructuring the CSA and work with HMRC

39. One important component of the OIP was a restructuring of the CSA and its operations. The NAO's value for money audit of the organisation in 2006 identified a number of problems in the CSA's "task based model", whereby case management staff were divided into teams carrying out individual tasks rather than viewing a case as a whole. The NAO believed that this model contributed to poor customer service, inefficient processing of cases and inaccurate calculations.⁴⁰ Under the new structure introduced under the OIP, teams were aligned to the employment status of the non-resident parent and senior caseworkers were identified to manage more complex cases.

40. The Commission estimates that the restructuring enabled around 1800 staff to be redeployed to active case progression; the percentage of total staff engaged in case progression moved from 59% in March 2006 to 74% in March 2009.⁴¹ This change took place over a period when total staff numbers fell 8% from an average of 10,400 in 2005–06 to 9,600 in 2008–09.⁴²

41. In addition to its structural changes, over the course of the OIP, the CSA and the Commission have worked with HM Revenue and Customs who were able to provide employment details and addresses in tracing non-resident parents. The CSA also made use of private sector tracing agencies and information held by credit reference agencies to improve performance in this respect.⁴³

Improving management of cases

Clearing the backlog of cases

42. The Operational Improvement Plan (OIP), launched in February 2006, acknowledged the scale of the backlog of applications to the CSA that had not yet been cleared. It noted that over a quarter of a million current scheme cases were outstanding and almost 70,000 old scheme cases had not been assessed (in most cases because the non-resident parent could not be traced). At the start of the OIP in April 2006, the backlog stood at 282,400 cases waiting to be cleared by the CSA, of which 220,900 were to be assessed under the current scheme and 61,500 under the old scheme.

43. By the close of the Operational Improvement Scheme, the number of uncleared current scheme cases had fallen to 49,400 (a fall of 78% over the course of the OIP) and there were 6,800 uncleared old scheme cases (a fall of 89%).⁴⁴ This result exceeded the target of the

⁴⁰ Ev 26

⁴¹ Ev 28

⁴² Ev 28

⁴³ Ev 32

⁴⁴ Ev 32

OIP to reduce the number of uncleared current scheme cases to 90,000 by a wide margin. Both staff and management deserve congratulations on this achievement.

Processing new claims

44. The CSA and the Commission also achieved a significant improvement in the speed of processing of new cases. The percentage of current scheme applications cleared within 12 weeks increased from 52% at the start of the OIP to 81% in March 2009 (exceeding the OIP target of 80%).⁴⁵

45. At its inception, the current scheme was expected to provide for calculations to be made and payments arranged for most cases within six weeks of the application. We asked the Commission why this expectation had been abandoned. Stephen Geraghty told us that, whilst around 50% of cases were cleared in six weeks, where there was any difficulty in tracing or establishing the income of the non-resident parent, then the six week target was unrealistic.⁴⁶ However, he hoped that for the future scheme, where the Commission would obtain income data from HMRC, a target of six weeks for 75–80% of cases could become realistic.

Accuracy of maintenance calculations

46. Over the course of the OIP, the accuracy to the nearest penny of calculations for old scheme cases improved from 84% to 91%, while accuracy for current scheme cases improved from 81% to 84%. In 2007, part way through the OIP, the Agency changed its method of calculating accuracy to a measure of “cash value accuracy”, which assesses the value of accurate calculations as a percentage of the value of all calculations made. By this measure, accuracy was assessed at 96% for current scheme cases and 98% for old scheme cases in 2008–09.⁴⁷

47. Although the current scheme was introduced to simplify maintenance calculations, after six years of its operation and after three years of the OIP, accuracy levels are lower on the current scheme than on the old scheme. Stephen Geraghty explained that the staff working on the old scheme cases had generally been doing so for a long time and the cases themselves were more “stable” with fewer new elements being introduced.⁴⁸

Customer service

48. In 2005–06, 423,000 of the 5.3 million telephone calls made to the CSA were abandoned by the customer waiting to speak to a member of staff. The average time taken to answer a call from the queue stood at 59 seconds at the start of the OIP. By the end of the programme, the average time taken to answer calls had fallen to 13 seconds; around 52,000 calls were abandoned during 2008–09 out of a similar volume of calls.⁴⁹ The

⁴⁵ Ev 32

⁴⁶ Q37

⁴⁷ Ev 32

⁴⁸ Q41

⁴⁹ Ev 33

improvements effected by the CSA have also reduced the number of complaints, from 62,100 in 2005–06 to 27,800 in 2008–09.⁵⁰

Volume of new applications

49. Easing the Commission’s task has been a rapid fall in the number of new maintenance applications received. The repeal of Section 6 of the Child Support Act 1991 by the Child Maintenance and Other Payments Act 2008 removed the compulsion for parents with main day-to-day care in receipt of out-of-work benefits to apply for statutory child maintenance. This compulsion was removed for parents newly claiming benefits from July 2008 and for existing claimants from October 2008. In March 2009, the Agency received 34,700 applications; this number had fallen to 8,200 in March 2009. Whilst acknowledging that the fall in volume of applications had been significant, Stephen Geraghty noted that the repeal of section 6 came into force in October 2008, by which time the Commission had “already over achieved the OIP programme”.⁵¹

50. We commend the staff and management of the CSA for their very substantial achievements in exceeding their target by a wide margin for clearing the backlog of uncleared cases and for meeting their target for processing new claims. The CSA has also made big strides in improving its accuracy and its levels of customer service. It is to the credit of all in the organisation that, in these respects, it has never been working more effectively. However, there is still room for improvement and we hope that the Commission will be able to maintain this momentum and urge it to ensure that it learns from these successes in designing operations for the future scheme.

⁵⁰ Ev 33

⁵¹ Q34

5 Improving outcomes

51. The NAO reported in 2006 that one third of non-resident parents were not paying any maintenance to support their children.⁵² It was also estimated at the time that around £3.5 billion in maintenance was outstanding. The number of children benefiting from maintenance payments was 623,000 in March 2006. Over the course of the OIP, the number benefiting increased to 780,000, and by September 2009 had increased to 797,000. While progress appears to have been steady, the NAO has judged that “compliance remains below anticipated levels”.⁵³

Case compliance and maintenance outcome measures

52. The OIP set out to increase the level of current scheme “case compliance”—the percentage of non-resident parents who have been contacted by the CSA and are paying maintenance—to 80% by March 2009 but missed this target by a wide margin.⁵⁴ Based on this measure, the CSA saw an improvement in case compliance from 67% to 68% for current scheme cases over the course of the OIP. Compliance for old scheme cases rose from 71% to 72%.

53. However, in 2007, the case compliance target was replaced with a target to achieve 69% positive maintenance outcomes—the percentage of cases where a maintenance liability exists and where the non-resident parent is paying some money—across both schemes by March 2009. This revised target was met with a figure of 71% positive maintenance outcomes achieved in March 2009.

54. Over the course of the OIP, the percentage of non-resident parents paying no maintenance at all fell from 37% in March 2006 to 29% in March 2009. By September 2009 it had fallen further to 27%. The percentage of non-resident parents paying the full amount of maintenance required rose over the same period from 46% in March 2006 to 51% in March 2009 (and further to 53% in September 2009). Stephen Geraghty was satisfied that the Commission’s performance against the maintenance outcome measure was “pretty good by international standards”.⁵⁵

55. The maintenance outcomes target covers both old and current schemes unlike the case compliance measure which relies on separate measures for each. It also provides a more accurate measure on two grounds. The case compliance measure excludes maintenance direct cases (where the non-resident parent pays the parent with care directly, rather than through the CSA); excluding these payments would therefore incentivise caseworkers not to recommend this form of payment, which in many circumstances will be the best solution for parents. The case compliance measure also excludes cases with assessments but no collection schedule; again this could encourage staff to suspend payment schedules

⁵² Ev 34

⁵³ Ev 34

⁵⁴ Ev 35

⁵⁵ Q47

to improve the measure. Stephen Geraghty explained that the Commission had dropped the case compliance measure because it was “not a helpful measure” and, for the reasons outlined above, had the potential to drive caseworkers “to the wrong behaviour”.⁵⁶

56. The maintenance outcome target appears to be a more complete measure as it includes parents who do not have a collection schedule in place (which will have a negative impact on results) and also those with direct payment arrangements (which will have a positive impact). However, whatever the shortcomings of the case compliance measure, this target was missed by some distance.

57. Although the case compliance target was set at 80%, the maintenance outcomes target was set at 69%. However, the Commission’s June Quarterly Summary Statistics indicate that performance for current scheme case compliance has not differed by more than two percentage points from maintenance outcomes in any month since October 2007.

58. Whilst the newer maintenance outcomes target may be more complete, it nonetheless appears to have been set at a much more achievable level than the previous case compliance target. Although the Commission met its revised Operational Improvement Plan maintenance outcomes target, it missed the original case compliance target by a wide margin. We ask the Commission to set out how it calculated the maintenance outcome target to ensure that it was sufficiently challenging.

Collection of arrears

59. The OIP acknowledged the scale of the accumulation of child maintenance debt since 1993—the total level of arrears had reached £3.3 billion in April 2005—but noted that, as the Agency had no powers to write off debt and some historical debt was uncollectible, this level was expected to rise.⁵⁷ At the end of March 2006, the value of outstanding maintenance arrears was £3.5 billion, having risen by £242 million in the 2005–06 financial year. Over the course of the OIP, the rate of increase in gross arrears slowed but the total level continued to rise to reach £3.82 billion at the end of March 2009. However, the level was subsequently reduced to £3.796 billion by September 2009. The Commission noted that the growth of arrears had been “stemmed”.⁵⁸ The Commission has assessed that only £1.065 billion of this total level of arrears is collectible.⁵⁹

60. The OIP set targets for collection of arrears for both 2007–08 and 2008–09. The CSA met its target for 2007–08, collecting £126 million against a target of £120 million, but missed its target of collecting £220 million in 2008–09, collecting £158 million. The target for 2009–10 has been revised down to £170 million; the NAO reports that £74.3 million, 44%, of this sum had been collected in the first six months of the year.

61. To increase the levels of arrears collected, CMEC contracted two debt enforcement agencies, iQor and Eversheds, to undertake collection of arrears worth a total of £357

⁵⁶ Q42

⁵⁷ Child Support Agency *Operational Improvement Plan 2006–09*, paragraph 15.

⁵⁸ Ev 50

⁵⁹ Ev 50

million in 63,500 cases. By September 2009, only £26 million of this had been collected, out of an expected £113 million. The debt collection agencies received a payment of £3.5 million. Stephen Geraghty acknowledged that the results of this exercise had been “pretty disappointing” but that it demonstrated how difficult it was to collect arrears.⁶⁰

62. Stephen Geraghty explained that the failure to meet the 2008–09 target was due to the failure of the experiment in outsourcing the arrears collection to the debt collection agencies.⁶¹ This debt has now been taken back in-house, and the target has been revised down for 2009–10. Stephen Geraghty noted that this lower target of £170 million was still “a very difficult target. Halfway through the year, that is looking tough”.⁶²

63. The Child Maintenance and Other Payments Act 2008 and the Welfare Reform Act 2009 have given the Commission a range of new administrative powers to support its enforcement activities and collection of arrears, which do not require recourse to the courts. These include the power to disqualify parents from holding or obtaining a driving licence or travel authorisation for up to 12 months;⁶³ to issue a liability order against a non-resident parent to provide legal recognition of the debt and to enable further enforcement measures such as seizure of goods;⁶⁴ and to disclose details on maintenance compliance to credit reference agencies.⁶⁵ Since 3 August 2009, the Child Support Collection and Enforcement (Deduction Orders) Amendment Regulations have also given the Commission the power to collect child maintenance direct from the bank account of a non-resident parent.

64. Another recent change in the law concerns when a non-resident parent dies owing arrears of child maintenance. From 25 January 2010, the Child Support (Management of Payments and Arrears) Regulations 2009 have given the Commission the power to contact the administrator or executor of a deceased non-resident parent’s estate to request payment of the arrears from the estate. The Commission has estimated that each year around 3,000 non-resident parents die owing a total of around £14 million in child maintenance arrears; it has estimated that between £2.5 million and £3 million of this sum may be recoverable.⁶⁶ Prior to the change in the law, these sums were still counted as arrears although they were, in practice, not collectible.

65. It is too early for us to assess the impact of these legal changes and changes in the Commission’s enforcement powers on levels of arrears. However, it is clear that, with 27% of non-resident parents still paying no maintenance at all and only 53% paying the full amount required, the accumulation of debt will require ever greater efforts to keep the total sum of arrears under control.

⁶⁰ Q49

⁶¹ Q52

⁶² Q56

⁶³ Welfare Reform Act 2009, Section 51

⁶⁴ Child Maintenance and Other Payments Act 2008, Section 25

⁶⁵ Child Maintenance and Other Payments Act 2008, Section 40

⁶⁶ Explanatory Memorandum to the Child Support (Management of Payment and Arrears) Regulations 2009, paragraph 7.9.

66. The Commission missed its 2008–09 target for collection of arrears and acknowledges that the 2009–10 target is looking very challenging. However, we welcome the Commission’s achievement in stemming the growth in arrears and anticipate that the suite of new powers that it has obtained will stimulate further progress. Reducing levels of arrears are key to restoring confidence in the child maintenance system and represent an essential element of the platform for launching the new system.

67. We encourage our successor Committee to maintain a close eye on progress in reducing arrears and, to that end, we call on the Commission to provide a six-monthly update on progress, including specifically reporting on the use that has been made of its new statutory powers.

Impact on child poverty

68. The 2006 White Paper stated that one of the principles underpinning the child maintenance system redesign was the need to tackle child poverty. The Operational Improvement Plan set out to lift 40,000 children out of poverty by August 2010. This represented the CSA’s contribution to the Government’s child poverty targets. However, the NAO notes that the Commission now reports that because this figure is small relative to the expected annual variations in poverty statistics and because of the inherent difficulties in associating changes in poverty levels with specific policies enacted it cannot validate whether this target was achieved.⁶⁷

69. The Commission also estimates that “the receipt of child maintenance payments currently helps to lift around 100,000 children [more] out of poverty than otherwise would have been the case”.⁶⁸ In April 2010, the Government will introduce a full child maintenance disregard for those on income-related benefits (the disregard is currently £20). The Commission has estimated that this full disregard, in addition to wider reforms to child maintenance will lift a further 100,000 children out of poverty.⁶⁹

70. We questioned the Commission about how its contribution to the Government’s child poverty targets is measured. We were told that although

The narrative of the OIP states that 40,000 children would be lifted out of poverty by August 2010, [...] this was a prediction of the impact of achieving the targets [in the OIP] rather than a target itself.⁷⁰

71. More broadly, the Commission noted that

Poverty estimates are based on modelling conducted using DWP’s Policy Simulation Model. As such, poverty figures are hypothetical estimates of how many more children would be in poverty without the measures in question.[...]

⁶⁷ Ev 34

⁶⁸ Ev 50

⁶⁹ Ev 51

⁷⁰ Ev 51

Child maintenance measures are just one element of a whole package of policies designed to tackle the multifaceted causes of child poverty, and will interact with other elements of the child poverty 2020 strategy currently being developed.⁷¹

72. The Operational Improvement Plan explicitly set out to lift 40,000 children out of poverty. Improving the operation of the child maintenance system is integral to the Government's strategy for reducing levels of child poverty. We are unhappy that the Commission's contribution to these cross-Government targets cannot be precisely quantified. We call on the Department to establish meaningful performance indicators for the Commission to measure its contribution to efforts to combat child poverty.

⁷¹ Ev 51

6 Conclusion

73. We asked Stephen Geraghty whether he thought he could call the Operational Improvement Plan (OIP) a success. He replied that the OIP had set out to improve the levels of performance of the old and current schemes while the Government came up with a longer-term strategy to replace them. He added that

We did get more money than we said we would get over the period, we got benefit for more families than we said we would get, we improved the service, the telephony and throughput of applications to the extent, in fact more than the extent, we said and we stuck within the budget. So the Operational Improvement Plan was not designed to get us to a perfect system. It was designed to give us a stable platform on which we could build the future long-term changes.⁷²

74. We do not underestimate the challenge facing the CSA at the outset of the OIP and we commend the CSA and the Commission on substantial progress in a number of areas, particularly in clearing the backlog of uncleared cases, in reducing time taken to process new claims, and improving accuracy and levels of customer service. In other areas, success has been more qualified. The Commission missed its original case compliance target and whilst it has met its new maintenance outcome target, 27% of non-resident parents were still paying no maintenance at all in September 2009. The Commission also failed to meet its target for collection of arrears in 2008–09 and acknowledges the difficulty that it will face in meeting this target for 2009–10. Furthermore, despite all the efforts of the OIP to improve the functioning of the IT, persistent problems with IT are leading to a rapid increase in the number of clerically administered cases.

75. Our concerns for the future are two-fold. We are concerned that the new statutory scheme, and its reliance on private arrangements, will see a return to the pre-1993 situation regarding child maintenance. Whilst we gave a cautious welcome to the proposed new system in our report on the White Paper, we repeat our concerns that a reliance on private arrangements may recreate the problems associated with the child maintenance system before the Child Support Act 1991 came into force.⁷³ We urge our successor Committee to continue to examine carefully the development of the new scheme.

76. More immediately, we are concerned that transition to the new scheme will place an intolerable burden on the Commission. The strain of managing a ballooning clerical caseload in the old and current schemes in addition to running three different IT systems in parallel, whilst also preparing for an increase in caseload for the Options Service will be a very substantial challenge. The success of the future scheme rests on the Commission's ability to rise to this challenge. The successful and prompt progression to the single future scheme is essential for the future of the child maintenance system.

77. We have asked the Commission to provide our successor Committee with a series of regular reports on the functioning of the current IT system; development of the IT system for the future scheme; the management of clerical cases; the management of the transition

⁷² Q5

⁷³ Fourth Report, Session 2006–07, HC 219, paragraph 23.

process to the future scheme; and progress in reducing arrears. These areas are all fundamental to ensuring that a “stable platform” is established from which to launch the future scheme. We hope that our successor Committee will keep a close eye on developments and help to ensure that the future scheme is able to establish a system of child maintenance in which non-resident parents and parents with care alike can have confidence.

Recommendations

Information Technology

1. We are concerned that the work conducted over the course of the Operational Improvement Plan to rectify the problems with the CS2 IT system have either not resolved the problems or have revealed new problems. More than 400 of these problems are sufficiently serious to cause new cases to get stuck in the system. We hope that our successor Committee will maintain a close interest in progress made in resolving the IT problems with the old and current systems. We request that the Commission supply our successor Committee with quarterly reports on progress in this respect. (Paragraph 16)
2. We are concerned at the almost exponential rise in the number of clerical cases caused by shortcomings in information technology. The additional costs of clerical administration of cases are mounting alarmingly. We are concerned that this does not represent the “stable base” that the Operational Improvement Plan set out to establish for introduction of the future scheme. (Paragraph 22)
3. We welcome the steps that the Commission has taken to learn from the disastrous mistakes made in commissioning the CS2 IT system. We are encouraged by the organisation’s confidence that the IT system to administer the future scheme will be more efficient to run and we note the strong case that has been made for using off-the-shelf packages. (Paragraph 26)
4. However, it is often the process of making different packages work together that creates IT problems. We ask the Commission to keep our successor Committee up to date with the progress of development of the future scheme system and we therefore request that it make six-monthly reports to our successor Committee on its work in this area. (Paragraph 27)

Transitional arrangements

5. The launch of the future scheme represents the “clean break” from the past and current systems of child maintenance recommended by Sir David Henshaw. It is essential for the future health and equity of the system of child maintenance that this launch, and the transition of cases from the old and current schemes is managed successfully. However, we are concerned that the requirement to operate three schemes on three different IT systems concurrently during the transitional period will pose a formidable administrative headache. (Paragraph 36)
6. We are very concerned that the escalating costs of clerical administration of cases risk placing an intolerable burden on the Commission at just this crucial moment. We also note that delaying the process of transition will only increase the long-term costs of clerical administration. (Paragraph 37)
7. It will be for our successor Committee to oversee the transition process and maintain a close eye on the work of the Commission in this crucial period. We call on the

Commission to provide our successor Committee with six-monthly updates on what steps it is taking to contain the numbers of clerical cases and on the total monthly cost of clerical administration. We also ask for six-monthly reports on its planning for handling old and current scheme cases in the transitional period. (Paragraph 38)

Improving service delivery and case management

8. We commend the staff and management of the CSA for their very substantial achievements in exceeding their target by a wide margin for clearing the backlog of uncleared cases and for meeting their target for processing new claims. The CSA has also made big strides in improving its accuracy and its levels of customer service. It is to the credit of all in the organisation that, in these respects, it has never been working more effectively. However, there is still room for improvement and we hope that the Commission will be able to maintain this momentum and urge it to ensure that it learns from these successes in designing operations for the future scheme. (Paragraph 50)

Improving outcomes

9. Whilst the newer maintenance outcomes target may be more complete, it nonetheless appears to have been set at a much more achievable level than the previous case compliance target. Although the Commission met its revised Operational Improvement Plan maintenance outcomes target, it missed the original case compliance target by a wide margin. We ask the Commission to set out how it calculated the maintenance outcome target to ensure that it was sufficiently challenging. (Paragraph 58)
10. The Commission missed its 2008–09 target for collection of arrears and acknowledges that the 2009–10 target is looking very challenging. However, we welcome the Commission's achievement in stemming the growth in arrears and anticipate that the suite of new powers that it has obtained will stimulate further progress. Reducing levels of arrears are key to restoring confidence in the child maintenance system and represent an essential element of the platform for launching the new system. (Paragraph 66)
11. We encourage our successor Committee to maintain a close eye on progress in reducing arrears and, to that end, we call on the Commission to provide a six-monthly update on progress, including specifically reporting on the use that has been made of its new statutory powers. (Paragraph 67)
12. The Operational Improvement Plan explicitly set out to lift 40,000 children out of poverty. Improving the operation of the child maintenance system is integral to the Government's strategy for reducing levels of child poverty. We are unhappy that the Commission's contribution to these cross-Government targets cannot be precisely quantified. We call on the Department to establish meaningful performance indicators for the Commission to measure its contribution to efforts to combat child poverty. (Paragraph 72)

Formal Minutes

Wednesday 10 February 2010

Members present:

Mr Terry Rooney, in the Chair

Miss Anne Begg
Harry Cohen
Mr Oliver Heald
John Howell

Tom Levitt
Chloe Smith
Jenny Willott

Draft Report, The Child Maintenance and Enforcement Commission and the Child Support Agency's Operational Improvement Plan, proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 77 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

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

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 30 November 2009 and 2 December 2009.

[Adjourned till Monday 22 February at 4 p.m.]

Witnesses

Wednesday 2 December 2009

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Janet Paraskeva and Stephen Geraghty, Child Maintenance and Enforcement Commission

Ev 1

List of written evidence

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List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2009–10

First Report	Work of the Committee 2008–09	HC 92
Second Report	Decision making and appeals in the benefits system	HC 313

Session 2008–09

First Report	Work of the Committee 2007–08	HC 68
Second Report	DWP's Commissioning Strategy and the Flexible New Deal	HC 59
Third Report	The Equality Bill: how disability equality fits within a single Equality Act	HC 158
Fourth Report	Workplace health and safety: follow-up report	HC 635
Fifth Report	Tackling Pensioner Poverty	HC 411

Session 2007–08

First Report	Work of the Committee in 2007	HC 317
Second Report	The best start in life? Alleviating deprivation, improving social mobility, and eradicating child poverty	HC 42
Third Report	The role of the Health and Safety Commission and the Health and Safety Executive in regulating workplace health and safety	HC 246
Fourth Report	Valuing and Supporting Carers	HC 485

Session 2006–07

First Report	Power to incur expenditure under Section 82 of the Welfare Reform and Pensions Act 1999: new Employment and Support Allowance IT System—Further Report	HC 86
Second Report	The Work of the Committee in 2005–06	HC 215
Third Report	The Government's Employment Strategy	HC 63
Fourth Report	Child Support Reform	HC 219
Fifth Report	Personal Accounts	HC 220
Sixth Report	The Social Fund	HC 464
Seventh Report	Benefits Simplification	HC 463
Eighth Report	Full employment and world class skill: Responding to the challenges	HC 939

Session 2005–06

First Joint Report	Home Affairs and Work and Pensions Committee: Draft Corporate Manslaughter Bill	HC 540
Second Report	The Efficiency Savings Programme in Jobcentre Plus	HC 834
Third Report	Incapacity Benefits and Pathways to Work	HC 616
Fourth Report	Pension Reform	HC 1068
Fifth Report	Power to incur expenditure under Section 82 of the Welfare Reform and Pensions Act 1999: new Employment and Support Allowance IT System	HC 1648

Oral evidence

Taken before the Work and Pensions Committee on Wednesday 2 December 2009

Members present

Mr Terry Rooney, in the Chair

Miss Anne Begg
Harry Cohen
John Howell
Mrs Joan Humble

Tom Levitt
Greg Mulholland
Chloe Smith
Jenny Willott

Witnesses: **Ms Janet Paraskeva**, Chair, and **Mr Stephen Geraghty**, Commissioner, Child Maintenance and Enforcement Commission, gave evidence.

Q1 Chairman: Good morning everybody. Welcome to the Select Committee's review of the operations of the Child Maintenance Enforcement Commission so far. It is still early days, I suppose. Welcome to you. Congratulations on your appointment. Did you really want that job!

Ms Paraskeva: A lot of people have asked me that.

Q2 Chairman: Good luck. When we did our Report on the White Paper in 2007 we were very concerned on this arena of voluntary arrangements that we were just simply to go back to pre-1991. What assurances can give us that that will not be the case?

Ms Paraskeva: I think it is really quite important to recognise the real difference that the Child Maintenance and Enforcement Commission is over the CSA and that it certainly is not a return to the pre-1993 days. The policy is completely different. It is not just that people do not have to make arrangements if they do not want to; we are actually charged with trying to make sure that there are as many effective arrangements between separated parents as possible, and that actually means putting time, energy and some resource into making sure that people have the proper information that they need to make a proper choice and, importantly, that we do not just give people information and guidance as to how to make private arrangements but that we are prepared to support them in making those private arrangements. I think for us and for organisations like Gingerbread there is real concern that we would lose a tranche of parents with care who are perhaps more vulnerable, and we are, I think, wanting to make sure at the Board that we are putting procedures in place to make sure that we address these people through our options, information and support service and then, as I say, through further work from that service, to make sure that we do not lose significant numbers of people and return to the pre-1993 days. So I do think it is quite different. It is voluntary arrangements but, actually, as I say, we are charged with making sure that those voluntary arrangements can actually happen. We are also charged, of course, with promoting financial responsibility, and that is a very long-term goal for us and a very different goal, I think, than the CSA ever had. It is much more akin

to the drink-driving campaigns and the seat-belt campaigns and even the anti-smoking campaign, because one of the things that we have got to try and do, starting with children and young people, is to help them really think through that when they say they want to continue to support their children should their relationship break up that they actually mean it and that they accept some social, economic and financial responsibility during their adult life. So I think we are moving forward to a very different place and the Board is very committed to putting resource, time and energy behind that.

Q3 Chairman: That is all very encouraging, and I would really hate to be negative and cynical, but we have all dealt with hundreds, if not thousands, of cases over many years which largely comprise of wastrel fathers living lives beyond their declared income and paying not a penny. What is going to change with those? Have they not got a get-out-of-jail-free card now with the voluntary arrangements? It is not an equal partnership, is it?

Ms Paraskeva: The thing that is there as well is that if the voluntary arrangement does not work, then either the parent with care or the non-resident parent can come straight back to us and actually sign back in to what will be, we hope, in the future, our new and much more efficient streamlined system of statutory maintenance, and then the full powers of our enforcement actions can be brought into play. So it is more than just a safety net: we will be actively promoting the fact that if your private arrangement does not work, then you can come straight back to us and immediately we will put you back on to our systems and you will be part of the statutory system.

Mr Geraghty: Can I just add something? The people who were forced by the law to come to us, the benefit claimants, in the past, not that many of them actually ended up with a satisfactory arrangement, because a lot of them, as soon as they were off benefit, left again, and quite often we were interrupting a private arrangement that they had got and most of that money now comes to the state, so a lot of the people who were pulled in by section six did not end up with anything. Where there is a private arrangement, the research that we have is that people are more likely to pay than they are

through a statutory scheme or a court order because, clearly, there is willingness on both sides to do it. So we provide the choices to people, we target those who would previously have had a section six compulsory claim, the benefit claimants: they all get a referral to Options. Unless they actively say, "I do not want to talk about it", they get outgoing calls from Options and then the Child Maintenance Options Service which then talks them through their choices, and roughly half of those who make arrangements make them privately and about half actually do come to the CSA; and if the private arrangement does not work, they always have the choice of coming to, currently, the CSA in the future, the future scheme, at any time. So our overall objective, as Janet says, is to maximise the number of arrangements for the separated families as a whole, not just the ones in the statutory scheme. We have pulled together a starting point of what we think exists out of existing research, and we will be going out with a major research programme in the New Year to multiple thousands of Child Benefit recipients who are in separated families to establish exactly what the position is now and, then, repeating that each year so we can see the movement in the total number of arrangements in society for children whose parents live apart, and also how it is moving, and if we are successful we will see the overall arrangement going up. We are neutral on what the mixture between private and statutory arrangement is, as long as the number overall goes up and it is working. I think that is the reassurance. I hope it gives you the reassurance you are looking for. In the situation you described, you would expect people like that to come to the statutory service because the father cannot be relied upon to come to a private arrangement, but that is not everybody.

Q4 Chairman: It is about 47% who are not paying anything.

Mr Geraghty: Of people in the statutory scheme, currently about 27% do not pay in a quarter, about 20% do not pay in a year and about 8% do not pay anything, but most of those, the ones who are in the statutory scheme, we do get money and that is within the period and, eventually, if people have got assets or income, we do get it. Clearly, it would be much better if we got it when it was actually due, but with the people we are talking about, that gets very difficult. In the market as a whole only about 47% of people are paying, but we are trying to increase the number of private arrangements too.

Q5 Chairman: The 1999 reform programme cost, in round figures, 500 million and, frankly, was a failure. What was learnt from that in devising the Operational Improvement Plan and can we now call the Operational Improvement Plan a success?

Mr Geraghty: I think so. The Operational Improvement Plan set out to do a number of things, which it laid out. The strategic context for it was to improve the performance of the current schemes while the Government came up with a longer-term strategy to replace them, and we said we would get a certain amount of extra money for a certain number

of extra separated families within a certain budget and that we would make improvements to the efficiency, so we could improve the IT system to an extent that we could reduce the number of people working on it. We did get more money than we said we would get over the period, we got benefit for more families than we said we would get, we improved the service, the telephony and throughput of applications to the extent, in fact more than the extent, we said and we stuck within the budget. So the Operational Improvement Plan was not designed to get us to a perfect system. It was designed to give us a stable platform on which we could build the future long-term changes. If you remember, John Hutton and I came here and talked about a twin-track approach. So I think we can say that the Operational Improvement Plan delivered what it said it would within the budget it said. I think, against the backdrop of what had happened in the 1999 reforms, we should view that as a success.

Q6 Chairman: Running to 2014 we have got the new CMEC and we have got the two old schemes. So you are running three separate schemes on three separate computer platforms.

Ms Paraskeva: I think if the resources are there for us to move forward at the rate that we hope to transition—and, of course, that clearly is going to be a question, with the difficult public expenditure situation that we were—

Q7 Chairman: The question was going to be, what are the implications for your administrative costs?

Mr Geraghty: The current plan that we have is that we can contain within about the same amount of money that we spent last year and are spending this year both the running of the current schemes—because we are getting more efficient in the way we run those current schemes (and you can see the reduction in headcount that we have that over the last year)—and the investment in the new. So there will be an increase in the years when we are actually moving the cases from the current two schemes to the future scheme—there will be a temporary increase in cost—but after the years of preparation it will be back where it is now, and once we have moved everybody, in 2014 we envisage about a third reduction in the running costs of the scheme through a more efficient system, more automation and spending more time on enforcement rather than on calculation, because we will be using data from elsewhere round government to do the calculations.

Q8 Chairman: Have you been given confirmation that the resources for that bulge will be available?

Mr Geraghty: No.

Q9 Chairman: What happens if they are not forthcoming?

Mr Geraghty: Then we will need to re-look at the plan and how we transition.

Ms Paraskeva: One of the things I would want to say is that the Board is very keen to lobby very hard for the kind of resources that we have put there. We have built in something like 70% efficiency savings over

the next 10 years, and that, I think, is going to be a tall order on the budget that we have already set. To face greater cuts than that, I think, could really put in jeopardy the rate at which we will be able to transition and the rate at which we will be able to move people from the current two schemes on to the new system, and we think that that efficiency is something that we can bring about. As Stephen said, an increase by a third in terms of our outcomes but a decrease in the resource that we will need, ultimately, by a third. They are ambitious targets, but they are targets that we believe we can reach, but not, of course, if there is a further hit to the baseline of our budget.

Q10 Chairman: I would be disappointed if you had not said something like that. From March 2006 to March 2009 your staff numbers dropped 17% but your costs went up.

Ms Paraskeva: That is partly because, of course, we are moving on to developing the new scheme.

Q11 Chairman: Yes, but you have got a 2,000 reduction in staff numbers but staff costs increase.

Mr Geraghty: If you look at the average number of people we employed over the years rather than at the two points, you clearly pay them while you have got them, not on an annual basis. I think the NAO report said it is an 8% reduction in people.

Q12 Chairman: You do agree that in March 2006 you had 11,034 and in March 2009 you had 9,192?

Mr Geraghty: I do.

Q13 Chairman: Over that time your staffing costs have increased.

Mr Geraghty: Yes, but my point is that we did not employ that number of people throughout the full year. We reduced the number of people gradually over the year. The average number that we had was an 8% difference and there was an 8% increase in costs. So over those three years we have got a 16% movement there.

Q14 Chairman: So you are admitting to an 8% reduction in average numbers of employees, but an 8% increase in staffing costs?

Mr Geraghty: I am agreeing to it rather than admitting it. I am agreeing that is what we did. My point is that the increases across the Civil Service—just the general annual increase—compounds to about 13% in that time and the other 5% is due to a mix of resources that has changed. One of the big criticisms of us, quite rightly, at the time of the 1999–2003 reforms was that we did not have internal capability that could let us tell whether our contractors—our IT supplier and so on—were doing a good job for us, and we have put that right and we have got more skilled people. We have also introduced a complex case worker and more people in enforcement—which is a higher paid job than what was called an administrative assistant, of which we had about a thousand in 2006. We are down to

400 now. So we have changed the mix of the people we employ to provide a better service and we have got more expertise.

Q15 Chairman: There were a large number of temporary appointments, were there not, in 2006–07, most of whom did not work for a full year. Talking about the average employed over a year, you did not have a full year's costs for all those people that you were employing. We have got the suggestion here of a third increase in outputs and a 70% reduction in costs, which sounds fantastic. All I am saying is that over that three-year period you had a 70% reduction in total numbers at year end but an 8% increase in salary costs.

Mr Geraghty: The year end is not what drives the staff costs though. It is how many days of the year you employ them for that drives the staff costs, not the year end.

Q16 Chairman: But, even on that basis, there has been an 8% reduction in staffing numbers but an 8% increase in staffing costs.

Mr Geraghty: Yes, there has, and I think I have explained why.

Q17 Chairman: Which does not bode well for a third increase in output and a 70% reduction in costs.

Mr Geraghty: Okay; let me address that in a different way then. In the period you are talking about we were working with the computer systems which we have. We had two computer systems, one of which did not work very well at all at the beginning, it is now better, but we have 1,500 people or so working on clerical cases—that goes. The reason we need to move forward with the reforms to have a simpler scheme and more efficient IT is to achieve the figures which Janet said, which were a 30% reduction in costs and a 30% increase in outputs. 70% is a sort of netted off figure. When you put those two things together, we have efficiency. So, we are not saying that we have achieved efficiency in this period. We achieved a 42% increase in the number of children benefiting and the amount that we collected, but we know, although we are now reasonably effective, we are not an efficient operation because we have two computer systems, one of which still has issues with running some of the cases. The next move, and why it is so important that we do make the next move in the strategic reform programme, is to get us out of that position, to have a simpler scheme with less recalculation in it, less collection of data from individuals and a computer system which increases productivity rather than gives us some of the problems the present ones have done.

Ms Paraskeva: You are actually comparing things which are really quite different, I think. As Stephen has explained, the figures that you are talking about in terms of the 8% additional costs there have to do with the current situation. The efficiencies I was talking about are actually efficiencies we will build in when we have moved across to the new IT system—much more automated and with web access, a lot of self-service—and we will need, therefore, far fewer staff. The system will be very much quicker to

operate and will be operating on annual gross income rates and information that we get directly from HMRC rather than having to track down—

Q18 Chairman: I hear what you are saying; I understand what you are saying; I hope that what you are saying turns out to be true, but this Select Committee and its predecessors have heard similar prognostications since 1993, most of which did not turn out to be right. So you will understand the slight scepticism because what you are projecting is 10 years from now. Some of us might still be here, some of us might not. Can I ask you a question here? In the history from 1993 up to this year, say, at what point did the amount of maintenance that you collected exceed the costs of collecting that maintenance?

Mr Geraghty: I could not answer that. I do not think it has ever, since the first couple of years, been less than what was collected,¹ but I do not have the statistics for the first 10 years or 12 years before I was involved in my mind. I am sorry. Since I have been here it has always collected more than it has spent, and that ratio has improved over the last few years. Can I, for a second, return to your other point? We sat here, John Hutton and I, three years ago and said we would achieve some things for a certain amount of money, and we did. We achieved everything we said we would do within the budget we set. So while I agree we have not improved efficiency to the extent which we would like to, but we did get 42% more output for this increase in cost, we did deliver what we said we would in the period for the budget. So while I understand the scepticism, on long bitter experience, I hope that gives you some comfort that when we sit here today and say, “This is what we can achieve over the next period within this budget”, you have some confidence that it may well be true.

Ms Paraskeva: Returning to your first question to me as we came in, one of the reasons that I did want to take over the Chair of the Board and establish a board that would be there both to support and to challenge the executive was because, actually, we looked at what had been achieved by Stephen and his colleagues in the Operational Improvement Plan and could see that there was a possibility for the future that was a very positive one and we wanted to be part of making that happen, challenging it so that we did not slip backwards but actually being part of a solution for the future for child maintenance for children in this country. I think you would not have had the kind of people that we have managed to attract to the Board had they not had a healthy scepticism about the past but actually a belief from the statistics that Stephen and his colleagues have achieved through the CSA, through the Operational Improvement Plan, that we could actually take that real shift into the future. After all, we had brought in Stephen and other members from the private sector who really knew and understood about IT systems rather than actually trying to rely on people whose business perhaps was policy development to try and unusually take a step-change into a different career

and devise an IT system, which I think has been one of the problems that we have had in government more generally.

Q19 Chairman: I do not want to drag this out. I would simply say (and it is to your credit), you are much wiser than your predecessors because you made damned sure before you put pen to paper that you could actually do it, whereas some of your predecessors made rather outlandish claims about what would be achieved. So that is a positive comment.

Mr Geraghty: Thank you.

Q20 Jenny Willott: I have some questions about IT performance. I apologise for my cold. The IT history of the CSA is not a happy one. I am sure we would all agree on that. In 2006 the NAO found that there were 500 problems with CS2, and even after the upgrades of the Operational Improvement Plan, the number of problems had actually gone up to a thousand (problems with the system) and of these I understand that 400 have no work-around. How much more is needed to be able to fix those problems?

Mr Geraghty: Can I try and establish some common language? A problem and a defect are not quite the same thing. If a light went out now, that would be a problem. The defect could be a bulb or a fuse or a switch. If six lights went out, that would be six problems but it may be one fuse going. So what we had in 2006 (and, again, I would say the NAO did not find it, it was part of a commercial agreement between us and EDS) was a list of 506 agreed defects—things that the system was supposed to do, and everybody agreed it was supposed to do, but it did not do—and we did a commercial settlement with EDS which said that they would give us £107 million of the £161 million development costs back and they would fix those 506 faults at their own expense. That was never designed to be an exhaustive list of problems with the system; it was a list of agreed defects which they would fix and which they have fixed. So 350 of them were done through four small releases and the other 150 were rolled into a big upgrade which we then called PR1. We put a lot of different things together. What we have now is a thousand problems rather than defects. A defect can cause multiple problems and it can sometimes take multiple defects to cause a problem, which I have illustrated. There is then a further piece of language I can introduce.

Q21 Jenny Willott: There are a lot of problems!

Mr Geraghty: The number of times a problem occurs we call an incident, and we get about 3,000 incidents a week now, but 70% of them are caused by about 60 of the problems with a small number of defects behind them. We do plan to fix some of those, and we think that will take about another thousand to 1,500 incidents of the problem away, and we are going to

¹ *Note by witness:* Less was collected in 1997–98.

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do that in April. So when we first did PR1, which was the big upgrade, which allowed us to really see every case whether it was stuck or not—before that we had this issue of cases disappearing into the system—we were getting 7,000 incidents a week. By fixing some of the problems and the defects behind them, we have got that down to 3,000 now, and we hope to get it down to under 2,000 in April, by which time we think we can probably live with that because there are work-arounds with many of the other issues there. I think that answers your question. We will fix about another 30 or so of the defects, which will take out quite a few problems, and around a third of the remaining actual incidents, which is where you see a lot of these problems affecting a customer.

Q22 Jenny Willott: So you are going to have very few that are left with no work-around basically?

Mr Geraghty: That is right. There will be some. The NAO, quite rightly, forecast a continued increase in clerical cases for a couple of years. We will still see some cases going clerical, but the rate will slow down as we get through to that. But some of these problems are not defects, some of them are things that we did not think were in the spec for the system. Again, to give you an example, the system was written so it could deal with up to 100 transactions on a case, 100 receipts on a case, which was fine for the first couple of years, but once you got up to eight years or so of a case, then you are going to be full. That is not a defect; it is how the system was designed.

Q23 Jenny Willott: Did nobody think of that before?

Mr Geraghty: I could not comment. We have fixed it now—that is one of the ones we fixed—but that is not a defect, it is a problem. So I am just trying to bring out the point that we cannot equate the 506 to the 1,000, the different currencies, if you like. I am sorry, that was a very complicated answer, but everything to do with IT and the CSA is very complicated.

Q24 Jenny Willott: Overall, the cost for the IT has been absolutely massive. The NAO estimates that by the end of CSCS and CS2 the total cost will be around a billion pounds. How does that compare to what the original cost was expected to be and, because of the massive difference between that, how confident are you that the costs for the new CMEC IT system are not going to escalate to the same extent?

Mr Geraghty: The billion pounds is the NAO's estimate. If that is what it costs us over 21 years to develop and run a production system for a couple of million cases with multiple payments in and out, that does not sound like an awful lot to me for both main systems. So you are talking about 40 something million a year for development and running and support and so on. I think that is probably a reasonable figure for the sort of system that we have got now. That is only part of our IT bill. We do also spend money on the desktop machines that people

have and other systems that we have. About £100 million a year is our running cost. That was the first question. The second question was how does it compare to what it was supposed to be. The cost of the system over 10 years, which was three years' development and seven years' running for CS2, was supposed to be £465 million, and I think it will be something similar to that. So we have got that 107 million credit, we have also got three years' free use of CSCS, the older system, as part of that deal, but we have spent more money going back in. I cannot give you a precise answer because the way that we paid for the systems changed in 2005 in that the Department for Work and Pensions renegotiated all its individual contracts on different applications and broke it up, application development being one invoice but use of all the mainframes together, the amount of usage, being another one. So you cannot very easily relate individual systems to the invoice, but they are broadly about the same. The third question you asked me was how much it would cost to run the future one. The putting in place cost, the development cost and the lifetime licences for the future scheme, about £120 million is our current view, but that only includes three years of running. So, because we are using a different approach of taking packages which run on smaller machines which are more efficient to run and take much less customisation, much less specific development, then we expect to have a much more efficient system in the future, a much lower cost, and that is reflected in the reduction in the overall running costs which Janet outlined earlier on.

Q25 Jenny Willott: How confident are you that what is predicted is going to be the cost?

Mr Geraghty: I am confident that provided we can fund the transition, we can get to a much lower cost. The difficult period for the Government that is in place at the time it has to be made is do they want to fund this transition to get the caseload out of two existing not very efficient systems on to a third much more efficient one? But we are now confident in the technology that we are using and the packages that we are using. We are using a banking package that the National Bank of China uses. So there are many users of these systems, very large systems, and so the running costs of them are proven rather than writing a piece of code from scratch, which is what is CS2 is with the incredible complexity in it and it was not designed particularly efficiently.

Ms Paraskeva: For those of us who are not as IT literate as Stephen clearly is, I think we would talk about the fact that we are not trying to ask civil servants to specify an IT system and then incur huge costs with the kinds of customisation and changes that you then have to bring because you have not specified it correctly. We are buying off-the-shelf packages. We are effectively a bank—we take money in, we give money out—so a banking system. We manage cases; so there is a case management system on the front of it. So, actually, the costs are really only in the integration of those and the relatively

small amount of customisation that would be needed for our people to actually interact with our customers.

Mr Geraghty: The actual development bit that TCS, who are our contractor, are doing to the packages is about £10 million, so a much smaller creative effort, if you like, into building the system compared to £160 million in CS2.

Q26 Jenny Willott: The number of clerical cases, as you mentioned, has grown quite alarming, from 19,000 in March 2006 to 75,000 in September of this year, and it still appears to be rising and you mentioned earlier that it is predicted to rise in the future. What can be done to stop that increase?

Mr Geraghty: We will not stop that increase, I do not think. If we invested open-ended into solving all those thousand problems and their underlying defects and so on, then you could stop the increase—we would still have the number we have got—but we have explored all sorts of ways of getting cases back on to the system and decided it is too risky to try and do it. So, given that the system only has a limited life and we do not really want to keep investing in it, then we will not stop that, but you can slowly bring the increase down by solving those problems. Again, I think it was the right thing to do, to take those cases clerical. We are collecting about £6.5 million a month for the cases there. So the people on those 70,000 cases are getting an average of 1,000 a case a year, which is pretty close to what people on the system get. It was the right thing for the clients. It is inefficient and it contributes to our increase in costs, which the Chairman pointed out earlier on—the costs not falling as quickly as we would have liked—but, I think, if we work on the assumption we are going to be able to move all the cases to the future system, then the first ones we will do will be the clericals. So when we launch the future scheme in 2011 the first bit of the caseload we move will be the clerical ones, and that is how we see ourselves getting out of that particular problem.

Ms Paraskeva: I think it is also quite interesting to realise that actually finding these stuck cases was because the latest upgrade to the IT, the one that was called PR1, enabled us to see where all of these cases were stuck. Before we could see them, they were still stuck but we did not know where they were and, therefore, could not respond and deal with customers efficiently until they wrote to us. So, in a sense, what we did was to unearth a problem that we had inherited and then institute a way of trying to bring a solution which has got to be in the client's interest even though it is cumbersome, if you like, and expensive, but it was actually a positive move to expose where these cases had been stuck and then to try and do something about them for people and at least get the money moving in a clerical fashion.

Q27 Jenny Willott: You have both talked about the additional cost of dealing with the clerical cases. I understand it is three times as much to deal with a clerical case than one on the system. I am sure, as well, not just in terms of the cost, from all of our own experience as constituency MPs, it is much harder to

help someone who has got a clerical case. Not only, by nature, is the case likely to be more complicated, but trying to get hold of the right person or somebody who has got any idea of what is going on within CMEC is an absolute nightmare. I know that you said you are going to start transferring cases over in 2011 when you get the new system, but my understanding is that unless the parents involved opt for the private arrangement, they will not be put on to the system until 2014. A lot of them will be administered clerically until 2014.

Mr Geraghty: That is not quite right. Reading the NAO memorandum, I can see why you would think that—that is the phrase they use—but the whole transition process is planned to finish in 2014.

Q28 Jenny Willott: So how many would you still expect to be dealt with clerically in 2014?

Mr Geraghty: None.

Ms Paraskeva: Provided that the resource is there, and I cannot stress that enough: because one of the things that we have to look at is if, as I say, we are expected to bring in greater efficiencies than we have already brought in. One of the only ways of doing that would be to slow everything down, and that actually makes it more expensive for government, not less, and it just pushes the cost away. So the rate of transition and the ambition to actually have everybody on to the new scheme—no clerical cases, no old schemes—by 2014 is absolutely dependent on the resource that we have mapped out.

Q29 Jenny Willott: When would you expect most of the clerical cases to be on the system?

Mr Geraghty: Subject to the caveat Janet added, by the end of 2012. Because they are the most expensive, we would move them first, and 2014 is when we say we would finish moving the cases off the current systems that are working on to the future system.

Q30 Jenny Willott: The ones that would be moved towards the end are more likely to be the ones that are already on the current system.

Mr Geraghty: Yes, they would be the most recent cases. The intention is that we would do the clericals and then work from the back: the older the case is the sooner we move it. So if you have just been set up six months before we launch the future scheme, we will not be saying to you, "We are moving you now." You will be the last to move.

Q31 Jenny Willott: Presumably that is going to be carefully monitored so that those people who have had cases that have been mucked around for years will not end up with more problems.

Mr Geraghty: Absolutely.

Q32 Jenny Willott: The final question is about the lessons that have been learned from the previous significant IT problems. How confident are you that TCS does have the experience to be able to deal with such a high profile package? I know you said that they would BaNCS it, but what experience do they have of dealing with this sort of area and how

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confident are you that it is not going to get screwed up again? I am sorry, that is not parliamentary language.

Mr Geraghty: I understand the question even if I do not repeat the actual words. TCS have not done a major public sector programme in the UK before, which, of course, has an element of risk, but it has a much bigger one for them, and this is an absolute flagship contract for them. They are very big in financial services in the UK, they are very big in a number of other industries, but they have not really broken into government; so to them it is a big thing. The packages that we are using are ones in which they have lots of experience. So this BaNCS product, which is the banking package they own and the Bank of China, as I said, and major banks in India, the Middle East and Australia also use it, they have lots of experience of it, and the case management package we use, which is a very common one called Siebel, they also have huge amounts of experience in. So I have no doubt at all about their technical expertise and ability to do things with these packages. To help with understanding the environment and the customer process, and so on, we have got some support from Deloitte Consultancy, who are helping us with our specification, working our design of the customer process into a spec for the contractors to use, which, again, is something which they have some experience of. It is because it is a new sector for TCS to work in. We would not normally have had client-side support like that, but because we are building up the Commission's expertise as we are doing this and because it is new to TCS, we have got that additional support, the net of which says I am very confident that we will deliver a system that we need to deliver on time.

Q33 Jenny Willott: More confident than your predecessors were about EDS?

Mr Geraghty: I could not honestly say. My predecessors, I do not think, at the time of the launch were particularly confident. I think people knew there were problems but, because it had been delayed for a while, there was pressure to put it live, is my understanding, and the selection of the PFI vehicle, which I think everybody thinks now was a mistake, was done outside of my predecessor, shall we say—it was a broader government policy to use PFI—so I do not know what their degree of confidence was at the very beginning. I know they were saying at the time I took over from them and I am much, much more confident than they say they were, with hindsight, after things had gone wrong.

Q34 John Howell: I recognise that there has been a big reduction both in clearing cases and more importantly in terms of the improving process times, but I am not quite sure why, in that it could be one of two things. It could be that these are real improvements as a result of the Operational Improvement Plan or it could be that the number of applications is coming down, so, therefore, you

have got more time to process them and process them properly. Do you have a feel for where the balance lies between those extremes?

Mr Geraghty: I do. We said we would get it to 90,000 by the end of the Operational Improvement plan from the 300,000 or so across the two schemes we had at the beginning and we were down at something like 60,000, which was better than that before the reduction in volumes took place. So the reduction in volumes is from the repeal of the section six, which made benefit applicants come in, which was in October 2008, by which time we had already over achieved the OIP programme. So I think it is a bit of both, as you say, but it is more the former. We certainly achieved that and we have reduced the number of people clearing applications proportionate to the intake; so there has been a big fall in the number of people in there. So it is based on both, you are quite right, but given where we had got to before the fall in applications, again, I think we can claim that we had a genuine improvement in performance.

Q35 John Howell: So that improvement in process times has resulted in changes in the number of people allocated to tasks. Has it resulted in any other organisational change?

Mr Geraghty: No, we organised it at the beginning of the Operational Improvement Plan, so we had people concentrating just on clearing applications. I like to say “clearing” rather than “processing” because the process involves, rather than just doing something on a desk, having to find the alleged father, the father's financial income, and so on. So it is not a processing task, it is quite an interactive task. So we have people focused just on that and split into dealing with the flow and attacking the backlog as well. So people were not having to decide for themselves whether to deal with the one that Mrs Smith just sent in or the oldest one, we organise a cases and get them to work on it. We have left that structure in place, although we have reduced the number of people in it in proportion to the size of the work load.

Q36 John Howell: You have met your target of processing claims. It is more than 80% of claims within 12 weeks. I am interested in the 12-week figure, because originally there was a six-week figure floating about as the target which has been conveniently airbrushed out of everything since. Was there a deliberate decision to move it from six weeks to 12?

Mr Geraghty: Yes.

Q37 John Howell: What is the reason for that and is there going to be an attempt to cut it from 12 to a lower number?

Mr Geraghty: The six weeks initially I do not know if there was any real basis for. We do about half in six weeks. So if you look at the median rather than the mean clearance, the median is six weeks. So we have done 50% within six weeks, but if there are any problem at all with contact and trace or establishing paternity, or if the non-resident parent

does not come up with his income and we have to go to his employer and if we cannot find his employer or they will not co-operate go on to the Revenue, then you are never going to do those in six weeks. You have got half a dozen interactions with members of the public or other institutions. So I think the six weeks was too ambitious and I thought 12 weeks was something we could realistically do for 80% of cases, and we could set a target of 55% in six weeks, or something, if we wanted to, but in order to give a realistic expectation to people making a claim of how long it would take, you really want it to be around the 80% experience rather than the 50% experience. Will there be improvements in future? In the future scheme, where we intend to get the income from the Revenue, not from the individual or his employers and, third, the Revenue, then I think, yes, six weeks for 75–80% does become a realistic prospect, but we are still, as I say, a couple of years away from doing that.

Q38 John Howell: When will we see that six weeks becoming part of your formal target?

Mr Geraghty: We have not actually, two years away from launch, discussed what the formal target will be, but I think we will take a steer from the committee. I think it is realistic once we are getting the income straight from the Revenue.

Ms Paraskeva: I think the Board will certainly want to look at some pretty challenging targets, but they will also need to be realistic. As Stephen said, you need to have it as something you can hit for the majority of people. The last thing you want to do is to build up people's expectations and then not deliver against them, I think, and one of the big and significant issues, as Stephen has said, is getting the information from the Revenue and not having to chase NRPs, a small number of whom go to extraordinary lengths to avoid being found.

Q39 John Howell: Can I come on to the question of accuracy and how you calculate accuracy, because you have changed the way you do that, I think, at least twice over the past few years. Can you describe how you do that and why you changed?

Mr Geraghty: We have three measures of accuracy that we maintain the series for. One is the official one, the one which has always been there, which is "to a penny", and that was inherited from the fact that we were a social security off-shoot and benefits are accurate "to a penny" because you try to be very careful with the amount of taxpayers' money you pay out. To be honest, with the state that the CSA was in when we looked at these targets, people were not interested particularly whether it was "to a penny" because they wanted the sum of money flowing in to be about right. So we then said, "What is really important to people?", and we came up with two others. One is the cash value measure, which is: "How close to what we should be paying are we paying?" and we are currently at about 96% on one and 98% on the other, so about 2% out on the old scheme, 4% out on the new scheme, and one

that is for individual customers—because that is an average—what we call a client measure, or a customer measure, which is that it is to the nearest pound or 2%, whichever is bigger, which is a sort of tolerance which actually might matter to the client, rather than the penny, which almost never does. So that is why we have the three. One so we can show the series and you can see whether our underlying performance is actually improving because it is to the penny, and always has been, the one that we think is the most important to the client, which is to say, "How many of them are within what a reasonable person would think was a fair tolerance?", and the final one, "Are there some big howlers that are putting the average way out?", which is the cash value accuracy. Accuracy is one which I would not claim we have achieved. It is the one thing that I would not claim we have achieved what we set out to achieve in the Operational Improvement Plan. In the year before we launched it, there were 75 and 78% to the penny accuracy. We are now 84 and almost 90 for the old scheme, but we wanted to get them both to 90, so we are still doing lots of things on accuracy. The problems we have are mainly around two areas. One is the effective date, and 45% of all the errors are in the effective date of changes, and we are about to launch something to help people to get it right. It is 36 different flow charts that apply in different circumstances, because this is a hugely complex area, and if you have a linked case, when does it affect the other people as well? The second one, which is 40% of the total errors, is the definition of "income". Again, this may seem obvious, but there are some very complex rules about things like when tax credits are taken into account, because it depends which scheme it is, which part of the calculation within the scheme, who in the household receives them, exactly which tax credit it is, and we do make mistakes in them. So, again, we are doing a spreadsheet guidance to help people with that, but using the Revenue data will take most of the income problems away. The effective date. We are trying to simplify the rules as we do regulations, so we can maybe only have 26 or 20 different flow charts rather than 36, but accuracy is still a problem. As I say, we are within about 3 or 4% of where it should be of the total assessments, and we are making some progress, but we are not there.

Q40 John Howell: With that level of complexity and looking at the future, are those measurements of accuracy ones that you will want to retain for the future—are they robust for the future—and is there a way in which you can boil this down to a much simpler headline rate of accuracy, if you like, as a composite of those?

Mr Geraghty: There would be, and, in fact, we were working on that at some stage about a year ago. I honestly cannot remember what happened to the work on it. We did try and do that. It has not made the top of the list. So, yes, it is a simple thing to do and we probably should.

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Q41 John Howell: Looking at the accuracy figures, the old scheme cases, they seem to be more accurate than the new scheme. Does that relate to what you said earlier about the dates, or is there another reason for that?

Mr Geraghty: I could not prove this empirically, but I think the people working on the old scheme have been for a long time, and the cases are much more stable now—they are all at least six years old—and you will get a change in one aspect of the case which you could do wrong or right, whereas a lot of the new scheme cases are new cases coming in where it is possible to make an error in every one of the elements of the calculation. So I think it is a combination of the relative experience of the people, how long they have been doing it for and the amount of elements of the case which are new in the calculation. If they were both new, if we were taking new business on to both and new people into both schemes, you would expect it to be the other way round, because the old scheme is more complex, but typically you are changing one of the factors in the calculation where, more often, it is a completely new case with the new scheme, so there is more opportunity to go wrong.

Q42 Miss Begg: I have some questions on your case compliance. In 2006 you committed to increase your current scheme case compliance to 80%. You subsequently abandoned that target, but the fact remains that you failed to meet it and the current scheme case compliance stood at 68% in March 2009. What went wrong?

Mr Geraghty: Can we just discuss some of the words for a minute? We did not abandon the target. We stopped using the measure because it is not a helpful measure. So it is not that we are no longer going to try and hit that. We said it is irrelevant; we will never look at it again, and let me explain why. What we set out to do with the OIP was get a certain amount of money to a certain number of children, and we did that, and the caseload did not grow overall. So any measure that you are using which suggests we did not hit what we set out to hit is clearly a bad measure. That is the principle of it. Why is it a bad measure? Imagine you are running a business and some people pay cash when they get the goods, others you have to send an invoice to and you forget to send some invoices. Case compliance only measures how many people on the invoices you sent out pay you. It does not measure the people you forgot to invoice and it does not measure the people who paid cash on the day, so you can think you are doing really well when you are not. What case compliance does not have is people who use maintenance direct, which is a good thing—it saves the taxpayer money, it takes time out of the system, and it does not measure people that we are not asking for the money (where there is a calculation being done but we are not asking them to pay), it only measures the ones we have asked to pay who do. So we said we are not going to measure on that because it drives people to the wrong behaviour. If you target a case worker on case compliance, all they have to do is stop asking for money from the non-compliant cases and they hit 100%, which is

clearly a bad measure; it drives the wrong behaviours. The measure that we adopted instead was to say, let us look at where there is a calculation—so the total number of “goods” in my analogy—and how many of those are paying, and that is what we call maintenance outcomes. So it is everybody who has got a positive calculation, whether we are remembering to ask them for the money or not. We worked out the 69% target as being, if we left what is called “assessed not charging” (so the ones we are not asking for the money) and maintenance direct at the same level and the case compliance went up to 80, what maintenance outcome would that be equivalent to? The answer was 69, and we are currently at 73. I know it sounds as if I am picking on the word, but we did not abandon the target as it was unachievable. We said this is a bad target, it drives the wrong behaviour, it does not reflect the real performance of the business, so let us come up with one which does, and that is maintenance outcomes. It is every child who is supposed to be getting money, whether they do or not. It is a much better measure.

Q43 Miss Begg: By your own admission, your new target, your maintenance outcome target, you said 72%?

Mr Geraghty: The target was 69.

Q44 Miss Begg: Your target was 69, you are at 72.

Mr Geraghty: Seventy three.

Q45 Miss Begg: That does not sound very good to me.

Mr Geraghty: I am sorry, I think it is fantastic. We started from 63 with a target to get to 69, and we have got to 73 at the moment. The important thing is has the number of children gone up? The number of children has gone up from 560,000 to 800,000. So that is what counts. The ratio is kind of interesting in managing it, but it is the number of children out of the cases that are getting money that really matters.

Q46 Miss Begg: Another measure you use is the percentage of parents paying their maintenance in full. It has increased since 2006, but it is from 46% to 53%, but 27% of non-resident parents are still paying no maintenance. Again, that is down 10% from 37%.

Mr Geraghty: Yes.

Q47 Miss Begg: In your measures, is that good?

Mr Geraghty: They are using the maintenance outcome measure, so that is the right measure to use. The 27 is the other side of the 73. The 53 is paying it within the quarter when it is due. It is not to say that is all who will ever pay, because we do chase arrears, we do collect arrears. That is pretty good by international standards. In the most recent Australian report that was published their numbers are 42%, 42.4, pay everything, but that is an annual. So our annual would be lower than 53 but probably pretty close to it. So that is pretty good. The Aussies, I think, are the best at this so far in the world and I hope in our future scheme we will catch them up. So I think that is pretty good. The 27 is not particularly

good and we need to do a lot more with that, but it is where we said we would get to by now with the funding we have spent, and, again, the future scheme, we hope to get that much further when we can be more efficient how we use our time.

Q48 Miss Begg: Under the existing scheme you are dealing with everyone including, as you say because you changed the outcome, those who are willing to pay. Under the new scheme to CMEC you will not be dealing with the difficult ones. Would you expect those figures, therefore, to drop—because you are not going to have the easy ones, the ones who are coming to private arrangements, the ones who are willing to pay in the first place and have been quite happily paying? I expect those are the ones we never see as MPs as well.

Mr Geraghty: We think, because we will have new enforcement powers, we will have a more efficient system, so we will spend more of our time collecting and less calculating, we can improve on them still. I think you are right to make the point. The mix of the caseload might move, but most of the caseload had a choice of private or coming to us then. So 60% of parents with care came to us without having been on benefit. They came to us because they wanted the CSA to be involved. We envisage the caseload falling, but only by about 200,000, in the future and we envisage the number that are paying going up. So 1.2 million to a million is what the business plan was based on. We are not planning to drive everybody into the private schemes if they feel they would rather have the state involved, and, clearly, relationships between separated parents are not always conducive to them having a private arrangement. So I think you are right to say that any improvement in the future needs to be seen in the context of a more difficult caseload, but I still think it is possible to make one.

Q49 Tom Levitt: If there is one group of people that MPs never meet, it is satisfied customers of the CSA because they do not have reason to come to meet us in the first place. My impression is that most of the cases that come across my desk are parents with care with issues of arrears which they want to see addressed. My impression is also that the number coming to me with that situation peaked a few years ago. It has been falling for several years but has gone up recently is the general feeling I get, but particularly what concerns me amongst those people is the number who are coming to me with very large amounts of arrears, say, over £25,000. Is that a general trend, that the size of arrears is getting bigger, and, if so, why does no alarm bell ring when arrears reach a certain level?

Mr Geraghty: One of the strange things to me is that the number of complaints to MPs has hardly moved over the period of this. Your experience that it has gone down and gone up again: a couple of other MPs have said the same to me. That is because we have now looked at the monthly complaints to MPs over the last five years and they are pretty much a thousand a month all the way through that period. The highest was 1,350 the lowest was 850. June was

very high for some reason, but it came off again in the autumn. So the number of complaints that we get directly from members of the public has fallen hugely. The total complaints has fallen by more than half, but the number coming through MPs is relatively flat, which is probably borne out by what you are saying there, and it surprised me when I saw this. I had assumed, perhaps naively, that you would have a similar trend in the two, but I guess it is where there is a big problem, like you are discussing, that people still go to their MPs. Our average arrears across the case load are about £3,000 something. More than half of them are less than a thousand—56% are less than a thousand—but then there are some very big ones. Typically, the very big ones are what are called interim maintenance assessments where, to frighten people into giving us information, we made an estimate—a process that was used in the 1990s that we do not use any more now—and about £1.2 billion, so almost a third of the total arrears, is these estimates, and most of the very big arrears are these figures which were deliberately made big in order, as I say, to push people into providing data. It works for the Revenue, apparently, but it has not worked for us. When we eventually catch up with these people and get the information, typically we write down that calculation by about 70% because the estimates were very high. We do actively work every case over certain thresholds—I think at about £12,000 we have got a team that goes after them—relatively small numbers. So we will be chasing those, but it does not mean we get it. We have some success with these. We got a £70,000 yesterday, which was a great one, we got a £12,000 on Friday that settled off cases altogether, but these are arrears often dating back to the mid 1990s. People may not have the income to support them, particularly if it was an estimate. Some of them have assets. The two I was just talking about were assets. One was a house that we had a possession order on and the guy came up with the money; the other was a bank account that we found. He had just split up from another wife and the first wife rang us up and said they have just sold their house, there will be some money in his account and we took £12,000 of it. It is at that sort of tactical level that you are operating. This is not a very good answer, I am afraid, in front of your constituents, but big old arrears are very hard to collect. You may have picked up in the report that we tried something, which was putting out arrears to the private sector to see if they could do any better than we did, and the experience was pretty disappointing. They collected £26 million out of £350 million which we put out. These were two of the biggest four in the market place doing it—it was Eversheds and IQOR (they used to be known as Legal & Trade)—and it just shows how difficult it is to collect the arrears. One of the other things we have done recently is to have PricewaterhouseCoopers do a piece of work on the collectability of the arrears. They did half a dozen different methodologies which covered a range of answers, but one of the worst ones: if you actually credit scored non-resident parents and said, “Would they get a loan for this amount of money?”, then the number of them that would was extremely

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low, and that is what makes it so difficult to collect. So a lot of the numbers will end up being adjusted down, the very big ones. We do actively work all the very big ones and, where there is an asset, we will get it, eventually, but it is a difficult point. I understand that.

Q50 Tom Levitt: So you are saying there is a level at which an alarm bell will ring and a case will pop out?
Mr Geraghty: Yes.

Q51 Tom Levitt: What is that level?
Mr Geraghty: There are different teams. As soon as there are three missed payments, we start chasing for the payments, rather than just do reminders. We then have teams working over 50, over 25, over 15 and over 10 at different levels of intensity, shall we say, looking at whether there are assets that we can get. Those were thousands, those numbers that we are talking about.

Q52 Tom Levitt: You mentioned the private collection agencies. In 2008, 2009 your target was to collect £220 million worth of arrears and you collected only £158 million. Why was that target missed by 30%?

Mr Geraghty: The total collections, including an element of arrears, was the target. We made the total collections but the mix between arrears and current was not what we thought. The element that was missed was all from the debt collection agencies. So when we let that business—we tendered the debt and said, “Who can collect how much of this for how much?”—the estimate was that we would get over £100 million back from them and we got, as we said, £26 million. So the internal collections bit worked. The experiment, if you like, the trial to do this through the private sector, did not. I think that says that we need the special enforcement tools; it is not just the lack of activity that is the problem. That is essentially why, that it was harder than we thought to collect that, but I would say that the total, which was the actual target, we did hit the total. It was the mix between arrears and current which was different and, in fact, we over achieved the total. So the impact on the balance, it does not matter whether you have collected more arrears or more current, the balance of arrears owing is the total collections that affect them.

Q53 Tom Levitt: It matters to the individual.
Mr Geraghty: It does.

Q54 Tom Levitt: What you said earlier about using calculations, in a sense, in order to scare the absent parent, it also lulls the parent with care into a false feeling of confidence that she, as it usually is, is going to get more. She thinks she is going to get so much and she is never going to get that.

Mr Geraghty: I think that is right. It has not been done for 10 years now. These assessments are still out there. There have not been new ones for around 10 years now. It was a 1990s tactic which was used. We

now use what we call a default decision,² where we actually say what trade is he in or what job is he in, where does he work, and we have tables of average incomes for occupations. We get the best evidence we can, in other words, but we just cannot get the information, although, to be honest, the collection rate on those is also quite low. These are people who just are not co-operating at all.

Q55 Tom Levitt: You have accepted that you have only collected £158 million against the £220 million target last year.

Mr Geraghty: Yes.

Q56 Tom Levitt: And you have explained why. This year your target is only £170 million, so you are not expecting to collect significantly more arrears than last year.

Mr Geraghty: That is right. We have taken the book back from the debt collectors now. Their contribution was so small. To be honest, that £170 million is a very difficult target. Halfway through the year, that is looking tough.

Q57 Tom Levitt: You have taken that back from the debt collectors but you have not put another method in. You have not expressed any confidence that there will be a significant increase in the amount of arrears that are collected this year.

Mr Geraghty: That is right. The cases which are paying to the debt collectors, we have left there, I should say. There are about 7,000 cases who are making payments. The rest we have taken back and we will put into these teams that I have talked about, to use the enforcement powers, the asset seizure powers and so on, on them, because it has demonstrated that the commercial methods they used were not effective

Q58 Tom Levitt: You have explained that only £1.065 billion of nearly £3.8 billion of arrears are collectable. Is this entirely explained by those estimates that you were talking about or is there another answer for that?

Mr Geraghty: We accepted the blend of these different methodologies, which gave us answers from 400-and-some to 1.3ish/1.2 or something, and we decided that, given we have these powers that other people do not have, we should be able to get towards the top end of that range. The methodology we used in the past, looking internally at a sample and saying, “If we know where the guy lives, we will eventually get something,” or “If he is in a job, we will eventually get something,” was a less sophisticated method, and that is a revision to the collectability.

Q59 Chloe Smith: Going on to enforcement powers and the difference between what you had in the Child Maintenance and Other Payments Act 2008 and the Welfare Reform Act 2009, the latter substantially increased the administrative powers you had

² *Note by witness:* This is better described as a “best evidence decision” than a “default decision”.

available, particularly disqualification orders and, I believe, deduction orders as well. Why was that so necessary so soon after the 2008 Act?

Mr Geraghty: It was something the Government wanted in the 2008 Act. It was removed in the course of the passage of the Bill and the Government decided it still wanted it and had a vehicle to get it. Those were negotiations as the Bill was going through the two Houses. The intention from the beginning was always to have those administrative powers. That is so important because it allows you to do things in volume and quickly. There is an appeal to courts but in other jurisdictions—the driving licence particularly in the US; travel documents, both in the US and Australia—these things are done administratively. Particularly in the US, again in the case of driving licences, it is the first thing they do. You get two reminder letters in Florida; the third letter says, “We’ve cancelled your driving licence.” They find it very effective. We have this protection built into the Bill here, and if somebody does not think they really owe it, they have an appeal to a magistrates’ court, but to put the whole thing to a magistrates’ court slows the process down and increases the costs.

Q60 Chloe Smith: You would say that the main obstacles you face in terms of the court is the length of time. Are there any others?

Mr Geraghty: It is a more expensive process and it takes time.

Q61 Chloe Smith: Could you talk us through the use you have made of Deduction Orders.

Mr Geraghty: The example of £12,000 I gave you a moment ago was a Deduction Order. We have a team of about 10 people at the moment with whom we are piloting Deduction Orders. The main banks have set up single points of contact and we have agreed a certain volume to test the process. Clearly they have to find the accounts and do it. We have done a couple of score deductions. The biggest problem so far is identifying the bank accounts. We do not have, as the Americans would have, access to a federal database which lists all the bank accounts and the balances for child support purposes, so we need to get intelligence. In the example I gave you, it was from the first wife, who knew he had split up with the second wife, to say, “He’s got an account at such a bank,” and then we need to hit the exact title on the account. If he calls himself, “H Steven Smith” rather than Steven H Smith” we probably would not get a match. This is what we are working through with the banks, saying, “How precise does it need to be? Do we have some we have missed? If we try a range, do we meet it there?” We are still in the pilot stage of doing it but we are taking significant tens of thousands of pounds through this, and it looks as if it will be a good thing. We have done a couple of regular deductions. That is probably less promising because we do not have the power for joint accounts or business accounts, and, clearly, if you want to avoid the deduction then you get your mum to put a name on your bank account and we cannot touch it.

Q62 Chloe Smith: For clarity on the numbers, you said you had done a couple of score. Do you mean literally under 100.

Mr Geraghty: Yes, we have done many hundreds of requests for bank account details—I cannot give you a precise number, I am sorry, but it will be in the 1,000/1,200 range—but the actual hit on bank accounts is relatively small. We get a lots back saying, “No, we haven’t got an account for H Steven Smith” and because we do not have anything to compare it to, we have to accept that and move on. It is the identifying bank accounts that is the issue. We know the bank account he has paid us from in the past, if he has paid us, so we can see if there is any money in that, but the next thing we need to find is a way of overcoming that. We have talked to Experian, who maintain a database of credit accounts, about getting lists of accounts from them, but they do not have accounts with positive balances in their current services. We would have to try and work on that. In some of the countries there is a database created for the purpose of child support deductions. We have discussed that and it was not included in the Bill.

Q63 Chloe Smith: To pursue the point about the way the banks work with you in that, is that a limitation on the banks in terms of their own processes, in that they have to get, for example, exactly the correct account name, or are they presenting you with obstacles?

Mr Geraghty: No, I do not think they are being obstructive at all. If you look at it from their point of view, their customer has entrusted them with this money and, unless they could demonstrate that they have no option, the customer is likely to be very disenchanted if they have said, “Oh, no, we don’t have one for that, but we have a couple that sound similar. Would you like a look?” The answer is somehow to have access to better data so that we can target. I would not expect the banks to do fuzzy searches for us and say, “What do you think about this?” Although I would very much like it if they were to volunteer, as an ex-banker myself I think that would be an unreasonable thing to do.

Q64 Chloe Smith: I understand there has been a 12% decrease in the number of Deductions from Earnings Orders since 2006.

Mr Geraghty: The number of new ones we have put on, the number in place and working, is higher than it has ever been, so we had a push to get them on. We took off ones which were ineffective. Currently about 80% of Deduction from Earnings Orders net money each month and only 7% of the employed caseload has a Deduction from Earnings Orders but is not paying, which is cases in transit, so the people are in between jobs. We have pretty well pushed the Deductions of Earnings Orders up to where we will get it to be effective now. The 12% is in the number of new ones we have put on in the last period rather than the number that are in force. It is the number that are in force and paying that is important. The effective proportion has gone up from just over 70 to

81% now that yield money,³ because they are on the right employer for the right amount of money to keep them up to date, but the number of new ones we have put in on each month has fallen slightly.

Q65 Chloe Smith: What progress have you made in testing those Deduction Orders as the first means of collecting maintenance?

Mr Geraghty: We have not yet. We had a regulation from August to do that, so it is not an enforcement power any more, it can be the first thing. It is being worked through the CSA's internal processes now, so I am afraid not yet. We can now do it, though.

Q66 Chloe Smith: Finishing off on Deduction Orders with something I have derived from somewhat new constituency casework. A couple of cases have come to my attention. It appears in one case, from a gentleman's point of view, that money seems to have been taken without him having had notice; indeed, a very large amount of money has been taken that has completely wiped out his account. Do those examples have any resonance with you?

Mr Geraghty: No. If you want to let me have details, I will look at them. The process should be that we freeze it and notify him. He has a period to make a "representation" to us and if we go ahead and make a final order, a period in which he can appeal to a county court. If anybody has had money taken without notice, either he has not given us his latest address or we have not followed the process. Given that on the other side it is 10 people running this, I would be more surprised than usual if we had not followed the process. In the rules there is an appeal to us and then an appeal on to a magistrate, and, as I say, we freeze first, before we take.

Q67 Chloe Smith: You feel you would have a high awareness of any errors occurring in that process.

Mr Geraghty: I am not aware of any. To be fair, I have not seen a stamp that says there have not been any. The account should be frozen without him knowing—because clearly there is not much point giving notice that we are about to freeze the account—and it may be that is what has happened, but we should not take it without him knowing and without him having had a chance to appeal—a month to appeal.

Q68 Miss Begg: I am a bit longer in the tooth and I suspect he may be lying. I have a series of questions on promoting financial responsibility. In your Operational Improvement Plan you committed to running a media campaign to promote financial responsibility. Your pilot exercise appears to have been very successful but since then nothing has happened. Is there any further action?

Ms Paraskeva: There are two things we are doing, one in terms of promoting financial responsibility and the other in promoting information and support and guidance. On the financial responsibility front we are working with other government departments,

because it is pretty clear that this is something which across government we should be doing; in particular working with the DCSF and looking at the way in which we might work and, indeed, are beginning to work through children's centres and the extended schools programme. In Nottingham, we are working through the strategic partnership there, trialling out curriculum materials in one of the academies there. We are also wanting to work through the Department of Health with health visitors and with midwives, to try to make sure that we get information to those people about our Options Service, because it is the Options Service which is really the outreach programme, as I say, not only giving information but also support and guidance to people to try to increase their awareness of their financial responsibilities and to help them do that if we can. One of the ways of making sure that people know about the Options Service, of course, is to publicise it. We trialled a media campaign in the Midlands recently to see if we could, through television and radio advertising, really bring to the public's awareness the fact that this Options Service was available to them. In fact it was very successful, with very significant increases in the numbers of people telephoning in, a 50% increase, and a 100% increase in the numbers of people using web access to that service. That of course is hugely important to us, not only for those people who want to use the statutory service but, importantly, the people who want to try to make private arrangements using our calculator, using the support of our colleagues in the Options Service, so that we do not lose the very vulnerable people that they were talking about earlier. The other interesting thing that we learned is that our publicity campaign was targeted not just at the parent with care but also at the non-resident parent, and as well, because we are into behaviour change here, which is very long term, at the friends and families of those concerned. One of the things that we know from behaviour change is that the thing that changes your behaviour most is persuasion from families and friends, and the statistics from the central region programme advertising campaign that we used for our Options Service demonstrated that non-resident parents too were beginning to use the service: 22% of our inbound calls were from non-resident parents, which was a very significant increase on the 2 or 3% of NRPs who would normally have called the helpline at the CSA. I think 13% of the calls were from family and friends. It is terribly important that we let people know that this service is out there. When we originally piloted the work through focus groups, a lot of ex-CSA customers said to us, "We only wish this had been around when we were trying to make our arrangement." We need to make sure that people know that the Options Services are there and that it can help them, and so we are going to be extending that publicity campaign to the rest of the country in the New Year because it is clearly a very important plank of the way in which CMEC will work differently and the different services that CMEC will offer than the CSA could. It is about promoting financial responsibility, but that, as I say, must also

³ *Note by witness:* We are unable to verify the 70 to 81% figures. The figure is currently 80% and has been around this for the last few years.

be done through other government departments. We will be working as well with DCLG, to see the way in which perhaps local area agreements might have something within them that can deliver for us the further information that parents need to have, particularly about our Options Service, which will then deliver the information, the guidance and the support. We are also trialling within our Options Service the ways in which we can help and support private arrangements, but particularly arrangements with the most vulnerable. We are looking at, for example, what kind of face-to-face support might be affordable and useful and work, and be what people want. Immediately you think that people with the most difficult situations and customers with the greatest difficulty will want face-to-face contact. That is not necessarily so. We are trialling a number of different ways to see how we can best support the most vulnerable, and, indeed, help people sustain their private arrangements so that they do not have to come back to the statutory service, although, of course, if it all breaks down they certainly can.

Q69 Miss Begg: I know that the FSA have a baby pack that every newborn baby gets. Are you in there?

Ms Paraskeva: With the FSA and the *Money Made Clear* documentation, we are working with the FSA with our information in that. We are also in the information that the Kids in the Middle Organisation runs, with “agony aunts” now increasingly referring people to our Options Service, that awareness of the Options Service, and really making sure that everybody at every level who has contact with parents—parents with care and non-resident parents importantly—is aware of the help and support that they can have.

Q70 Miss Begg: How are you measuring the success of that? The CSA has such a bad name that word of mouth amongst parents at the moment is “Don’t go near the CSA because everything was fine until I did.” How are you going to change that public perception?

Ms Paraskeva: In the end it will be success that changes public perception and the fact that people are getting help and support from Options by word of mouth. In the end probably the biggest thing that changes things is people’s positive experience. We know from the initial in-house surveys that we have been doing that we are getting very, very positive responses from the people who have used Options. We are doing three sorts of things. We are beginning a comprehensive piece of work that will be an annual survey, a longitudinal survey too, involving about 12,000 sets of parents in the first instance (talking to 1 in 4 of these—ie 4,000 PWCs only). We need first of all to baseline, and then every year to measure the effectiveness of our Options Service. That is beginning. We will get a first report by about March next year which will give us the baseline of the numbers of people making private arrangements as

a result of their involvement with Options.⁴ We will then follow that through on an annual basis with about a third of those, both parents with care and non-resident parents. Because we wanted something sooner than that, and the board was very keen to know, Options having been in place, if there was something we could do internally, we set up an internal client survey immediately, to phone clients of Options, people who had themselves phoned in or been in contact with us, and say, “What kind of arrangement have you made since your contact with Options?” We now know from those internal surveys that something over 60,000 children have had money passed to them because their parents have been helped by the Options Service.⁵ That is about 38,000 arrangements since the Options Service has been in business. A major longitudinal study which has started—and we will have the baseline figures by March—but, more immediately, the internal surveys are showing us that it is working.

Q71 Miss Begg: When there is marital or relationship breakdown, the first stop for the couple separately or together is not the CAB or some of the other agencies you have mentioned but a lawyer. Are you targeting lawyers to make sure that they know what the new system is and how it would work? I still find lawyers now who sit on CSA cases, realise they cannot do anything with it, and then they send them to me. In the meantime it has cost the client or my constituent quite a lot of money that very often they do not have.

Ms Paraskeva: We work very closely with a number of stakeholders, including Resolution, the family lawyers’ organisation. Also, realising that the role of the lawyer in all of this could be quite key, when I was recruiting non-executive members of our board we recruited a very senior family lawyer, so that we have advice directly every month when we meet, as well as the in-between meetings that we have with lawyers through our stakeholder relationships with Resolution and, of course, with those who provide mediation.

Q72 Miss Begg: The other thing which has come in, which was slightly controversial as well, is the joint registration of births. Is that having an impact in fostering the whole sense of parental financial responsibility, particularly in the case where the parent perhaps has never really been very much in the child’s life?

⁴ *Note by witness:* This section needs some clarification. There are two surveys (1) A longitudinal survey involving 12,000 parents with care, to provide an estimate of the number of effective arrangements in the population as a whole. It is this which we hope will be available by March 2010. (2) An evaluation of the Options Service to find out the extent to which parents have been able to make an effective child maintenance arrangement following their contact with the Options Service. This will not be completed until later 2010.

⁵ *Note by witness:* Approximately 60,000 children are benefiting, following contact between one or both of their parents and the Options Service, although exact causality is not known.

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Ms Paraskeva: To be honest, we do not know. It was something that was in the legislation along with all the things that had to do with CMEC. It may, it may not. Of course the difficulty about it is that it does not necessarily guarantee that the name on the birth certificate is the father's, because it is the PWC who puts the name there. It is a bit of a blunt instrument I think.⁶

Mr Geraghty: I do not think it is in force yet. It was in the Welfare Reform Bill which has just gone through.

Ms Paraskeva: It has not started yet.

Q73 Miss Begg: Do you think it is going to make a difference or do you think there will just be a lot more DNA tests?

Mr Geraghty: I do not think it will make a lot of difference. We deal with DNA tests in about one in a 100, so it is not a huge problem. Disputed paternity is not a huge thing that we deal with, and I do not think this will make much difference to that. The potential positive side is if it was joint, and he was involved and he knew his name was being put on and it did make him want to be more part of the child's life, then he would probably be more willing to do it, but I do not think we have any evidence to say it will make a big difference to us yet, and I do not think it will make any difference to the number of disputes on paternity, which is already quite small.

Q74 Miss Begg: I have a case at the moment where someone thought that simply by ignoring the whole request for paternity proof it would somehow go away, and of course it has not.

Mr Geraghty: We do get some, yes. One in five is the incidence of wrong naming by the parent with care, which is pretty small.

Q75 Harry Cohen: Can you give us some more detail on the Options Service. For example, how many staff are in it? What expertise do they have? What locations are there for the face-to-face interviews? Is the telephone service a personal one or is it a call centre? Are those tables of sample incomes you referred to on your website? Is there a link to texting or for emails on that?

⁶ *Note by witness:* Joint birth registration, ie the changes to the birth registration process for unmarried parents in the Welfare Reform Act 2009, is DCSF policy which will be effective from January 2011. Under the new provisions, a man who is not married to the child's mother will only be named as the father on the birth register if both he and the child's mother acknowledge that he is the father. As now, it is expected that the majority of unmarried parents will act together, in a consensual manner, to register their child's birth. Where this is not possible, parents will be able to provide information to the registrar independently of each other in order for the birth to be jointly registered and to acquire parental responsibility. DCSF will be promoting the importance of both parents being involved in a child's life right from the outset even if they are not together and evidence indicates that early acknowledgement of paternity by fathers has a positive effect on both contact with their children and financial support.

Ms Paraskeva: We have 250 people or the option of using up to 250 people. As to where they are based, I know you have to catch a train to Leeds and go on a long car journey or you could in fact catch a train to Sheffield and go on.

Mr Geraghty: Wath-upon-Deerne.

Ms Paraskeva: Wath-upon-Deerne—there you go. We have separately commissioned a new organisation through Ventura to offer this service. When I went up to see how they recruited the people that they would use on their helpline, it impressed me that they recruited from new but also from among call centre staff, and, as the advert said, "You do not have to be a social worker to help children" so they recruited people who really wanted to be in the business of helping people to make maintenance arrangements. They then themselves have to go through a pretty thorough training programme—not the standard two weeks for a call centre but a significant number of weeks, not just of basic training but also of practice online. That training has been written for us and carried out for us by a number of our stakeholder groups, who are people themselves who are used to working in the field with the kinds of customers that we will deal with. So we are very confident and very pleased with the work that has gone there in recruiting the appropriate people and training them. One of the other things that impressed us as a board when we went to listen in—and if you were to go and listen in—or our stakeholders—is that they are then very keen to hear our comments and to put things right. For example, in the very beginning, we were so keen that people should get impartial information, that there was a concern that we might not be giving as much guidance as customers might like and, therefore, it was possible to change the script and the text that was used. Of course, also, when you watch and hear our colleagues who work there, while they have a script and a text, what they do is to have a conversation with people using that, not literally reading out a text but using that in a very different way. Perhaps you would talk to Stephen about the technical links that we have and also our plans in the future to use text messaging and so on to reach people much more efficiently.

Mr Geraghty: The contract allows up to 250 people in a room. I do not quite understand the aversion to call centres. It is a call centre in the sense that it is a lot of people on telephones in a room but they are not kids off the street. They are all people who are fairly mature, who have been tested psychologically, as well as technically, on whether they can be empathetic or they understand these sorts of issues. They have a big training. There are 160 or so at the moment, which is what we need to cope with the volume. They are in Wath-upon-Deerne, which is terribly important. They do an email service, not a texting service at the moment. You can email them and they will email back. Because it is open 68 hours a week, you would not always talk to the same person, but there is a record of the calls if the caller wants to leave one. They are given a choice of being anonymous or saying

who they are. If they say who they are, they get a code number, a security number, and if they quote that, then anybody else they talk to can come back to them. The face-to-face people will visit you either in your own home or they will make an appointment to meet you in a local Jobcentre or something. There are about 30 of them and they are scattered around the country. We planned it at the beginning so we had reasonable coverage. The usage of it has been very low, the take-up has been very low, and so we have reduced the coverage a little bit, but we have done some pilots to actively promote it and we will continue to do those things. There is a knowledge base which the telephone workers work on which is pretty much the same as you get when you go on the website, but we can see what they have discussed with the client because of the bits of the knowledge base they have accessed while they are in there. They are probably too neutral at the moment, talking about legal solutions, talking about private solutions and talking about the statutory scheme. The numbers are virtually the same, virtually everybody gets told about them all, and we are encouraging them to guide more and to say, "If you really cannot talk to him and you think he might be violent, then go to the CSA" but we are stopping short of actual advice. The other question you asked was about tables. No they are not. Whether they should be is another question. I have never thought about putting them on.

Q76 Harry Cohen: As a guide, as it were.

Mr Geraghty: Yes. I do not know whether we own them and could publish them, but we will look at that. I have just never thought about that.

Q77 Harry Cohen: Thank you. Awareness is very low. The publicity campaign improved that for a short while in that area. You are going to do that nationwide, so hopefully this will go right up. Will those arrangements and the staff you have be able to cope if there is a big surge? That is the current word, is it not: "surge"?

Mr Geraghty: Ventura on that site have 5,000 people and they do all sorts of things there, including some work on pension credit. They deal with the complaints to the Sainsbury's chief executive. If you ring the RSPCA and say there is an injured deer, you are actually ringing Wath-upon-Dearne Ventura who then talk you through it and deal with it. They have people who can move in to get those numbers up. We have worked out what we think is likely to be the impact, given what it was last time. We do lots of outbound calls at the moment, which we can manage. The people who have made benefit claims or tax credit claims, we do tens of thousands of outbound calls a week, so we can knock that back to balance the demand. We are pretty confident. Plus, we are booking the advertising a month at a time, a rolling month, so if it is going to sink us, then we can step back the volume a little bit and spread it out. We have thought about it and planned it and we think we will be okay.

Q78 Harry Cohen: Every case is different, I suppose. If I tell you this scenario, which I think is a pretty common scenario, could you tell me how it would be dealt with generally? Say there is a couple and the man is a high earner, or at least one of them is a high earner, and unemployment strikes. How would the Options Service—

Mr Geraghty: With Options?

Q79 Harry Cohen: Yes.

Mr Geraghty: Is there already an arrangement in place in this scenario?

Q80 Harry Cohen: They suddenly break up.

Mr Geraghty: They break up because he is unemployed?

Q81 Harry Cohen: Yes.

Mr Geraghty: They would explain that if they went to the CSA the assessment would be linked to his income, so it would not be a lot now but then you would keep an eye on whether he went back into work, and they would probably say—I hope they would say—that if they made a private arrangement they could go broader than income. If, having been a high earner, he has retained some money, then there is no reason he should not contribute something out of that. They would suggest they could either talk to him or use a lawyer and they could refer to the Community Legal Advice. Community Legal Advice is one of the signposts on we have. The big signposts on are: CSA, Relate and Shelterline and then the Community Legal Advice. They signpost the calls on afterwards.

Q82 Harry Cohen: Can I ask you about the two roles of being an independent advisory service and then an enforcement agency overall. Are they compatible?

Mr Geraghty: At the Commission level I think they are, because they are part of the overall levers that you need to pull to achieve this objective of maximising the number of people who have effective arrangements. I would never suggest we would have the same individual people or even the same brand providing those services. With one of them you will be talking to Child Maintenance Options and with the other you will be talking to the Child Maintenance Enforcement Service under a different banner—it will be different people, trained differently and so on. To have a controlling mind somewhere that decides what the balance of investment amongst the different services that you offer should be and that co-ordinates messages I think is compatible. Certainly from a customer-facing entity it is not, and needs to be kept separate. That is exactly how we are.

Ms Paraskeva: I know there was a lot of concern when the Options Service was first mooted, that it could not be seen as independent. It is demonstrably seen by people as something that is helpful. I think that as the years go by people will just see child maintenance. I hope they will see it as something which is supportive and that has at

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the back end, albeit under a separate brand within the overall umbrella, the tool to be used if all goes wrong. Hopefully, if we get some of the other work that we are doing right, there will be less need to use as much of our enforcement services.

Mr Geraghty: It is interesting that with the publicity we did in the Midlands one of the big things that they talked about at the beginning was who we are and why we can help. People did not know who the heck Options were, but as we went through that phase in the summer when we were advertising, the percentage of calls that had that content really fell, so that the people who were coming in as a result of publicity understood what it was. A lot of them had been on the web before they rang and had thought about what they wanted to talk about and what further they needed, and a lot more of them were non-resident parents. We had very few non-resident parents calling before the campaign; 22% of the people who rang after the campaign were non-resident parents; and 13% of them were families and friends, people saying, “My sister is this [. . .]” or “My brother is that [. . .]” and so on. One of the reasons we are planning to do it is to get more of the people involved in the overall discussions around family break-up. We talk about our audience being “current and potential separated parents and their influences and supporters.” That is the audience I want to get to Options. That campaign did quite a bit of work on that, which, as I say, is why we are rolling it out.

Q83 Harry Cohen: Options will give advice on private agreements, but sometimes all sorts of things are going on between the two main parties. Sometimes intimidation and there may not be an equal bargaining power. How do you cope with that? Presumably you are getting the application from just one side. I nearly wrote down the question: Whose side are you on? How do you deal with that whole point of perhaps there not being equal bargaining power?

Ms Paraskeva: It is really important to say that we are not on anybody’s side. If there is a side to be on, it is the child’s, because it is about getting money moving to the child, to the parent with care. It is really very important that our Options Service deals equally with non-resident parents and parents with care and, indeed, helps their family and friends with all of that. We are not in the business of counselling. That is not our main role. Our main role is to get the money moving, but of course we are working with key stakeholders. We can refer people to Relate, for example, if what they really need to do is to get other things sorted out. Of course, when you break up, it is not just child maintenance. We know, however, that child maintenance often gets left to the last thing on the list. One of the things we are trying to do is to shift it up the list of the things that get dealt with. We also know from surveys over the past that everybody says that what they want to do is to make sure that money gets to the children. It is just when the breakdown happens that attitudes change. Some of our work in relation to financial responsibility has to be something to which we can refer and fall back on

in those cases. At the end of the day we have to work very, very closely with our stakeholder groups. We can then refer people to them to help sort out some of those other complicated problems that can occur at the same time. But we cannot be on anybody’s side. It would be wrong—except the side of the child who is the recipient of the money.

Q84 Mrs Humble: My questions are about your responsibility to provide a statutory maintenance service. The first two questions I wanted to ask you have already covered but, being a politician, that is not going to stop me asking the questions again, just to make sure that you have given all the information that you want to give. The Chairman asked you questions about whether or not you had sufficient funding to launch the new statutory scheme in 2011 and then Jenny Willott asked you questions about the transitional period between 2011 and 2014. You linked your answers to whether or not you would have enough money, and that, if there were any future cuts to your funding, you may have to extend the period of transition. Perhaps you could just tell us a little more about that period of transition and whether or not the old and the current schemes will still be managed in that period. How will you effect that, whilst at the same time encouraging people on to the new scheme?

Ms Paraskeva: Our timetable of having the new scheme ready in 2011 still holds, and the transition that we have planned to have finished by the end of 2014 absolutely depends on the budget plans that we have laid out. You cannot produce 70% efficiencies and 30% reduction without a certain amount of baseline agreement. It has been difficult enough to get that baseline agreement, frankly, as we speak, let alone to face up to what might well be pressure to cut that money even further. If the funds are reduced, we have to look at a number of different ways of handling that. One of the biggest variables is the rate at which we transition people from the two current systems to the new scheme—because of course it is transition that costs the money for two sorts of reasons: first, the amount of help that you need to give people to make that transition, they will have to close their case and then have to reapply in order to bring about the clean break that government intended, and, second, you need to have people working on the new scheme at the same time as people continuing to work the old schemes. If you were to draw a graph, you would have a peak in the numbers of staffing at exactly the moment when we are probably going to be most hard pressed in relation to public expenditure, and so you would be moving that peak of staffing further down the road, taking longer and therefore costing more to the public purse if you were to delay transition. Our skill in negotiating with our sponsor department has to be to try to help them see that the greater savings to the public purse come by leaving investment where it is, because delays are not only not good for our customers but are not good in terms of the overall costs. You simply push them away and then they increase not decrease.

Mr Geraghty: On funding—and I am sure you already know—the way it works is we had a business plan which we submitted to the Treasury on a 10-year basis to cover the whole reforms and on the basis of that things went ahead, but you only get a budget for three years at a time. We had the first three years' budget and that is now coming back to a one-year budget. We are being told that money we do not spend this year, we cannot keep for next year, so the chunks are being reduced. We have no idea at all what we will get in the following year, which is where we start to get into transition, because that spending review period has not happened yet and clearly there is going to be pressure on public finance. If we do get the original amount that was in the business case that went to the Treasury, then we thought it was tough but achievable—as I say, tight, but we could do all the reforms. If because of the pressures and priorities which pertain at that time, the next spending review dictates that we get less money, then we will have to look at what we can achieve over what period. The original intention was a supported transition, so we went at it proactively. We kept payment as continuous as possible, saying, “Your CSA cases can wait until the end, because it is closing down. You have some choices you can make. Would you like some help with making the choice?” and followed that up, so nobody just dropped out by default, and then helped them make the new application or a private arrangement. You start looking at options like just moving the caseload across, but then that of course means that you have a bigger caseload to manage than you might have in the future. There is a challenge. You might be able to push down a bit what it costs you in the particular years you are managing it, but the net of that is that you will spend more over the full years of reform, because you do not get to a single caseload, with only people who want to be on it, on an efficient system with the new powers in time. On your question of what we would do with the current schemes, the plan is that, yes, we continue to manage them, but as we build up a caseload under the future scheme, we move people across from the CSA into it. The CSA is dropping down and the new service is building up and also building up a residuary service which deals with the arrears that are left behind on the CSA cases and supplement that with some private sector contracting for the transition period when we have the need for these extra people. There is no intention of just leaving the cases which are already in flow, if you like, to wither on the vine while we build a new one. We will manage both the performance of those schemes and the transition between them all the way through.

Q85 Mrs Humble: One other recurring theme in your answers this morning has been the importance of the new arrangements with HMRC. Given how important that will be for the future scheme, have you had any pilots? Have you tested these arrangements?

Mr Geraghty: No, but we are getting close to it. We have agreed with HMRC the data we need and we will get. They have built their end of that interface

and that database. It is not released yet but it will be going into testing after Christmas. We will test that. We are confident that can be done. The question always with these things is just how many of the people we are dealing with they also are dealing with. We did samples when we came up with the policy, and between DWP records and tax records we thought we could cover over 90% of NRPs. Of course, when you get there, not all our people are economically active, if I might put it that way. The caseload split between benefit, employed and self-employed does not add up to 100% in child support NRPs.

Q86 Mrs Humble: Even amongst those who are economically active, there are some who give inaccurate data to the Inland Revenue.

Mr Geraghty: Yes.

Q87 Mrs Humble: Therefore it will not help the child if you are simply working on data that does not reflect the income. We as Members of Parliament have had lots and lots of cases over the years, mainly with people who are self-employed. The Government over the years has remedied some of the anomalies. For example, I seem to recall there were people who previously had been employed became self-employed and were paid by dividends, and then those dividends were not taxable income within your framework. That has been altered, but I have had lots of instances over the years of people whose lifestyle quite clearly is way beyond the amount of income that they are declaring to the Revenue, and it is a hugely cumbersome process for me as a Member of Parliament and, indeed, for the parent with care, who has to go through all sorts of hoops to get the Inland Revenue to do a fraud investigation to then find out what the true income is. When you are looking at the regulations that will underpin this relationship, I wonder whether you take into account as well.

Mr Geraghty: We will start off by saying: “What does the Revenue have about you?” Your example of people paying dividends would be a director of a closed company, typically a company he controls, so that he can decide whether to pay himself in salary or in dividends. That is covered. That would also be covered with data we can get from the Revenue, because it would be on his self-assessment tax return whichever way he got it. We would pick that particular one up automatically. If it is a question of fraud rather than of manipulation of income between different categories, so that he is not telling them about it at all, then it would still be very difficult. Ultimately, somebody has to do an assessment of income for whatever purpose, and we are not planning to set up a parallel income establishment unit. Part of the driver of the reforms is that we should step aside from that. That is what most of the reduction in work that we will have to do comes from. We will, however—and I have had a meeting with the Revenue's enforcement director about this—try to build into the relationship a trigger, so that if somebody says, “I used to do his books, I know he earns twice that much,” we build

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that into the investigations the Revenue would do, and it is open to the parent with care (as it is now) to make an application for a variation on the grounds that income must be higher than that, but some company has to prove it to the satisfaction of a judicial tribunal effectively.

Q88 Mrs Humble: There are also instances where it is not fraud but having a very good accountant who then puts in all sorts of allowable expenses. That can mean that the taxable income at the end of the day of somebody who is living a very affluent lifestyle is negligible, because all the money is tied up in the company. What you are doing then in your links with the Inland Revenue would not remedy that at all.

Mr Geraghty: No, it would not. I think that will continue to be difficult. We are talking about very small numbers now, are we not? It is important if you are one of them, but it is very small numbers of people. No, it would not. That is his income. His income is what is left, if he is self-employed, after the business has paid his expenses. If they are allowable expenses, then I guess that is legitimate.

Q89 Mrs Humble: Finally on the Inland Revenue: when the Select Committee did a report on this matter we highlighted that there could be a delay of up to two years in the information that the Inland Revenue had that then they were sharing with you. We had reassurances that there would be opportunities for either the non-resident parent or the parent with care to come up with more accurate up-to-date information. Is that the case?

Mr Geraghty: Yes, it is. Even if you did not let them change in flight, as it were—which we are going to—then over the life of the case it is going to be pretty well right, because you might be charging the amount in the wrong year but you are charging pretty much the right amount over the 10 years of a case and so on. If a big gap develops between the historic income we are using and the current income they have, then, as you have said, either parent can ask for a change of circumstances and we will put out a current income.

Q90 Mrs Humble: In our report we had lots of evidence from a wide variety of people that the 12-month rule acted as a disincentive to parents to reach private agreements. The Government maintained the existing system. Have you had any experience that it does get in the way of efficient operation of the CSA?

Ms Paraskeva: I do not know that we have in relation to the CSA. The way we look at it in the future is that at the end of 12 months people make their private arrangement. If we are looking at a whole new ball game where the business is to try to help people make and keep those private arrangements, then after the 12 months is up is the time when they could come to an arrangement that is more suitable between them or, indeed, come back to the state system.

Mr Geraghty: Strictly it is consent orders and it is court orders that we are talking about rather than purely private arrangements. The 12-month rule does not apply to a private arrangement. It is the essence of a private arrangement that you can change any time one of you wants to. If you no longer agree, then it is an informal arrangement between you. If it is a consent order, which is where the 12-month rule comes in, it is something you agreed and the court endorsed at a point and it is binding. It may put some people off consent orders. The evidence we have to date is that it makes it very likely the consent order amount will be pretty close to the statutory formula amount because then that takes away the risk. The overall arrangement that the separating couple make treats the ongoing maintenance and whatever assets in a way that the maintenance does not get mixed up with the transfer of assets. If one of them does come to the CSA, then whatever they have agreed gets supplanted, so, effectively, it drives people who are using the court to come to the same arrangement the statutory scheme would do, which has to be quite a good thing in some ways. The Government was very clear in wanting to maintain it. It is not really for us to say whether we think that was right or not, but we do not have any evidence to suggest it has caused us problems.

Q91 Greg Mulholland: I want to go back to a question that the Chairman asked. We have expressed concerns previously about non-resident parents avoiding their responsibilities and I want to pick up on that and ask you what steps you are taking to monitor the repeal of section 6 and what safeguards are in place to protect vulnerable parents who may, as a result of that, end up without any maintenance arrangements at all.

Ms Paraskeva: The research that we are doing that I talked about, the longitudinal research, is going to establish a baseline of the numbers of people who have arrangements of different kinds. We will be able then to compare back with the number of people who were on benefit and therefore to statutory members of the CSA in the past. We will be able to monitor, therefore, the numbers of people who are making private arrangements and whether that number differs from the numbers of people who made private arrangements before the repeal of section 6. One of the things we sometimes forget is that only if you are on benefit were you obliged to use the CSA. Everybody else in fact could choose in any case whether or not to use the CSA. With the repeal of section 6, people on benefit now have the same choice. We have to measure what happens to those people on benefit, to see whether, if they choose private arrangements and they make a private arrangement which they believe is effective, they manage to sustain them or they need to come back to the state system. That is something that we will monitor through the longitudinal study. By March we should have the baseline established and then we will check that out on an annual basis. In terms of safeguards, it is the way in which we use and develop our Options Service and the way in which we work with our stakeholder groups that we refer

to, and the way in which we publicise the fact that people can come straight back to us. It has to be a very important message: "If it is not working, it is okay, come back. There is no shame, no detriment. You have tried to make it work and it has not" or "You have tried to make it work and you are now under threat. Come back. The system is there to help you." We have to get that message out in a very simple and clear way that there will be a system there that you can revert to.

Mr Geraghty: When the people who were previously caught by section 6 (in other words, people who were making a new benefit claim) make the benefit claim now, the benefit advisor says to them, "Do you have a child maintenance arrangement?" If they have not, they get an Options leaflet, and are asked, "Would you mind if Options ring you?" We do make these calls. We try nine calls and if we still have not got through we send them a letter saying that we have tried a number of times to do this and so on. Plus for tax credit claimants who are in separated families, we get a referral from HMRC and we contact them as well. It is on the same basis: they are asked if they mind, it is an opt-out contact. We are trying to follow up people who were previously dragged in. Just supporting what Janet said, you can exaggerate how much good that section 6 statement did, but if neither parent wants to co-operate, the chances of getting to a compliant arrangement are quite small. For the child under the current arrangement, at least one of the parents wants a CSA case. We received lots of criticism—which I, at least, could understand, particularly under the old scheme but to a lesser extent under the second scheme—where there was a private arrangement. The parent with care was working, she was getting whatever, £5, £10, £20, a week from the father of the children and then she lost her job, went on benefit, and that money disappeared into the state. Both parents resented that—and with the second scheme she would have kept £10 of it. We were interfering in private arrangements not for the benefit of children but for the benefit of the state and where they did not really want us to. There was quite a lot of bad feeling about that. Of the 20,000 people or so who every month were forced to come to the CSA, only 30% got a calculation, because the rest closed their cases often as soon as they came off benefit. Most people are on and off benefit very quickly. If we look now at people going through Options who are making an arrangement either with the CSA or with a private arrangement, it comes to more than we get in calculations beforehand. There is not a guarantee underwritten, but we are targeting our support to those more vulnerable people, and we measure the success both of private and statutory elements as much as we can and there is not anything that says there are fewer people benefiting because of it.

Q92 Greg Mulholland: There was a target in the Operational Improvement Plan. A lot of us are fairly cynical about targets, particularly when they seem to be being forgotten about. The target aimed to lift 40,000 children out of poverty and now you are telling us you cannot say whether you achieved that

or not. Why not and what on earth was the point of a target if you then say you cannot tell us if you have achieved it.

Mr Geraghty: I am not sure we have said that we could not tell you that.

Ms Paraskeva: No, I do not think so.

Q93 Greg Mulholland: You certainly have not said if you have achieved it or not. It appears from our evidence that you cannot tell us whether or not that has been achieved.

Mr Geraghty: We have said it. It is in the briefing papers.

Q94 Greg Mulholland: The evidence that we have been given—

Mr Geraghty: You are not suggesting we have said it. I am sorry, I had misunderstood.

Q95 Greg Mulholland: If you can tell us you have achieved it, that would be tremendous.

Mr Geraghty: Given that we have delivered everything that we said we would, the money and children numbers, then I think we would say that we have achieved that. Could we tell you which 40,000 children are lifted? No, we could not, because we do not monitor the income of our recipients. We assess on the income of the payer rather than the recipient. I think the Operational Improvement Plan said that if this plan was delivered it would lift that number of children. It is based on the distribution of households who are receiving money, but I could not count them and tell you exactly the number.

Ms Paraskeva: As you say, if the targets had been reached then those that set the policy said that in their estimate that would be the number of children. Indeed, together with a benefit disregard, I think it was 100,000 children lifted out of poverty. Given that we have achieved all of the targets of the OIP and the benefit disregard was at £20 last year, and in fact we managed to win the argument that it should be a total disregard as from next year, that will further increase the numbers children lifted out of poverty. The estimate there rather than the target is by a further 100,000. The whole move is in the correct direction but I do not think it was a kind of target in terms of which numbers where. It was an estimate by our people that were looking at the policies as to how many more children would have benefited over a particular line that they would have drawn as the poverty line.

Q96 Greg Mulholland: I think there is some confusion here and we need to try to work this out. The Operational Improvement Plan set out to lift 40,000 children out of poverty by March 2009, but according to the information we have had, CMEC are reporting now that because this figure is small relative to the expected annual variations in poverty statistics, and because of the inherent difficulty in associating changes in poverty levels with specific policies enacted, you cannot validate whether this target was achieved. Again I have to put the question back to you. In essence, was it achieved or was it not?

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That is clearly what we want to know. If it was not, why were you setting out to say that the plan was to lift 40,000 children out of poverty?

Mr Geraghty: We delivered what we said. If that comment that it would lift 40,000 children out of poverty was accurate then, we could say we had achieved it. Whether we can give you a specific measure that says that these are the children and therefore we can count them, then clearly we cannot, but I do not think it was such a firm target as you are suggesting. I have just been flicking through—and I may be missing it because I am sitting here—but I cannot see anything in the OIP which says that. I know it was part of the commentary that the department did at launch to do that. It may have said it and I may be missing it. I think there is a difficulty in measuring the individual children. Whereas we can count how many we paid maintenance to and we can count how much we paid to them, we do not know what the other income into that household was. We would have to do it on the distribution of the households in the country and the distribution of the caseload of the CSA against that. I think it was an imputed figure rather than a target that we could measure the number of cases against. I know it was, in fact. I am sorry, I do not think it was.

Q97 Greg Mulholland: You say you know it was, but you do not sound particularly convincing.

Mr Geraghty: I do not know where you want me to go, Mr Mulholland. We have said that we cannot measure the number of children that we have lifted out of poverty for the reasons it says in the note. The relative level has moved since that goal was set. We do not count the household income of the receiving child. If your point is that it was a target which could not be measured against from the beginning, then I would accept that. It was said that this is a benefit. Given the distribution of the caseload at the time that we did it, putting a 40% increase in collections into that distribution you would expect that sort of change. That is all I can say.

Greg Mulholland: With respect, it clearly says the Operational Improvement Plan was to lift 40,000 children out of poverty by March 2009—not just in general and not just as part of it. You are sitting here and saying, “Yes, we think this has happened but we cannot prove it and this is why we can’t it and we could never prove it.” It is absurd.

Q98 Chairman: Perhaps I could try to clarify this Are you saying that the Operational Improvement Plan was set and that was your responsibility but somebody else in the empire assessed that delivering the plan would get 40,000 children out of poverty?

Mr Geraghty: Yes.

Q99 Chairman: Is that your answer?

Mr Geraghty: Yes.

Greg Mulholland: Who was that, then?

Q100 Chairman: Name names.

Mr Geraghty: To be honest I would say I could not remember names from four years ago, but I do not think it particularly is a helpful thing to do.

Q101 Greg Mulholland: It would be a very helpful thing to do. I would disagree with you there. I think this is rather embarrassing. We are clearly not going to get to the bottom of this today. I would ask you to go away and write to the Committee and explain this. Clearly it appears to us that there was a target with a definite date, March 2009. If you did not set it, we need to know who did. If you are saying it was achieved, please tell us and please prove it to us. That would be excellent. That is what we want to hear. If you cannot, then I want to know why that target was set in the first place and by whom. I think that is an entirely reasonable thing to try to get through this confusion.

Ms Paraskeva: I think what Stephen is trying to explain is that there was not a target as such; it was an imputed figure. Indeed, those who were creating the policy were saying that if the targets set within the OIP are reached then the expectation would be that 40,000 children would be lifted out of poverty. We can certainly go back and find out who made that assumption and on what basis, but I do not think it is right to say that it is disproved therefore.

Q102 Greg Mulholland: No. As I say, the important thing is has that happened or not. That does need to be proved. Let us face it, we are all very well aware and this Committee is particularly aware of the child poverty targets that are not going to be met for next year—and we will obviously find that out at some stage. If people are setting targets on policy, then it is for those of us who scrutinise policy makers to find out if those targets are being set.

Ms Paraskeva: And, of course, you would need to include in that the effect of the benefit disregard. People are now able to keep £20 of that benefit and that has clearly made a significant difference to huge numbers of vulnerable people. An extra £20 a week if you are very poor makes a significant difference to the money you have to spend on your children. That disregard will be a total disregard from early next year. The movement in the correct direction can be emphasised. The imputed figure of 40,000 that came out of the policy, as I think Stephen has said, is set against the delivery of the OIP and, indeed, not only was the OIP delivered but the results were better than had been anticipated. I do not feel any doubt that we would be able to meet the claims, but, as you say, we can certainly go back and have a look and see how that target as you describe it—although I do not think we would accept as a target, but that imputed figure, shall we say—came about and how one might begin to look at what kind of measures around the numbers of children might be drafted.

Q103 Greg Mulholland: That figure with a deadline of March 2009, which I think is the point, I do not see how—

Mr Geraghty: It is August 2010. By flicking through, I was too quick. The line says: “around 40,000 children lifted out of poverty by August 2010”—so it was mentioned in the words of the Operational Improvement Plan. The targets that we were set for

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the Operational Improvement Plan are those that the NAO set out in the appendix to its memorandum, and this was not one of the targets for the OIP. I stand by what I said, therefore, that it is impossible to count the actual number of children for the reason that we do not count the income into the recipient household. But we can certainly come back to you on what the base of the 40,000 was.

Greg Mulholland: You are saying that you cannot say, but we still need to know, as far as you possibly can say, if that has happened. That is the point. That is the whole point of assessing it.

Chairman: You may need to talk to somebody else to get that information, but between you.

Q104 Greg Mulholland: You mentioned the 100,000 figure of children being lifted out of poverty from future reports. On the basis of the conversation we have just had, will you be able to measure that figure?

Ms Paraskeva: I will have to go back and look, as you have asked us to do, at what measures were thought about when the first figure was drafted. The numbers of families that will be affected by the benefit disregard we will be able to count. That, of course, is one of the most significant differences that we argued for through the legislation that has not come into being yet. The £20 disregard is now in place and making a difference to very many. We can

find out how many families and of course we can also find out how many families will be affected by the total disregard.

Q105 Greg Mulholland: You mention the total disregard, which is clearly hugely important. It is something the Committee has raised positively in the past. What impact do you expect that to have on the total numbers of maintenance paid by non-resident parents? Could you estimate that?

Ms Paraskeva: I could not.

Mr Geraghty: It affects the recipient rather than how much is paid.

Q106 Greg Mulholland: No, sorry, the total numbers of people paying if it could be brought in. Would you be able to estimate that?

Mr Geraghty: I am sorry, I do not think it changes that. The number of people who get it we could estimate. It is a question of where we route the money that is collected rather than how many people pay. I could not give it to you off the top of my head, but we could estimate that.

Q107 Greg Mulholland: If you could put that in, that would be useful.

Mr Geraghty: Yes.

Chairman: Thank you very much. We do wish you every success. This is too long a saga and we all want the same objective. Thank you very much for coming today.

Written evidence

Memorandum submitted by the National Audit Office (NAO)

PART 1—CHILD MAINTENANCE IN GREAT BRITAIN

1.1 This memorandum has been prepared for the House of Commons Work and Pensions Committee to provide an update on the performance of the current statutory child maintenance schemes, following completion of a three-year improvement plan. This memorandum also sets out the progress made by the Child Maintenance and Enforcement Commission towards redesigning the child maintenance system in Great Britain, as set out in the Child Maintenance and Other Payments Act 2008 (Figure 1).

1.2 The Child Support Agency (the Agency) was established in 1993 to ensure that parents that live apart from their children (“non-resident parents”) meet their financial responsibilities to their children and pay maintenance to the “parent with care”. Since 1993, the child maintenance system has gone through major periods of transformation. In 1999 the Government’s White Paper on *Child Support Reforms* started a programme of reform that focused on replacing the existing scheme (old scheme) with a more simplified maintenance scheme (current scheme) and supporting this with a new bespoke IT system (CS2) to calculate and maintain maintenance payments.

1.3 Our 2006 audit of this reform programme found that by its official end, in October 2005, it had cost £529 million and failed to deliver the improvements in customer services and administrative efficiency which were expected.¹ This expenditure came on top of an estimated £600 million the Agency had paid for improvements to IT systems (CSCS) prior to June 2000. Fundamental problems with the way cases were being handled and defects in the IT system were leading to poor customer service, high levels of complaints, a backlog of 282,000 uncleared child maintenance applications as at March 2006 and arrears of over £3.5 billion.

1.4 In April 2006, a £321 million three-year Operational Improvement Plan was launched to remedy many of the longstanding operational problems with the Agency’s existing processes and supporting systems (Annex 1).

1.5 In July 2008, the Child Maintenance and Enforcement Commission (the Commission) was established under the Child Maintenance and Other Payments Act 2008 to deliver a fundamental redesign of the child maintenance system following previous failed attempts to reform existing schemes and work is now underway on the development of a new child maintenance scheme. In November 2008 responsibility for the existing two statutory child maintenance schemes transferred from the Secretary of State for Work and Pensions to the Commission. The Commission continues to deliver the two existing schemes through a division operating under the CSA brand name. Cases continue to operate as they did prior to November 2008. Throughout this memorandum “CSA” is used to refer to the division of the Commission operating the existing statutory child maintenance schemes, using the CSCS and CS2 IT systems.

1.6 The primary objective of the Commission is to maximise the number of those children who live apart from one or both of their parents for whom effective maintenance arrangements are in place, whether made privately between parents, by court order or through the statutory child maintenance schemes. In its first month the Commission launched its new Child Maintenance Options Service, a helpline and web-based service designed to provide impartial information and support to separating or new lone parents on how best to support their children financially. Following contact with the Options Service, parents may decide to set up their own private arrangements or to submit an application for child maintenance to the Commission to join the existing maintenance schemes.

Figure 1

CHILD MAINTENANCE AND OTHER PAYMENTS ACT 2008

The Child Maintenance and Other Payments Act 2008 (the Act) received Royal Assent on 5 June 2008. The Act established a new organisation, the Child Maintenance and Enforcement Commission and provided for the transfer of Child Support Agency functions to the Commission. The Act also introduces a new child maintenance scheme and provides for a range of new measures and powers, including:

- the removal of the compulsion for benefit claimants who are parents with care to apply for child maintenance;
- a simpler method of maintenance calculations which allows HM Revenue and Customs data to be used to determine liability in most cases;

¹ HC 1174, 2005–06, *Child Support Agency—Implementation of the Child Support Reforms*.

- powers to accept part payment in satisfaction of debt, to write off such debt and to treat outstanding liabilities as satisfied; and
- a range of new enforcement powers, including:
 - removal of the requirement to apply for Court Liability Orders before commencing Court-based enforcement action and replacing it with an Administrative Liability Order;
 - providing the Commission with the power to issue administrative orders for lump sum and/or regular deductions from bank accounts; and
 - providing the Courts with the power to remove passports and to impose curfews.

The majority of new measures and powers require the creation of supporting regulations, some of which have yet to be promulgated.

Annex 1

PROGRESS IN IMPROVING CHILD MAINTENANCE

<i>Problem in 2006</i>	<i>Planned improvements of Operational Improvement Plan</i>	<i>Improvements made by March 2009 at end of Operational Improvement Plan (figures for September 2009 given where available)</i>
Case Management		
Only 46% of the Agency employees were working actively on progressing client cases	To re-deploy 1,700 staff from their current Agency role and an additional 1,000 staff on active case work	1,881 staff redeployed to active case work, with 74.1% of staff now actively progressing casework
Backlog of 220,900 uncleared current scheme applications	To increase productivity of existing staff and increase the number of staff in total to reduce the backlog of uncleared applications	Backlog of current scheme applications reduced from 220,900 to 49,200 (September 2009: 39,300)
61,500 old scheme applications not yet progressed	To introduce senior caseworkers to manage more complex cases	Uncleared old scheme applications reduced from 62,000 to 6,800 (September 2009: 3,500)
31 weeks on average to clear current scheme cases at March 2006	To clear 80% of new cases within 12 weeks, by March 2009	By March 2009 81% of new applications cleared within 12 weeks (relates to those received in December)
IT Systems		
Estimated 36,000 cases stuck due to IT failures	To complete a prioritised programme of work with EDS to improve the IT system.	The Commission cannot confirm how many of the 500 faults identified in 2006 have been resolved
500 faults with CS2 still to be dealt with	Productivity Release 1 upgrade to CS2 introduced to help align the system with the wider organisational changes and to provide for improvements in a range of core functions	There are currently 1,000 problems with the CS2 IT system
Managing the 19,000 cases (at March 2006) clerically was time consuming and costly	To seek additional support from the private sector in order to free up some of the 700 staff working on clerical cases	The number of clerical cases has increased from 19,000 to 60,000 (September 2009: 75,000)
		Vertex Data systems contracted to manage clerical cases
		600 CSA staff managing partially clerical cases

<i>Problem in 2006</i>	<i>Planned improvements of Operational Improvement Plan</i>	<i>Improvements made by March 2009 at end of Operational Improvement Plan (figures for September 2009 given where available)</i>
Customer Experience		
Complex complaints process During 2005–06 the Agency received 62,100 complaints (around 4 of current case load)	To establish service standards for customers, clearer communications and stakeholder engagement To resolve complaints at earliest point	Complaints from clients reduced to 27,800 (2% of caseload) in 2008–09
Only 81% of current scheme assessments were accurate	To increase productivity of existing staff and senior case workers to increase efficiency and effectiveness	The number of current scheme cases accurate to the nearest penny increased from 81% to 84%. Cash Value Accuracy on current scheme cases stood at 96% and 98% for old scheme cases as at March 2009
During 2005–06 the Agency received 5.4 million calls, 18% of which were not being answered. 91% of calls were answered from the queue	PR1 upgrade of IT system and restructuring of workforce to increase focus on casework	During 2008–09 the Commission received 5.3 million calls. The percentage of calls answered from the queue stood at 99%
Average answer time from queue was 259 seconds during 2005–06	By March 2009, 90% of telephone calls to be answered within 30 seconds	91% of calls answered within 30 seconds (97% in nine months to September 2009)
Arrears and Enforcement		
One in three non-resident parents was not paying maintenance due within a quarterly period	To increase current scheme case compliance within a quarterly period from 65% to 75% by March 2008 and 80% by March 2009	Current scheme case compliance, excluding clerical cases, 68% by March 2009 although target replaced in 2007. Replacement target of 69% “positive maintenance outcomes” across both schemes was achieved (September 2009: 73%)
	To collect an additional £250 million of maintenance by March 2009	Additional £301.8 million collected by March 2009
There was an underutilisation of enforcement powers	To increase enforcement action and action in courts To increase enforcement staff from 600 to over 2,000	Number of Enforcement Actions have increased from 27,440 to 51,945 Enforcement staff numbers increased to 3,187
Accumulated debt of £3.5 billion as a result of non-resident parents not meeting their obligations	To use debt collection agencies to recover over £100 million historic debt over three years	Debt collection agencies recovered £22 million of historic debt by March 2009 (September 2009: £26 million)
		Overall debt increased from £3.50 billion to £3.83 billion (£3.80 billion September 2009)

PART 2—MANAGING APPLICATIONS FOR CHILD SUPPORT

2.1 The Commission is currently responsible for the management of 1.2 million live child maintenance cases on the current statutory schemes. Cases and applications are currently managed using two different schemes, each applying different rules to cases and each having its own supporting IT system (Figure 2). Work to redesign the child maintenance system is ongoing, with the new scheme expected to come into force in 2011, eventually replacing the two existing schemes by 2014. Until then, however, the Commission will continue to operate both existing schemes and IT systems in parallel.

2.2 As at 30 September 2009 there were 539,000 cases under the old scheme rules compared to some 680,000 under the current scheme rules. All applications for child maintenance received since April 2003 have been processed using the new rules and managed on the CS2 IT system, introduced as part of the 2003 reforms and developed and maintained by Electronic Data Services Limited (EDS).² Although some old scheme cases may be managed through the CS2 system, the majority of cases processed before 2003 continue to be managed through the CSCS IT system.

Figure 2

COMPARISON OF OLD AND CURRENT CHILD MAINTENANCE SCHEMES

<i>Old Scheme (est 1993)</i>	<i>Current scheme (est 2003)</i>
Closed to new applicants since April 2003	Opened in April 2003, this scheme is due to close to new applicants sometime in 2011
Maintenance calculation based on net income of the non-resident parent with allowance made for their living costs (“exempt income”).	Maintenance calculation based on net income, with standard rates applied depending on the level of net income.
Required collection of up to 100 pieces of information about the financial circumstances of both parents	Deesigned to rely on fewer pieces of information, largely about the non-resident parent’s financial circumstances
Cases processed using CSCS system	Cases processed and maintained using CS2 system
By September 2009, there were 539,000 live cases of which 253,500 had a maintenance liability and 224,000 children were benefiting from maintenance payments under this scheme	By September 2009, there were 680,000 live cases of which 580,400 had a maintenance liability and 573,000 children were benefiting from maintenance payments under this scheme
Of these cases, 341,000 remain on the old CSCS computer system and 198,000 are managed through the CS2 system	Of these cases, 605,000 cases are managed using the CS2 system while 75,000 cases are being managed clerically across both schemes

2.3 With new investment of up to £120 million, and at a total cost of £321 million, the Operational Improvement Plan aimed to; increase the effectiveness of the existing schemes and associated systems; clear a significant backlog of cases; resolve some major operational problems with the CS2 IT system; and improve the number of non-resident parents meeting their maintenance responsibilities. Almost a third (£107 million) of the total budget of the plan was spent improving the IT systems in use by the agency including CS2, its financial ledger system (BMS-R), improved computer-telephony integration and Case Worker Online (figure 3). This investment introduced additional functionality such as support for direct debit payments. The Commission inform us that £76 million of the £107 million investment was a minimum commitment agreed as payable to EDS in exchange for the right to unlimited use of the system in perpetuity after 2010.

Figure 3

OPERATIONAL IMPROVEMENT PLAN EXPENDITURE AGAINST BUDGET

<i>Expenditure type</i>	<i>2005–06 (£m)</i>	<i>2006–07 (£m)</i>	<i>2007–08 (£m)</i>	<i>2008–09 (£m)</i>	<i>Total (£m)</i>
IT	2.3	30.4	49.0	25.1	106.7
Contracted Out	0.0	8.0	22.1	24.3	54.4
External Expertise					
Consult/Contractors	3.4	9.2	7.4	5.3	25.3
Staff	5.9	45.7	45.4	6.0	103.0
Other	1.0	8.5	10.0	11.5	31.0
Total expenditure	12.6	101.8	133.9	72.2	320.4
Budget	13.6	147.0	121.2	39.5	321.3

Restructuring the business

2.4 A key component of the Operational Improvement Plan has been the restructuring of the business and its operations to improve client service and build capacity within the organisation. Our 2006 report found a number of difficulties with the task based model used at the time that were leading to poor customer service, inefficient processing of cases and inaccurate calculations of maintenance. During 2007, Agency staff were reorganised into new Lines of Business and workgroups to create teams with skills aligned to the employment status of non-resident parents (figure 4).

² EDS recently changed their name to HP Enterprise Services, but for consistency we will continue to refer to them as EDS in this memorandum.

2.5 Before the Operational Improvement Plan, customers calling the Agency for the first time would be routed to new client teams who would confirm personal details and manage tasks such as making the calculation and setting up the payment schedule. Once the first payment was made, tasks would be moved on to “maintain compliance” teams. This system encouraged staff to focus on individual tasks rather than viewing the cases as a whole. Under the new model customers calling for the first time are routed to specialist teams depending on the employment status of the non-resident parent and all cases related to the non-resident parent are grouped together.

Figure 4
CHANGES TO THE CSA’s ORGANISATIONAL STRUCTURE SINCE 2006

<i>Pre 2006</i>	<i>Operational Improvement Plan</i>	
New client teams—caseworkers responsible for processing a number of cases through to first payment regardless of the nature of the application	New client support teams—divided into specialist teams based primarily on the employment status of the non-resident parent	Specialist teams where: Non-resident parent in receipt of benefit Non-resident parent employed Non-resident parent self-employed
Maintain compliance teams—responsible for the management of a number of tasks once the assessment has been made	Client service teams—manage case maintenance including change of circumstances and deal with enquiries once an assessment has been made	
Enforcement teams—responsible for recovering money	Debt Enforcement teams—deal with non-compliance and take action when payments are missed Legal Enforcement teams—tracing and recovering debt from non-resident parents trying to avoid responsibilities	

2.6 Restructuring the business also enabled around 1,800 staff to be redeployed to active case progression, at a time when total numbers of staff working at the Commission reduced from 11,000 to 9,200 (figure 5). In March 2006 just over half (59%) of staff were actively working on progressing cases with the remaining staff engaged in the administration of complaints, checking accuracy, training and the manual gathering of management information. By March 2009, around three quarters of staff (74%) were progressing casework. Despite the reduction in average staff numbers of 8%, staff costs increased by 8% from £240 million in 2005–06 to £258 million in 2008–09. While the number of people operating the child maintenance scheme has reduced there are now approximately 200 people engaged in planning the future scheme and undertaking wider Commission responsibilities who are largely professionals receiving higher annual salaries than caseworkers.

Figure 5
STAFF NUMBERS AND COSTS

<i>Month end staff numbers (Full Time Equivalent)¹</i>	<i>March 2006</i>	<i>March 2007</i>	<i>March 2008</i>	<i>March 2009</i>	<i>Sept 2009</i>
Operations excluding Enforcement but including Client Relations	9,223	7,290	5,430	4,941	4,719
Debt Enforcement and Legal Enforcement	5,72 ²	2,772	3,027	3,187	2,798
Central Directorates excluding Client Relations	1,239	1,163	1,045	963	972
Staff engaged on future scheme and wider Commission responsibilities	n/a	n/a	n/a	101	213
Total staff	11,034	11,225	9,502	9,192	8,702
percentage of staff in Enforcement Directorates	Data not held	25	32	35	32

<i>Month end staff numbers (Full Time Equivalent)</i> ¹	<i>March 2006</i>	<i>March 2007</i>	<i>March 2008</i>	<i>March 2009</i>	<i>Sept 2009</i>
percentage of staff engaged in case progression	59	Data not held	Data not held	74	Data not held
percentage of staff client facing	Data not held	73 ³	75	71	70

Notes:

¹ All figures are month end totals and are therefore different to the annual average figures published within the Annual Report and Accounts. The average number of employees decreased from 10,400 in 2005–06 to 9,600 in 2008–09.

² At March 2006, staff engaged in debt enforcement had not been fully identified, this figure therefore only represents staff within the Legal Enforcement division.

³ September 2007 is the earliest that the Client Facing/Non-Client Facing breakdown was produced and is used here as data that is closest to March 2007.

Improving the IT infrastructure

2.7 Enhanced IT is a key enabler of the improvements required by the Commission and essential to support the revised business model for case workers. The Operational Improvement Plan recognised the need for significant further investment in the CS2 IT system on top of the £600 million invested in the system up to October 2005, in order to meet the levels of service improvements required. No additional investment in the original Child Support Computer System (CSCS) was expected on top of the annual running costs of the system.

2.8 Our 2006 report highlighted that the delays to the implementation of CS2, the additional resources required to process new cases and the continued operation of the CSCS system for longer than expected had cost an estimated £86 million since 2002. Up to August 2005 this cost had been borne by the Agency. As part of a renegotiated contract, EDS agreed however not to charge the Agency for CSCS until 2008. As per prevailing contract arrangements payment for the provision of and support for the CSCS system recommenced in July 2008.

2.9 At the time of our 2006 report there were over 500 defects with the CS2 system that were having a significant impact on staff productivity and maintenance outcomes. Staff spent considerable time manually navigating cases around defects in the system in order to prevent cases being delayed or becoming stuck.³ Over the three-year lifespan of the Operational Plan there have been eight upgrades to the CS2 IT system at a total cost of £107 million. The most significant of the IT releases, Productivity Release 1, was designed to enhance and provide support for the organisational changes implemented through: automatically routing cases to appropriate teams, improving visibility of cases for team leaders who are allocating work, reducing the number of individual “tasks” required by the system and introducing a case summary screen to allow caseworkers access to key information as soon as they answer a call. Productivity Release 1 also introduced new case validation mechanisms which identify cases in need of correction and processes to ensure that these are either corrected or removed for specialist processing.

2.10 As reported in our memorandum to the Work and Pensions Select Committee in November 2008, Productivity Release 1 was issued in September 2008, six months later than expected and some 14 months after it had initially been hoped to be in place.⁴ Due to the complexity of the changes, the testing of the system was extended to ensure that the planned upgrade was fit for purpose.

2.11 As part of improving the IT infrastructure, in 2006, the Agency agreed a prioritised work programme with EDS to rectify 500 defects with the CS2 system, in order to support changes over the life of the Operational Improvement Plan. The Commission reports that 350 of these defects were rectified over this period and reports that the rest were addressed by Productivity Release 1. As of October 2009 there were over 1,000 remaining problems with the CS2 system, some five months after the close of the Operational Improvement Plan. Of these problems, around 400 can result in cases getting stuck in the system, with 600 having workarounds that enable cases to progress through the system in spite of the problem.

2.12 Now that the Operational Improvement Plan is closed the Commission plan to address the remaining problems with the CS2 system through future IT releases, but only where such action is considered cost-effective given that the system is due to be replaced in 2014. The Commission are not planning any major future upgrades to CS2.

³ Stuck cases result where the CS2 system is unable to progress a case without manual intervention. Stuck cases can result in part or all of a case having to be removed from the system and managed clerically (see paragraph 2.14).

⁴ Department for Work and Pensions: Information Technology Programmes, memorandum by the National Audit Office, November 2008.

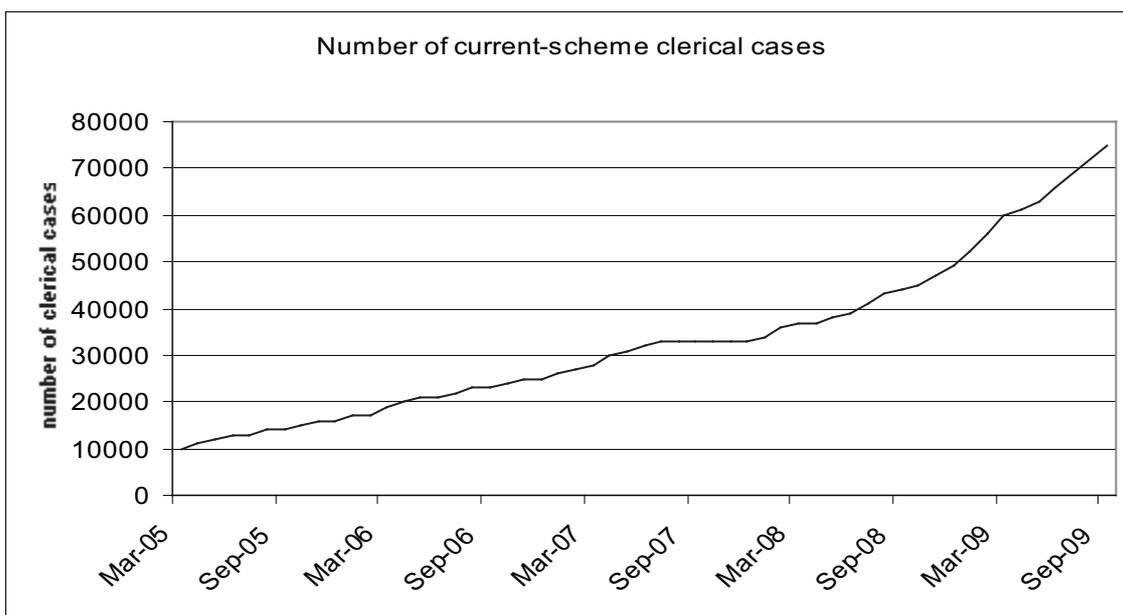
2.13 We reported in 2006 that the Agency had paid EDS £190 million for its work on the CSCS and CS2 systems by October 2005. The Commission estimates that EDS have been paid in the order of £250 million between April 2006 and March 2009 for the continued running and maintenance of CSCS and CS2, with an additional £100 million paid for upgrades to the IT systems as part of the Operational Improvement Plan. We estimate that by the time CSCS and CS2 are closed the cost of these systems could be close to £1 billion.

Impact of ongoing IT problems

2.14 Ongoing technical problems with CS2 have resulted in a large number of cases being removed from the IT system and managed manually, known as clerical cases. In 2006 an estimated 36,000 cases had become stuck due to failures in the CS2 system. Of these stuck cases, 19,000 were being managed clerically outside of the CS2 system. At March 2009 some 60,000 cases had been taken out of the system and were being managed clerically—a figure which had risen to 75,000 (6% of total caseload) by September 2009 (figure 6).

Figure 6

NUMBER OF CASES BEING MANAGED CLERICALLY



2.15 The Commission reports that the significant rise in clerical cases is predominantly linked to improvements in identifying those cases that have become stuck. As we previously reported in 2006, stuck cases were identified and removed from the system only in instances where a complaint was made to the Agency, usually through Members of Parliament. The Commission reports that the changes introduced to the IT system through Productivity Release 1 make it easier to identify and proactively manage cases that potentially may become stuck.

2.16 The Commission have introduced IT mechanisms to identify and were possible fix cases that become stuck. Where an automatic fix is not possible, cases are managed through partial or wholly clerical processing teams. The number of clerical cases has continued to rise significantly since the introduction of these mechanisms. Between March 2009 and September 2009 an additional 15,000 cases were moved to clerical management. If this rate continues, we estimate that around 108,000 cases will be managed clerically by September 2010, two years after significant improvements were made to the IT system through Productivity Release 1.

2.17 In 2006 the Agency had 700 staff managing 19,000 clerical cases. To reduce the administrative burden on staff, under the Operational Improvement Plan, the Agency contracted with Vertex Data Science Ltd to take responsibility for these cases. The contract with Vertex Data Science Ltd was originally let for 18 months but has been extended twice and will now continue until at least March 2010. An estimated 725 Vertex employees now manage the Commission's clerical cases. The Commission still retains 302 caseworkers managing the wholly clerical processes and 252 caseworkers managing partial clerical cases. The Commission currently estimate the cost of managing clerical cases at around £3.7 million per month, including the cost of the Vertex contract and its own staff employed on clerical cases. Using these costings and the average number of clerical cases over 2008–09 we estimate that the cost of managing each clerical case for a year is around £967 compared to £312 per case of administering cases within the IT systems.

2.18 The Agency has previously indicated that it intended to reload clerical cases back onto the CS2 IT system. Owing to the ongoing problems with the CS2 system, however, the Commission has now abandoned its plans to reload existing clerical cases. As such, current and future clerical cases will remain clerically managed until the planned transition to new child maintenance arrangements is completed by 2014. Based on the current costs, the current number of clerical cases and assuming an equal rate of new and closed clerical cases, we estimate management of these clerical cases will cost have around £220 million in total by the time the new system is introduced.

2.19 In late 2008 the Commission undertook a feasibility study to determine the most appropriate IT solution to support the future scheme. The study recommended that CS2 be replaced, and a new system be developed using a set of integrated commercial off-the-shelf products. In March 2009 the Commission agreed a contact with Tata Consulting Services (TCS) for the creation of this new IT system. The contract length is not specified, but it is likely to take two years to develop the system with a three-year option for on-going maintenance which the Commission has not yet exercised. The cost of the services provided by TCS, purchase of software licences from TCS and other suppliers and development environments is £45 million. Work on the new system is in the development phase and it is not possible to determine whether it will avoid the problems experienced by CS2 and CSCS.

2.20 Our 2006 report found that elements of the contract with the EDS at the time were not good practice. This included a lack of clarity around: the required functionality of the system; how changes to the contract would be managed; the conditions of termination; the Agency's responsibilities and what constituted successful delivery. In developing its contract with TCS, the Commission believes it has taken a number of steps to mitigate these concerns (figure 7). Risk management actions have not yet been audited or tested due to the infancy of the contract.

Figure 7

STEPS TAKEN BY THE COMMISSION TO ADDRESS CONTRACTUAL ISSUES

<i>2006 NAO criticisms of EDS contract</i>	<i>Commission steps to mitigate this risk on TCS contract</i>
<p>A lack of clarity about the functionality of the required system. Taken together with the High Level Business Requirement that the Agency prepared in conjunction with EDS, there was a lack of completeness and clarity about the functionality and processes to be supplied. There was also no agreed requirement for a management information system, beyond scoping.</p>	<p>The approach taken with TCS has been to first contract on the basis of a very high level specification. In order to ensure that requirements are more comprehensively defined the Commission has undertaken a Joint Application Design process (JAD), involving both the Commission and TCS, allowing improved user input. The system is being developed iteratively in order to get greater opportunities to review and to make subsequent changes within an agreed development life cycle.</p> <p>There is also provision for a separate management information database which will centralise and correlate the required reporting data. The Commission has also initiated an exercise to capture wider performance information, and provide a data source for exploration and queries.</p> <p>TCS have been contracted to deliver the operational reporting requirements of the new system. This is being undertaken within the context and technical architecture of a separate programme which will build a comprehensive data warehouse and provide business analytics support</p>
<p>Uncertainty of Agency responsibilities. The contract failed to deal adequately with the Agency's responsibilities in respect of delivering the final systems, for example, the contract was specific as to which people from the supplier would work on the contract, but took no such obligations on the part of the Agency.</p>	<p>A list of Commission responsibilities is included in the contract, as is a list of key Commission personnel.</p>
<p>A lack of certainty about how changes would be managed The contract did not provide adequate guidance on how change would be managed. This had the impact that later Change Control Notes were difficult to interpret in the context of the overall contract.</p>	<p>The Parties have agreed to manage all changes via the Commission's regular Governance Structure (the Programme Board and its sub-Committees)</p>

<i>2006 NAO criticisms of EDS contract</i>	<i>Commission steps to mitigate this risk on TCS contract</i>
<p>The conditions of termination were unclear. The contract made no mention of the method by which EDS might terminate its involvement. The Agency and Department had licence to use CS2 but there was no provision for them to access the software code if EDS decided to terminate the contract. If they had wanted to alter the programme in any way the Department would have had to exercise its buy-out options to acquire the system to access the software coding.</p>	<p>Term, termination and exit management rights with full detail are explained within the contract. Although the Commission will not own the intellectual property rights, they will have perpetual use. The Commission will also share in any future re-use or sales.</p>
<p>High finance costs during development. Finance costs were 48% of a total cost of £225 million.</p>	<p>None included in the contract. The contract is constructed around a risk and reward to provide protection for the Commission and incentive for TCS. The Commission will only release full payment after ensuring that progress is broadly in line with implementation plan. The Commission will monitor progress against the plan on a monthly basis.</p>
<p>Uncertainty over what constituted delivery. The effective management of the project had been constrained by the absence of an agreed end to end plan for delivery of the system. In particular, there had only recently been an agreed definition of what constituted the end of the development of the system.</p>	<p>The initial scope of the system has been defined in the contract with reference to the Best and Final offers document from TCS.</p> <p>The estimates for development at this stage are high level, given that the scope of what is required may change. A change control process has been defined and will be used to document any change to the programme scope as a result of changes initiated by the Commission or TCS.</p> <p>The systems delivery plan for the agreed scope sits mainly with TCS and is being finalised at present.</p>
<p>Note—This information was provided by the Commission for the purpose of this memorandum. The Commission's statements have not been audited. The National Audit Office has not undertaken any detailed appraisal of the Commission's contractual arrangements with TCS.</p>	

PART 3—IMPROVING SERVICE DELIVERY

3.1 At June 2006 we reported that the implementation of simplified rules for the assessment of maintenance and the introduction of the CS2 IT system under the 2003 Reforms had failed to deliver the expected levels of customer service. In particular, there was a growing backlog of uncleared maintenance applications and large numbers of those that had been cleared were inaccurate. The low levels of customer service resulted in large volumes of complaints about the Agency, with some 62,100 complaints during 2005–06 alone. At the same time compliance with maintenance decisions was low, with few non-resident parents paying the full amount of the maintenance due and large numbers making no payments at all. Delays in processing assessments can have a major impact on both parents with care, where they are not in receipt of any maintenance for their children, and non-resident parents, where the amount they owe starts to accumulate and increases the likelihood of non-compliance.

3.2 In response to the well publicised failures, the Operational Improvement Plan set out clear targets for how services should improve and how these would be achieved. The Commission has reported that many of the operational targets set within the Operational Improvement Plan have been met or exceeded following the restructuring of its operations and the improvements in the CS2 IT system (Annex 1). The Operational Improvement Plan does not, however, appear to have significantly improved the level of accuracy of current scheme cases or the level of case compliance, although the Commission's new compliance measure shows some improvement.

Service Improvements

3.3 At 31 March 2006 there were some 282,000 cases that were waiting to be cleared by the Agency, around 61,500 uncleared old scheme cases and 220,900 new scheme cases. When it was introduced, the current scheme was expected to allow calculations to be made and payments arranged for the majority of cases within six weeks of the application. In March 2006 only one in every five applications were cleared within six weeks, with 48% taking in excess of 12 weeks to clear, and 33% taking more than six months (figure 8). A primary objective of the Operational Improvement Plan was to reduce this backlog and, by its third year, to clear 80% of cases within 12 weeks—performance against the six week milestone no longer features in annual reports.

3.4 As well as the structural changes made, HM Revenue and Customs has been working with the Commission to help trace non-resident parents, by providing details of relevant addresses and employment details. The Commission has also used private sector tracing agencies and information held by Credit Reference Agencies, such as Experian, to help trace non-resident parents.

3.5 By 31 March 2009, the number of uncleared current scheme cases had reduced by 78%, to 49,200 and the number of uncleared old scheme cases had fallen to 6,800. The end of the compulsion for all parents with care claiming benefits to seek child maintenance through the CSA and the introduction of the Child Maintenance Options service have led to a dramatic reduction in the number of new applications to the CSA. In March 2009, the CSA received 8,200 applications, a 76% reduction from the 34,700 applications received in March 2006.

3.6 The speed of case processing had also increased by March 2009 with 82% of cases being cleared within 12 weeks and only 10% taking longer than 26 weeks. Performance since March 2009 shows further improvement (figure 8).

Figure 8

APPLICATION PROCESSING SPEED AND UNCLEARED CASES

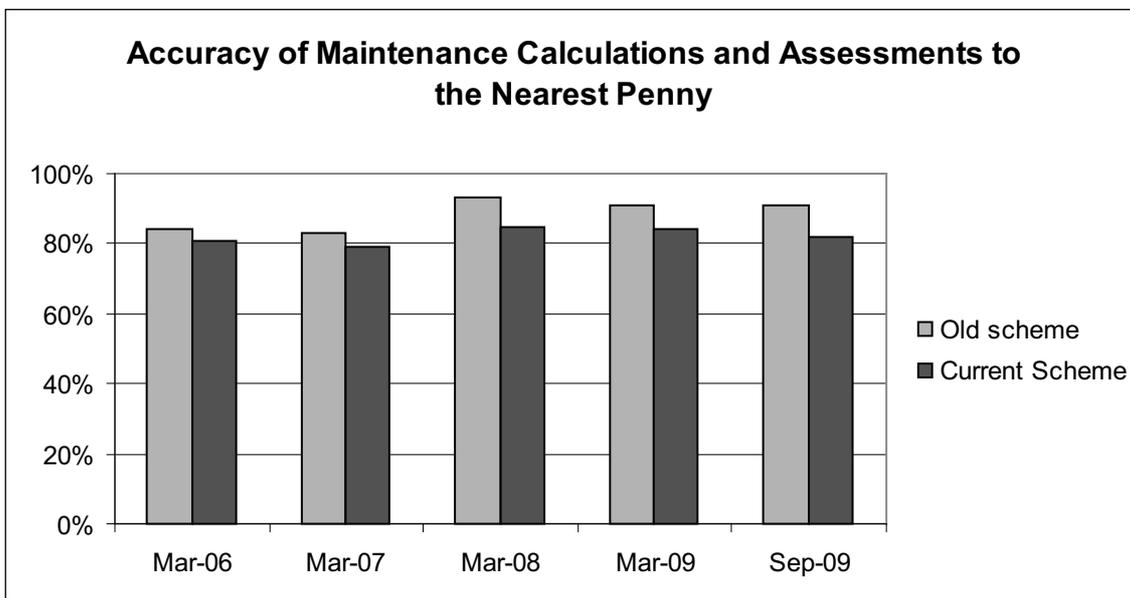
	<i>OIP baseline Sep 2005 Actual</i>	<i>OIP starts March 2006 Actual</i>	<i>March 2007 Actual</i>	<i>March 2008 Actual</i>	<i>End OIP March 2009 Actual</i>	<i>March 2009 intake (plan)</i>	<i>Six months end 30 September 2009</i>
Application processing: Percentage of new scheme applications cleared within:							
12 weeks (Dec intake)	44 (June intake)	52	61	77	81	80	84 (June intake)
18 weeks (Oct intake)	40 (April intake)	60	64	83	81	85	90 (April intake)
26 weeks (Sep intake)	62 (March intake)	67	79	89	90	90	92 (March intake)
Uncleared cases							
Uncleared current scheme applications	218,500	220,900	153,600	107,400	49,400	90,000	39,300
Uncleared old scheme applications	70,300	61,500	39,400	22,900	6,800	3,500	

Source: Quarterly Summary of Statistics September 2009. There are small variances from those reported in the Commissions Annual Report due to subsequent information identified by the Commission.

3.7 In addition to clearing the large backlog of cases, a key objective of the Operational Improvement Plan was to improve the accuracy of the maintenance calculations made. At 31 March 2006 around 81% of current scheme cases were accurate to the nearest penny, below the 90% accuracy the Agency had hoped the reformed scheme could provide. Old scheme cases had a higher accuracy rate of 84%.

3.8 Over the life of the Operational Improvement Plan, accuracy to the nearest penny increased from 84% to 91% for old scheme cases but improved from 81% to 84% under the current scheme (figure 9). In 2007, the Agency changed the method used to calculate accuracy, changing from “accuracy to the nearest penny” to “cash value accuracy”, a measure which it believed was more likely to drive the right behaviour by case workers. Case value accuracy assesses the value of accurate calculations as a percentage of the value of all calculations made. Using cash value accuracy, the Commission reports that accuracy stood at 96% for current scheme cases, and 98% for old scheme cases in 2008–09. This suggests that for the current scheme there were £4 worth of errors in every £100 of maintenance calculated and for the old scheme there were £2 of errors in every £100 of maintenance calculated.

Figure 9
PERCENTAGE OF CURRENT SCHEME CASES ACCURATE TO THE NEAREST PENNY



3.9 The Commission is now answering a larger proportion of telephone calls made by customers and doing it more quickly than in 2005–06 (figure 10). In 2005–06 some 423,000 of the 5.3 million telephone calls to the Agency were abandoned whilst the customer was waiting to speak to a member of staff. This has reduced to around 52,000 from the same volume of calls during 2008–09. Due to system faults and failures to connect, some customer calls were not available to answer, but of those available, call answering rates have improved. During 2008–09 one out of every 10 calls available were not answered, an improvement on performance during 2005–06 when two out of every 10 were not answered. The Commission informs us that most of the calls which are unanswered drop out at the point at which customers are asked a series of automated security questions. During 2008–09, 99% of calls which proceeded beyond this automated stage were answered, a rise from 91% in 2005–06.

Figure 10
THE AVERAGE TIME TAKEN TO ANSWER CALLS

	<i>OIP starts March 2006 Actual</i>	<i>End Year 1 OIP March 2007 Actual</i>	<i>End Year 2 OIP March 2008 Actual</i>	<i>End Year 3 OIP March 2009 Actual</i>	<i>Six months to 30 September 2009</i>
Average answer time from queue	59 seconds	25 seconds	20 seconds	13 seconds	8 Seconds
Percentage of calls answered	83	88	90	89	89
Percentage of calls answered from the queue (ie after the touchtone elements)	91	97	98	99	99

3.10 During 2005–06 the poor levels of service experienced by customers prompted around 62,100 complaints, of which around 2% (1,300) were considered to have merit and were taken on by the Independent Case Examiner's Office. The Independent Case Examiner resolved 714 cases through settlement between the CSA and the complainant. Of the cases which could not be settled, the Examiner fully or partially upheld complaints against the Agency in 386 cases and did not uphold complaints in 69 cases.

3.11 During 2008–09 the number of complaints to the Commission had more than halved to 27,300. The main reasons for complaints have been: the quality of client handling (8,300 complaints); failure to secure regular payments (4,400 complaints); and incorrect arrears calculation (4,000 complaints). Although the overall number of complaints has reduced the number accepted by the Independent Case Examiner has not reduced at the same rate. During 2008–09 the Independent Case Examiner accepted over 1,000 cases for further investigation. In the year 930 cases were subsequently settled by agreement between the Commission. Of those which could not be settled, the complaint was fully or partially upheld in 180 cases and not upheld in 78 cases.

PART 4—IMPROVING OUTCOMES

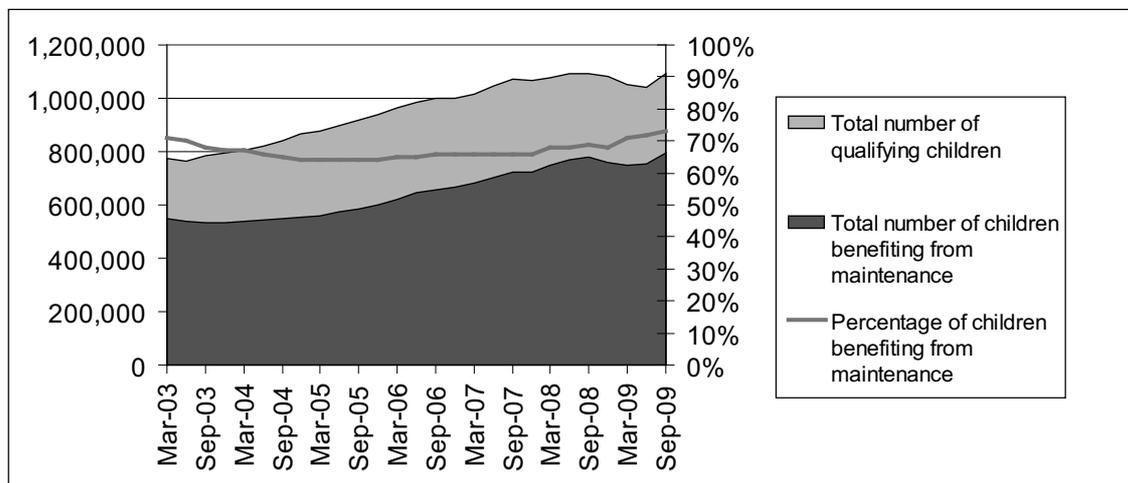
4.1 In 2006, one in three non-resident parents did not pay any of the maintenance that the Agency had calculated was due. Where non-resident parents fail to pay the maintenance due it can cause real hardship and have lasting consequences for the parent with care and the children. In 2006 an estimated £3.5 billion of maintenance was outstanding on cases. Although overall the value of payments made by non-resident parents since then has increased, compliance remains below anticipated levels. The Child Maintenance and Other Payments Act 2008 substantially increased the enforcement options available to the Commission to collect outstanding maintenance. These new powers require the creation of supporting regulations, some of which have yet to be established. Enforcement activity using established powers has increased over the last three years and the value of arrears collected has increased.

4.2 The Operational Improvement Plan set out to lift 40,000 children out of Poverty by August 2010 to contribute to the Department for Work and Pensions child poverty reduction target. The Department for Work and Pensions has stated that the future reforms of the child maintenance system is expected to lift around 100,000 children out of poverty. The Commission reports many more children are known to be benefiting following the implementation of the Operational Improvement Plan. The Department has stated that, because the 40,000 poverty figure is small relative to the expected annual variations in poverty statistics, and because of the inherent difficulties in attributing changes in poverty levels to specific policies relative to the impact of other measures and real-world changes during the same period, it is not possible to estimate the contribution the Operational Improvement plan has had on reducing poverty.

4.3 The number of children benefiting from maintenance payments has risen steadily over the lifetime of the Plan, from 623,000 at 31 March 2006 to 780,000 at 31 March 2009 (figure 11). By March 2009 a further 30,000 children were estimated to be benefiting from private arrangements following contact with the Child Maintenance Options service, based on a Commission survey of 2,241 Options service users. To establish a more robust estimate of those benefiting from such private arrangements the Commission is planning a further independent survey for 2010.

4.4 The total number of children qualifying for maintenance has increased at a slower rate than the increase in the number of children benefiting from maintenance and therefore the percentage of qualifying children in receipt of maintenance has increased from 65% in March 2006 to 73% in September 2009 (figure 11). March 2009 was, however, the first month that the percentage of qualifying children benefiting from maintenance reached March 2003 levels of 71%.

Figure 11
TOTAL PERCENTAGE OF QUALIFYING CHILDREN BENEFITING FROM MAINTENANCE

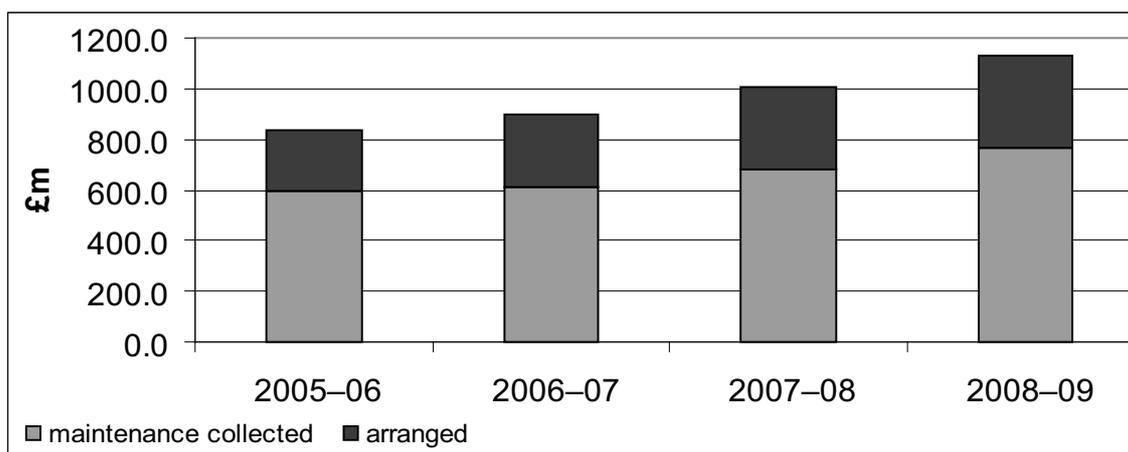


Note—This figure excludes clerical maintenance payments and private arrangements made following contact with the Options service.

4.5 Overall the amount of maintenance collected or arranged by the CSA has increased from £836 million in 2005–06 to £1,132 million in 2008–09 (figure 12). This includes both the maintenance collected by the Commission and the estimated value of direct payments arranged, where the Commission calculate the amount due by the non-resident parent but the payment is made directly between the parents. The cost of administering the child maintenance system has increased from £465 million in 2005–06 to £601 million in 2008–09. Excluding the £44 million cost in 2008–09 associated with new services introduced since the Commission was established, the cost of collecting each £1 of maintenance has decreased since 2005–06 from £0.78 to collect every £1 to £0.73 to collect every £1 in maintenance by 2008–09, after increasing to £0.85 in 2006–07. The peak in 2006–07 reflects the fact that the amount of maintenance collected did not increase

significantly until 2007–08. Incorporating the figures for statutory maintenance arranged as well as collected into these calculations show that to cost of each pound collected or arranged decreased from £0.56 in 2005–06 to £0.48 in 2008–09.

Figure 12
MAINTENANCE COLLECTED AND ARRANGED



4.6 The Commission has met its revised measure for compliance but compliance with maintenance decisions has not reached originally expected levels. The Operational Improvement Plan set out to increase current scheme “case compliance” from 67% in March 2006 to 80% by March 2009. Case compliance measures the proportion of cases using the Agency’s collection service where the non-resident parent makes a payment (not necessarily the full amount due) to the parent with care and is calculated using the number of non-resident parents making payments as a percentage of all cases which have a current charging account for ongoing maintenance and/or arrears but excludes maintenance direct cases (those where the non-resident pays the parent with care directly) and cases with assessments where there is no collection schedule. In 2007 the CSA changed the target from “case compliance” to “maintenance outcomes”, but continued to collect data on the original measure. The Commission considers that the new target provides a wider focus, is less likely to be manipulated and supports better case management by staff. Between March 2006 and March 2009 case compliance, excluding clerical cases, increased from 67% to 68% for current scheme cases and 71% to 72% for old scheme cases.

4.7 The new target that replaced case compliance was to achieve 69% positive “maintenance outcomes” across both schemes by March 2009. “Maintenance outcomes” measures the percentage of cases in which a liability exists, where the non-resident parent has either made a payment using the collection service or set up a maintenance direct arrangement. The Commission met this target, reporting 71% positive maintenance outcomes in March 2009 (figure 14).

4.8 By either measure, by March 2009 around three in 10 of non-resident parents were still not any paying maintenance while only half of parents were paying maintenance due in full (figure 13).

Figure 13
PERCENTAGE OF PARENTS PAYING MAINTENANCE

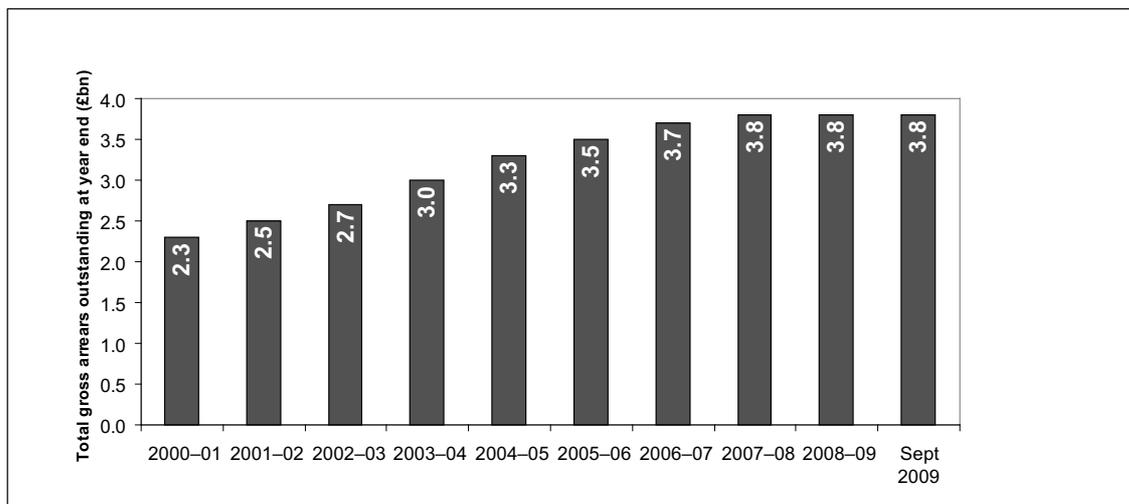
Overall target	Quarter ending March 2006		Quarter ending March 2007		Quarter ending March 2008		Quarter ending March 2009		Quarter ending September 2009	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Maintenance outcomes—percentage of cases where some maintenance is being received	–	63	–	65	66	67	69	71	72	73
Percentage of cases where maintenance is being paid in full	–	46	–	47	–	49	–	51	–	53

Source: CMEC Annual Report 2008–09, NAO analysis of September Quarterly Statistics.

4.9 In response to low compliance rates a key objective of the Operational Improvement Plan was to reinforce parental financial responsibility. As part of this, in 2007, a £1.3 million media campaign was piloted in eight cities in Britain which emphasised the impact on children of non payment by non-resident parents. The Commission estimates that this resulted in the negotiation of £3.5 million of arrears repayments and that 39% of parents who were contacted during the pilot through direct mail and by telephone made an agreement or arrangement to repay their debt. This exceeded the Commission’s objective to increase the number of non-compliant parents paying maintenance by 25%. Although the campaign has not been repeated since this initial programme, the Commission has ongoing media work to improve compliance. Activity to promote financial responsibility now forms part of the Commission’s Business Plan for 2009–10.

4.10 Over the lifetime of the Operational Improvement Plan, due to non-resident parent non-compliance, the value of outstanding maintenance has increased from £3.5 billion in 2005–06 to £3.8 billion at March 2009 (figure 14). The Commission has reduced the rate at which arrears are increasing, with arrears increasing £20 million over 2008–09 compared to the increase of £242 million over 2005–06. Figures for 2008–09 are unaudited.

Figure 14
OUTSTANDING MAINTENANCE ARREARS

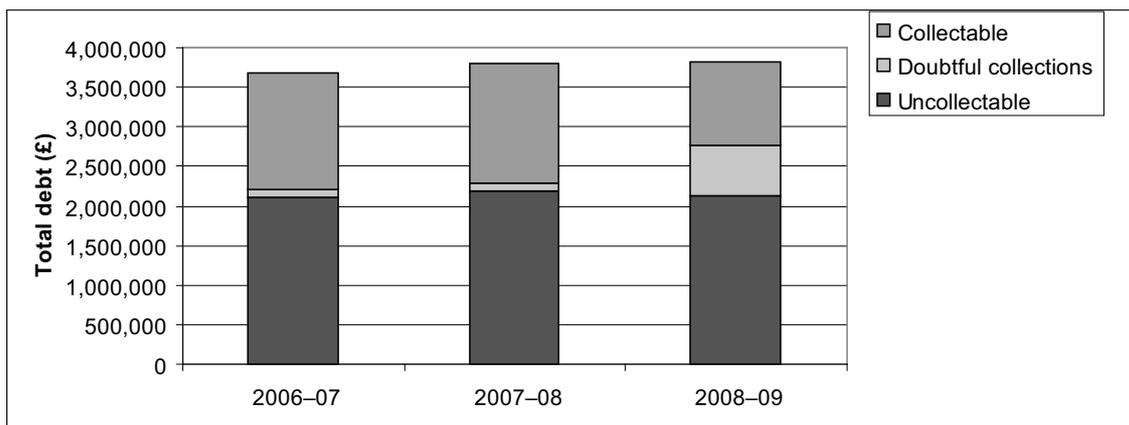


Note—Figures for 2008–09 and September 2009 are currently unaudited.

4.11 Not all debt is collectable by the Commission because arrears figures include estimated amounts where information has not been obtained from non-resident parents. The Commission also has no power to write off debts even when parents agree to a settlement. New legislation may address this going forward.

4.12 The amount of arrears reported as uncollectable has increased. In order to estimate collectability the Commission reviews a sample of 8,000 case in depth each year and then extrapolates results across all outstanding arrears. During 2008–09 the Commission concluded that the assumptions used previously had been over-optimistic, and that the proportion of debt considered collectable should be revised downwards. At March 2009 the Commission categorised 55% (£2.1 billion) of maintenance arrears as uncollectable, with a further 17% (£0.6 billion) categorised as “doubtful collections” (figure 15).

Figure 15
THE COMMISSION’S ASSESSMENT OF DEBT COLLECTABILITY IN 2008–09



Note: The 2008–09 figures are unaudited.

4.13 The Commission has a ministerial target for annual collections and arrangements of child maintenance, of which the annual collection of arrears is a sub-target. Although the Commission exceeded its overall target, it missed its sub-target to collect £220 million in 2008–09 by more than £60 million, with £158 million collected against a target of £220 million (figure 16). The Commission's 2009–10 arrears target is £50 million lower than its 2008–09 target, at £170 million, and as of September 2009, £74.3 million of arrears has been collected.

Table 16
ACTUAL AND TARGET ARREARS COLLECTION

	2005–06		2006–07		2007–08		2008–09		2009–10	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	To Sept 09
Total statutory maintenance collected or arranged		£836m		£898m	£970m	£1,010m	£1,080m	£1,132m	£1,135m	£565m
of which arrears collected	–	£81m	–	£91m	£120m	£126m	£220m	£158m	£170m	£74m

Source: CMEC Annual Report and Accounts, CMEC Quarterly Statistics September 2009.

4.14 To help improve the rate of arrears collected the Commission contracted two debt enforcement agencies, iQor and Eversheds, to actively seek collection of arrears on its behalf. It was anticipated that using debt collection agencies would recover some £113 million of outstanding maintenance arrears over the life of the Operational Improvement Plan. In total 63,500 cases had been referred to the collection agencies by March 2009, with a total value of £357 million. By September 2009 only £26 million (7% of this debt) had been collected, with the collection agencies receiving £3.5 million for their work. This amounts to a cost of approximately £0.13 for every pound collected although this does not include the Commission's cost preparing cases prior to referral to debt collection agencies. The Commission have not been able to provide us with sufficient information to present a comparator for cost of collecting this equivalent debt in-house. The Commission believes that if debt collection agencies are used in future, any business case must take into account all the costs involved and the agencies need to understand the differences between collecting child support debt and securing commercial debt.

4.15 The Commission does not consider debt collection agencies as a cost effective method of collecting outstanding arrears, and as such, except for 7,500 paying cases retained by the debt collection agencies, all debt collection functions have returned in-house. In 2007 the CSA introduced a Debt Steer policy to provide guidance to case workers on how to seek repayments and set up collection agreements. This Debt Steer policy guides caseworkers to seek lump sum payments where possible or alternatively make arrangements to recover the debt within two years. Deductions from non-resident parents earnings can be up to 40% of their net income.

4.16 To further increase collection of arrears the number of staff working solely on enforcement was increased from 572 legal enforcement staff in March 2006 to 3,187 legal and debt enforcement staff in March 2009. This increase reflects the fact that prior to 2007, staff engaged in debt enforcement activities were not separately identified. In 2006 we criticised the Agency for not making full use of its existing enforcement powers to ensure the non-resident parents contributed fully to the maintenance of their children. At that time only 19,000 (8%) of the 247,000 cases that were completely or partially non-compliant were being dealt with by the Agency's enforcement directorate.

4.17 The Operational Improvement Plan promised an increase in enforcement actions and explicitly committed to using more deduction from earnings orders. The number of new deduction from earnings orders requested has decreased 12%, from 75,760 to 66,705 although the total number of orders in place has increased 7% from 138,300 to 148,400 over the same period. The use of other enforcement actions has increased 89% since 2006 (figure 17). The Commission spent £79 million on its enforcement activities in 2008–09 and collected £158 million of arrears. Of the £79 million spent on enforcement, £30 million was spent on legal enforcement activity which resulted in the collection of some £40 million of the £158 million total arrears collected by teams across the Commission in 2008–09. The legal enforcement team also handles prosecutions for failure to provide information and take civil and criminal action.

4.18 The Child Maintenance and Other Payments Act 2008 has substantially increased the enforcement options available to the Commission. These new powers require the creation of supporting regulations some of which have not yet been established.

Figure 17
ENFORCEMENT ACTION TAKEN

	2005–06	2006–07	2007–08	2008–09
Total	27,440	35,235	39,725	51,945
England and Wales				
Liability orders granted	10,465 ^a	12,635	16,580	22,610
Referral to Bailiff	9,225 ^a	13,625	14,765	18,380
County Court Judgement orders	2,330	1,920	1,390	435
Third Party Debt orders	1,710 ^a	2,090	1,790	2,395
Charging orders	1,335 ^a	1,850	1,735	2,480
Scotland				
Liability orders granted	780	875	1,175	2,065
Attachments	125	275	235	270
Arrestments	450	610	485	890
Bills of Inhibition	575	860	1,045	1,745
England and Wales and Scotland				
Suspended committal sentences	390 ^a	420	480	580
Committal Sentences	15	40	25	45
Suspended driving licence disqualification sentences	35	30	15	45
Driving licence disqualification sentences	5	5	5	5

Note: ^(a)These figures were restated in December 2006 when the Agency identified an error in the way it was collating the information

PART 5—REDESIGNING CHILD SUPPORT

5.1 The primary objective of the Commission is to maximise the number of those children who live apart from one or both of their parents for whom effective maintenance arrangements are in place, whether made privately between parents, by court order or through the statutory child maintenance schemes. The Child Maintenance and Other Payments Act 2008 removed the compulsion for parents in receipt of state benefits to make an application for Child Maintenance, removing around 200,000 compulsory applications a year. Despite the declining caseload that this change has caused, the Commission estimates that its customer base is wider than that of its predecessor, the Child Support Agency. The Commission is charged with reaching around 2.6 million separated families while the Agency had to provide services to the estimated 1.3 million customers of the statutory maintenance schemes.

5.2 The Commission has three core functions:

- providing an efficient statutory child maintenance service, with effective enforcement;
- informing parents about the different child maintenance options available and guiding them to the most appropriate for their circumstances; and
- promoting the financial responsibility of parents for their children.

5.3 Work on a fundamental redesign of child maintenance is ongoing and in July 2008 the Commission launched its Child Maintenance Options Service, marking the start of its new role for child maintenance clients. The Options Service is designed to provide impartial information and support to separating parents about child maintenance while signposting them to other services primarily through a helpline and website. These services are operated by Ventura under a three year, £23 million contract. The Commission is considering the launch of a national campaign to promote this service following a successful pilot in the Midlands.

5.4 Between July 2008 and September 2009 the Options Service had an estimated 281,000 contacts with clients. By September 2009, the Commission estimated that 60,000 children were benefiting from effective private arrangements established following contact with the Option Service. During this time around 153,000 new applications were made through the existing statutory child maintenance schemes.

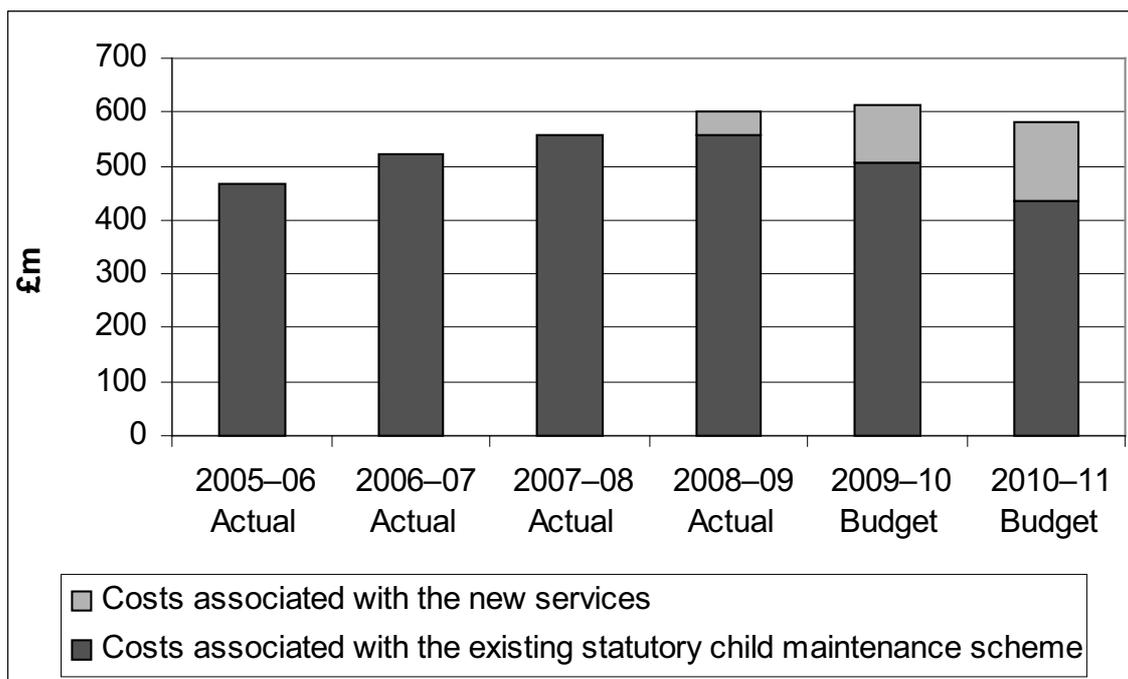
5.5 To address the historic low compliance rates amongst non-resident parents, the Commission was given a role to raise awareness amongst parents of the importance of taking responsibility for the maintenance of their children. The Commission is still developing its approach to promoting the financial responsibility of parents and has engaged with other Government departments, such as the Department of Health, to develop a wide reaching message to parents.

5.6 The Commission plans to launch a new statutory child maintenance scheme in 2011 and to have completely closed the two existing schemes by 2014. The Commission is currently drafting the regulations for the future scheme and external consultation on these regulations is planned for 2010. An OGC Gateway review of this future scheme is expected in January 2010.

5.7 The Commission is waiting for a number of new enforcement powers, outlined in the Child Maintenance and Other Payments Act 2008 and the Welfare Reform Act 2009, to come into force to enable it to collect arrears and deter non-compliance amongst parents. In August 2009 the Commission gained the power to deduct amounts directly from some bank accounts. The Commission is waiting for powers to issue its own Administrative Liability Orders for the deduction of payments from earnings rather than having to apply through the courts for such action. The Commission also hopes to gain new powers to register debts in credit histories under these Administrative Orders and to seize passports and impose curfews under Court Orders.

5.8 In order to free up resources for its new services the Commission hopes to bring down the cost of running the current statutory maintenance schemes between 2009 and 2011 (figure 18).

Figure 18
PLANNED COST REDUCTIONS



Source: CSA annual report and accounts 2005-06 to 2007-08, Commission Annual Report and Accounts 2008-09 and Commission Corporate Plan.

APPENDIX 1 HISTORY OF THE CHILD MAINTENANCE SYSTEM IN GREAT BRITAIN

<i>Event</i>	<i>Date</i>	<i>Impact on parents</i>
Child Support Agency established	April 1993	Old Scheme launched—maintenance payments based on net income of non-resident parent with allowance made for their living costs.
Government White Paper on plans for Child Support Reforms published	July 1999	
Decision to undertake comprehensive business restructuring with a complete IT replacement	June 2000	
Child Support, Pensions and Social Security Act 2000 sets out new scheme for child maintenance	July 2000	The Department planned to introduce the new scheme by April 2002 and transfer existing cases to the new scheme by April 2003
The Department enters 10-year contract with EDS to supply new IT system for Agency (system later becomes known as CS2)	September 2000	

<i>Event</i>	<i>Date</i>	<i>Impact on parents</i>
Business case reviewed and re-approved following a restructure of the programme	September 2001	
Secretary of State for Work and Pensions decided to defer the planned start for the new system until such time as the IT was operating effectively	March 2002	
New scheme went live with a number of known defects to CS2 that would cause the Agency difficulty in processing some cases	March 2003	Current Scheme launched—maintenance based on net income of non-resident parent with standard rates applied
	October 2003	Planned transfer of old scheme cases to the current scheme postponed
Original Child Support Reform programme closed. The £539 million cost of implementing the Reforms up to this point exceed original lifetime budget, four years early	October 2005	
Secretary of State announces Operational Improvement Plan up to 2009 at a cost of £321 million, of which £120 million is additional investment	February 2006	
White Paper on new system of child maintenance published	December 2006	
Henshaw Review Published	July 2006	
Child Maintenance and Other Payments Act 2008 establishes the Child Maintenance and Enforcement Commission	July 2008	Child Maintenance Options service launched
	October 2008	Repeal of “Section 6” ie end of compulsion for parents with care claiming benefits to use CSA to arrange maintenance
Responsibility for child maintenance transferred to the Child Maintenance and Enforcement Commission	November 2008	
Operational Improvement Plan closes	March 2009	
	2010	Department for Work and Pensions plan to implement a Full child maintenance “disregard” ie parents with care will be entitled to keep all of their benefits regardless of maintenance arrangements
	2011	Commission plan to launch Future Scheme—maintenance payments to be based on gross income of non-resident parent
Closure of existing CSA schemes leaves single unified child maintenance system in place	2014	Commission plan for all old and current scheme cases to have completed transition to the future scheme

November 2009

APPENDIX 2

SUMMARY OF PERFORMANCE 2005–09

PERFORMANCE AGAINST SECRETARY OF STATE TARGETS

The Secretary of State targets are decided on an annual basis and the measures subject to Secretary of State targets have changed five times over the last six years. The Secretary of State targets are show in Blue.

SUMMARY OF PERFORMANCE

	Operational Improvement Plan											
	2005–06		2006–07		2007–08		2008–09		2009–10		Sept 09	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
<i>Overall Outcomes</i>												
Children benefiting	591,000	623,000	635,000	683,000	720,000	749,000	790,000	810,000 ¹	840,000	810,000 ¹	840,000	857,000 ¹
Statutory maintenance collected or arranged	TBC	£836m	TBC	£898m	£970m	£1,010m	£1,080m	£1,132m	£1,135m	£1,132m	£1,135m	£565m (YTD)
<i>Customer experience</i>												
Average answer time from queue	–	59 seconds	–	25 seconds	–	20 seconds	< 30 seconds	13 seconds	–	8 seconds	–	8 seconds
Percentage of calls answered	–	83%	–	88%	–	90%	–	89%	–	89%	–	89%
Percentage of calls answered from the queue (after touchtone elements)	–	91%	–	97%	–	98%	–	99%	–	99%	–	99%
<i>Application processing and maintenance calculation</i>												
Percentage of new scheme applications cleared within 12 weeks (Dec intake)	–	52%	55%	61%	–	77%	80%	81%	–	81%	–	84%
Percentage of new scheme applications cleared within 18 weeks (Oct intake)	–	60%	–	64%	–	83%	85%	81%	–	81%	–	90%
Percentage of new scheme applications cleared within 26 weeks (Sep intake)	–	67%	80%	79%	–	89%	90%	90%	–	90%	–	92%
Uncleared current scheme applications	–	220,400	–	153,600	140,000	107,400	90,000	49,400	–	49,400	–	March intake
Uncleared old scheme applications	–	61,500	–	39,400	–	22,900	–	6,800	–	6,800	–	39,300
Accuracy—current scheme percentage of cases accurate to the nearest penny (old scheme)	–	81 (84)	–	79 (83)	–	85 (93)	–	84 (91)	–	84 (91)	–	3,500
Accuracy—current scheme cash value of accurate calculations as a percentage of overall cash value of calculations made (old scheme)	–	–	–	–	–	96 (98)	–	96 (98)	–	96 (98)	–	82 (91)
<i>Arrears and Debt enforcement</i>												
Total enforcement actions	–	103,200	–	100,150	–	114,275	–	118,650	–	118,650	–	116,000
												(rolling 12 month basis)

Operational Improvement Plan

	2005-06		2006-07		2007-08		2008-09		2009-10	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Sept 09
Level of outstanding arrears (of which £x is assessed collectable)	—	3.50bn (1.4bn)	—	3.69bn (1.5bn)	—	3.81bn (1.5bn)	—	3.82bn (1.1bn)	—	3.80bn
Total arrears collected	—	£81m	—	£91m	£120m	£126m	£220m	£158m	£170m	£74.3m
Percentage of cases where some maintenance is being received ("maintenance outcomes")	—	63%	—	65%	66%	67%	69%	71%	72%	73%
Percentage of all cases where maintenance is being paid in full	—	39%	—	38%	—	40%	—	42%	—	53%

Notes 1—The March 2009 figure for children benefiting includes the 30,000 children estimated to be benefiting from private arrangements set up following contact with the Options service, while the September 2009 figure includes 60,000 children

Source: Child Maintenance and Enforcement Commission—figures have not been subject to audit by the NAO. Historical figures reflect September Quarterly Summary Statistics There are small variances from those reported in the Commissions Annual Reports due to subsequent information identified by the Commission.

Memorandum submitted by the Child Maintenance and Enforcement Commission

INTRODUCTION

1. The Child Maintenance and Enforcement Commission (the Commission) is grateful for the opportunity to submit a memorandum to the Work and Pensions Select Committee in advance of its hearing on 2 December on the work of the Commission. This memorandum is intended to provide an overview of the Commission's functions and its plans for the future.

ABOUT THE COMMISSION

2. The Commission was established as a Crown non-departmental public body by the Child Maintenance and Other Payments Act and came into being on 24 July 2008. It took over responsibility for the child maintenance system in Great Britain, including the Child Support Agency (CSA), from the Department for Work and Pensions on 1 November 2008. A Framework Document sets out and defines the working relationship between the Commission and its sponsor department, the Department for Work and Pensions (DWP). This can be found on The Commission's website at <http://www.childmaintenance.org>

3. The Commission has a much wider remit than the CSA ever had. Its primary objective is to maximise the number of effective child maintenance arrangements in place, whether made privately between parents, by court order or through the statutory scheme. It seeks to do this across all estimated 2.6 million separated families, not just the 1.3 million families who are clients of the CSA.

4. The Commission aims to fulfil its objectives through three core functions:

- promoting the financial responsibility that parents have for their children;
- providing information and support on the different child maintenance options available; and
- providing an efficient statutory child maintenance service, with effective enforcement.

Each of these is covered in more detail below.

5. The Commission currently has two delivery bodies; the Child Support Agency (CSA), which continues to administer the current statutory schemes; and Child Maintenance Options, which provides the information and support service.

6. The Commission currently has 8,700 full time equivalent employees. Although most of these are caseworkers in the CSA, who continue to perform the same jobs as they did prior to the establishment of the Commission, the majority of the leaders of the organisation have been brought in from outside, from a variety of sectors. The Commission, including the CSA, operates from 32 sites and, in addition, has approximately 250 peripatetic workers.

THE HISTORY OF THE COMMISSION

7. Although the Commission is a new organisation, it is perhaps helpful to remind the Committee of the history of child support policy, and developments since its last report on this subject in March 2007.

8. From its establishment in 1993, the history of the CSA was one of well intentioned policy designs that proved to be incapable of being administered effectively. The system never recovered from its poor start, and reforms introduced in 2003, including a new child maintenance scheme, were compounded by failures in the computer system. As a result, in February 2006 the Secretary of State for Work and Pensions announced both an Operational Improvement Plan to improve the CSA's performance in the short to medium term, and a root and branch redesign of the child maintenance system—led by Sir David Henshaw.

9. On 24 July 2006, Sir David Henshaw's report was published, along with the Government's response, which gave some radical recommendations on the direction the entire child maintenance system should take, as well as fundamentally changing the basis of the statutory maintenance scheme for the future.

10. The Henshaw report highlighted that the current system worked against parents' wishes: 70% of new applicants were forced to use the CSA, preventing them from making voluntary maintenance arrangements between themselves, or in many cases overturning arrangements already agreed. This created a large group

of clients who did not wish to use the service. Further research, published in June 2007,⁵ revealed that almost two-fifths (36%) of CSA clients on benefit on the post-2003 scheme would prefer to make their own arrangements.

11. In addition, reducing benefit entitlement pound for pound against maintenance collected meant that neither parent had an incentive to co-operate. Parents with care were seeing little or no increase in their income and non-resident parents were seeing money paid to the state, not to their children.

12. The original scheme assessment process (1993) was too complex, resulting in a large proportion of non-resident parents assessed as not being liable to pay child maintenance and proved too difficult to administer efficiently. The reforms introduced in 2003 simplified the formula, but it is now accepted that they did not go far enough. A particular problem was that they did not make better use of information already collected by HM Revenue and Customs (HMRC).

13. In his report Sir David concluded that “there is a need for fundamental change in the way child support is organised in this country”. The Government agreed with him that there was a need for a “clean break” from the past to create a fresh start for child maintenance arrangements.

14. The Government accepted that too many non-resident parents did not pay. In addition the enforcement and compliance measures were not as effective as they could have been and the process did not facilitate swift enforcement, leading to a culture of non-compliance.

15. Following the publication of Sir David’s report, the Government published its Child Maintenance White Paper on 13 December 2006, which set out proposals for the reform of the child maintenance system. The subsequent Child Maintenance and Other Payments Act 2008 included the provision to set up a new Crown non-departmental public body, the Child Maintenance and Enforcement Commission, to take forward the new system. The 2008 Act laid down the Commission’s three functions and its overall objective in statute “to maximise the number of those children who live apart from one or both of their parents for whom effective maintenance arrangements are in place”. It also provided for a range of new enforcement powers, more detail of which is set out below.

16. The 2008 Act also repealed section 6 of the Child Support Act 1991, removing the compulsion on parents on benefit to make an application to the CSA for maintenance. This change came into effect for new lone parents in July 2008 and for all other lone parents in October 2008.

THE OPERATIONAL IMPROVEMENT PLAN

17. Alongside the Henshaw review, the Secretary of State announced an Operational Improvement Plan to improve the Child Support Agency’s service to clients, increase the amount of money collected, achieve greater compliance from non-resident parents and provide a better platform from which to implement the major policy changes that would subsequently include the establishment of the Commission. The plan focused on the simple aim of getting more money to more children by making significant improvements in four key areas:

Getting it right: gathering information and assessing applications;

Keeping it right: active case management;

Putting it right: enforcing responsibilities; and

Getting the best from the organisation.

18. The Secretary of State targets for the entire period covered by the Operational Improvement Plan included:

Numbers of children benefiting;

Amount of money collected and arranged;

Maintenance outcomes; and

Numbers of uncleared cases.

19. There was an additional target around the time taken to clear new applications in the year 2006–07.

20. Annex A sets out additional information on how performance improved over the period of the plan, highlighting the record number of children who were receiving unparalleled amounts of maintenance by the time of the completion of the plan in March 2009.

21. The budget for the Operational Improvement Plan was £320.8 million (£120 million of new investment and £200.8 million of recycled savings through efficiency improvements) and the actual final cost was £320.4 million.

⁵ Child Maintenance Redesign Survey: Indications of future behaviour and choice; Nick Coleman, Ken Seeds and Oliver Norden.

THE COMMISSION'S VISION

22. With improvements taking shape and still more work to be done, the Commission wants to create a future where parents who live apart from their children should expect, want and be able to make effective maintenance arrangements, where payment becomes the norm and non-payment is no longer socially acceptable. The Commission's Vision—developed with involvement from groups representing parents and separated families—is to support separated families in understanding the range of child maintenance options available and to help them navigate the issues they face to reach the arrangement that best suits their circumstances: “supporting separated families; securing children's futures”.

PROMOTING FINANCIAL RESPONSIBILITY

23. The first of the Commission's functions flows from the Government's belief that all parents must take financial responsibility for their children. The Commission was, therefore, given the duty, under the Child Maintenance and Other Payments Act 2008, to “take such steps as it thinks appropriate for the purpose of raising awareness among parents of the importance of a) taking responsibility for the maintenance of their children, and b) making appropriate arrangements for the maintenance of children who live apart from them.” Its remit, in short, is to change behaviour in society so that it becomes the social norm for parents to take responsibility for their children.

24. Current research sheds light on the scale of the challenge: although most people accept the principle that separated parents should financially maintain their children, this does not follow through into practice. Research by DWP has found that while over 90% of parents agree that they should support their children, fewer than 50% of non-resident parents actually do.⁶

25. The Commission is undertaking research to understand the drivers of behaviour and barriers to behavioural change, interviewing both parents with care and non-resident parents, as well as people who influence them such as families, friends and children. The next stage of the research will test what interventions can be made to help and encourage parents to work together to implement effective arrangements.

26. Currently, the Commission is providing information about financial responsibility to newly separated and new lone parents, post-separation, via a number of channels including:

- Piloting the distribution of leaflets in 6,000 GP surgeries;
- Working with Wikivorce.com, the fastest growing site for advice to divorcing parents, to provide tailored content for its 34,000 members; and
- Providing leaflets to all UK Citizens Advice Bureaux for their advisers to use and distribute.

27. The Commission will also maintain its work building partnerships with organisations that operate in the areas of financial planning, budget management and legal support.

WORKING WITH OTHER GOVERNMENT DEPARTMENTS

28. The Commission is working closely with a number of government departments, to promote financial responsibility through the public services they provide.

29. Working jointly with the Department for Children, Schools and Families (DCSF) the Commission is looking at ways of driving behavioural change through targeting secondary-age school children at the formative age of learning. Looking specifically at societal values and building awareness of financial responsibility, the Commission has sought to secure a change in the curriculum so that messages around parental responsibility are included in Personal, Health and Social Education.

30. Looking more broadly at influencing children and parents, the Commission is working with partners who run children's centres to incorporate messages around financial responsibility into the topics covered at the centres. The Commission is also working to place financial responsibility onto the agenda of the extended school network.

31. The DCSF has launched an initiative to co-ordinate services provided to separated and separating parents. This is being piloted in ten local areas. The Commission has been working with the DCSF and will engage with the local pilots to ensure that information on child maintenance is included among other services.

32. The Commission is working with the Department of Health to explore ways in which it can engage with health service professionals, in particular midwives and health visitors, who are well placed to discuss child maintenance issues with new parents.

33. The Commission is also examining ways in which it can engage with the Department for Communities and Local Government and local authorities, as providers of local services.

⁶ Department for Work and Pensions: Research Report No 503 Relationship separation and child support study Nick Wikeley, Eleanor Ireland, Caroline Bryson and Ruth Smith, 2008.

34. The Commission has also undertaken work with the Financial Services Authority (FSA), to ensure that its financial education products stress the importance of financial responsibility and set out the Commission's services.

35. We are working with the Local Strategic Partnership in Nottingham to test a number of the initiatives we hope to eventually seek to roll out on a national scale.

BASELINING AND MEASURING PROGRESS

36. Over the next year, the Commission will undertake a survey to baseline the number of effective arrangements that are in place at present. This survey will then continue on an annual basis to enable the Commission to measure progress.

PROVIDING INFORMATION AND SUPPORT—CHILD MAINTENANCE OPTIONS

37. The Commission's second function, set out under the Child Maintenance and Other Payments Act 2008 is to provide "such information and guidance as it thinks appropriate for the purpose of helping to secure the existence of effective maintenance arrangements for children who live apart from one or both of their parents". This is often referred to as the Commission's "information and support" function. To meet this requirement, a new free service was created, called Child Maintenance Options, which was made available to the general public in October 2008.

38. The Options service aims to help parents understand the range of options available for putting a child maintenance arrangement in place. It provides authoritative, impartial information and support to parents so that they are able to make informed choices about the child maintenance arrangement most suited to their circumstances. This includes information on other issues that parents might face in making arrangements, such as housing or money worries, and the service will put people in touch with organisations that can provide more expert help.

39. The service is delivered by phone, through a national helpline; online via a website providing accessible and practical support in setting up and maintaining arrangements; and via a face-to-face service for those in most need of more personalised help and support.

40. The service was developed with input from stakeholders, including groups representing parents and separated families. It is available to all parents, whether or not they live with their children and regardless of their circumstances, as well as relatives, friends and advisers. The service can be used anonymously.

41. Initially run in prototype during early 2008, the Options service was made available from July 2008 to those parents with care who were new claiming benefits and no longer compelled to use the CSA. From October 2008 it became available for all.

42. The Commission has focused on promoting the availability of the Options service to separating and new lone parents, particularly those claiming benefits, and those that influence their behaviour, to foster collaboration and encourage the establishment of arrangements at the earliest opportunity.

43. The Commission recently carried out a test promotional campaign in the ITV central region over a 12-week period from the beginning of July, using TV, radio, press, inserts in magazine, doordrops, and on-line. The central region was chosen for the test as it is the most representative of the general UK population and media usage.

44. The regional campaign test objectives were to a) build awareness of the Child Maintenance Options service amongst new separating/new lone parents and their friends and family, and b) drive usage of the service from those audiences through phone calls to the national helpline and visits to the website.

45. Prior to the campaign starting, awareness of the Child Maintenance Options service amongst newly separated/new lone parents was 13% and amongst influencers (friends and family) 15%. At the end of the campaign awareness had increased threefold to 53% amongst newly separated/newly lone parents, and 46% amongst influencers.⁷

46. Prior to the campaign starting, the Options service was receiving an average of 1,500 inbound calls per week. This rose to just under 2,500 during the campaign period, and resulted in over 10,500 phone calls in total generated by the campaign against an original forecast of 9,000. Also prior to the campaign starting, the average number of web visitors was running at 7,500 per week. During the campaign period this doubled to an average of 15,000 visitors per week, resulting in 90,000 new visitors in total generated by the campaign.

47. Of those people responding to the campaign and calling the Child Maintenance Options service it was identified that 65% were parents with care, 22% non-resident parents and 13% friends and family.

48. Jobcentre Plus in England, Wales and Scotland gives all new clients with a child maintenance interest a leaflet introducing the Child Maintenance Options service and asks them if they wish to be referred. Those who agree then have their contact details passed on to Child Maintenance Options, which subsequently contacts them by phone. HMRC also refers new separating parents to the Child Maintenance Options service when those parents register their change in circumstances for tax credit entitlements.

⁷ Source: BMG Research, undertaken June and September 2009.

49. Recruitment for people working in the Options service has been extremely rigorous, focusing on candidates' emotional strength, ability to listen/interpret and a non-judgemental attitude, with 50% of applicants being successful. The Options service has recruited 164 people and developed bespoke training. All Options service employees receive six weeks training plus four to six weeks academy (intensive supervised call-handling) compared to the industry average of two to three weeks training and two to three weeks academy. A consortium of third sector organisations supported the development and delivery of the training and also provided input to the development of the knowledge base used to handle enquiries and signposting on issues such as housing or debt.

50. The Commission is using research and evaluation programmes among current and potential customers to enhance further the information and guidance available, and to develop the processes of referrals from other government organisations that interact with the majority of separating parents.

51. In order to develop the "guidance" service, the Commission is introducing a number of enhancements: the introduction of seven key questions for use by call agents to determine the nature of the parents' relationship and therefore the most appropriate arrangement; case studies to highlight different separated parent relationship characteristics and the types of arrangement that have worked for them; and an on-line maintenance evaluation tool that allows customers to self-diagnose the most appropriate arrangement for them based upon their answers to a series of questions.

52. The Commission is also continuing to improve other aspects of the service, gaining feedback on users' experience and developing the face-to-face element of the service.

PROVIDING AN EFFECTIVE STATUTORY MAINTENANCE SCHEME

53. The final function of the Commission is to provide an efficient statutory child maintenance service, with effective enforcement for those parents who are unable or unwilling to make their own private arrangements.

54. At present this service is provided by the CSA, which delivers both the original 1993 scheme ("the old scheme") and the 2003 scheme ("the current scheme").

55. We currently plan to introduce a new child maintenance service in 2011 to administer a new statutory scheme ("the future scheme"), with new calculations and rules. The future scheme is designed to be more simple and transparent than its predecessors, more cost-effective and professional and backed by a tougher enforcement regime.

56. The ability of the Commission to launch the future scheme and to manage transition for current CSA clients, allowing and supporting them in a choice of their own effective maintenance arrangements in accordance with stated government policy is, of course, dependent on the availability of sufficient public funding over the next two-three years.

57. Over approximately three years following 2011, there will be a transition period as cases on the old and current schemes are closed and clients are advised of their choices which will include making an application to the future scheme. This process of closure of CSA cases and an application to the future scheme for those who wish to do so provides the "clean break" recommended by the Henshaw Report. At the end of this transition period, all statutory service clients will be on the future scheme provided by the new child maintenance service and the CSA will close.

58. During the transition phase and subsequently, the Commission will continue to do all it can to collect and reduce arrears owed on the existing CSA schemes. There can be no question of allowing non-resident parents who are able to pay to escape their responsibilities. While it is believed that there may be some very limited circumstances where arrears can be written off at the appropriate time, the focus will be to ensure that arrears are managed as effectively as possible, collecting what is due.

MAINTENANCE CALCULATIONS

59. The Child Maintenance and Other Payments Act 2008 set out the formula under which maintenance will be calculated in the future. This built on both Henshaw's recommendations and research undertaken by the DWP.⁸

60. The key concept here is that non-resident parents' liabilities in the future scheme will primarily be based on their gross (taxable) income sourced directly from HMRC for the latest available tax year. The current scheme is based on net income ie after tax and national insurance deductions, which has to be obtained from the non-resident parent or employer. This change should significantly speed up the process of gathering income information as part of the calculation process. The maintenance calculation will be updated each year in the light of updated taxable income information from HMRC.

61. The scheme will recognise that non-resident parents' income can also sometimes change significantly and so where either parent can demonstrate that the non-resident parent's income has changed by at least 25% from the historic figure supplied by HMRC, the Commission will recalculate the amount of ongoing maintenance payable.

⁸ Future policy options for child support: The views of parents Adele Atkinson, Stephen McKay and Nicola Dominy, 2006.

62. The parameters of the scheme as set out in the 2008 Act, such as its percentages for the number of qualifying children, are intended to produce broadly the same calculations as the current scheme. The move towards basing calculations on gross taxable income as recorded by HMRC was designed to improve administration rather than change the pattern of liabilities. Similarly, many of the other current scheme rules will be carried forward—there will continue to be four rates of liability, with amounts due based on the non-resident parents' relevant income, benefit or other status. There will continue to be reductions for children living with non-resident parents and for shared care. There will also be an improved variations scheme to deal with circumstances that do not fit within the standard formula.

DEFINING THE CUSTOMER JOURNEY

63. The Commission has been working to define what it calls the “customer journey”, which is designed to ensure that the look and feel of the new service is as effective and client-centred as possible. This project is focusing, among other issues, on the type of communications that clients receive from the new service, the processes that they will need to follow and the tone that caseworkers use with clients.

64. As part of this work the Commission has used a varied approach that has included research on client attitudes and views of the current CSA service, workshops with clients and engagement with external stakeholder groups.

65. Some of the key features of the customer journey for the future scheme include:

- Treating non-resident parents with respect, especially during the crucial first contact with them.
- Emphasis on collecting information by phone rather than through paper forms
- An online facility, so clients can update their own details and carry out other transactions via the web.
- Clearer and simpler communications, in particular account breakdowns.

EMPLOYER ENGAGEMENT

66. One of the key tools used for securing payments from a non-resident parent is to serve a Deduction from Earnings Order on his/her employer to allow maintenance payments to be deducted from his/her salary. The Commission has taken a number of steps to ensure that employers are supportive of its approach, the future scheme, and the Deduction from Earnings Order process. This has included engagement with large employers, employer representative groups and the creation of an “employer journey” that complements the “customer journey” work. There is general support among employers for Deduction from Earnings Orders.

IT

67. The part played by IT systems in the difficulties experienced by the CSA is well documented and has been the subject of several Parliamentary inquiries.

68. The requirement to provide a much more professional service than in the past necessitates more a greater degree of automation as well as the improved client-facing processes outlined above. This in turn necessitates a more effective IT system. Although the Operational Improvement Plan resulted in some improvements in IT, it is neither cost effective nor in the interests of improved services to our customers to continue on the current system. The Commission has therefore taken the decision to procure a new system.

69. The Commission went out to tender in August 2008. A thorough tender evaluation took place at the beginning of 2009. This included consultation with both the DWP and the Office of Government Commerce.

70. Following a rigorous selection process, Tata Consultancy Services (TCS) was appointed and the contract was signed on 30 March 2009. The contract was awarded following full government procurement rules.

71. The new system will utilise commercial “off-the-shelf” software packages already widely used in the financial services industry, which will ensure better customer service and greater value for the taxpayer. The bespoke nature of the current CS2 system contributed to many historic and current problems and made the system expensive to operate and improve.

72. The Commission has introduced more robust governance procedures and has recruited more information technology and commercial professionals to assure both the success of the IT system itself and better contract management.

73. The new system will not go live until it is fully tested and technically assured, both by our suppliers and our in-house team.

74. The current IT systems will continue to be used to process the existing 1.3 million cases and will continue to be in place until the existing schemes close.

ENFORCEMENT

75. The Commission has gained a suite of new enforcement powers to enable it better to pursue arrears from non-compliant, non-resident parents. It is seeking to supplement these with further powers in the months ahead. These powers are applicable to both the current CSA schemes and the future scheme, once launched.

76. In October 2008, it became an offence for the non-resident parent to withhold information pertaining to a change of address.

77. In August 2009, the Commission assumed the power to deduct payments from non-resident parents' bank accounts, without recourse to the courts.

78. The Child Maintenance and Other Payments Act 2008 provided the power for the Commission to ask the court to impose a curfew order on a non-resident parent. However, no date has been fixed for this power to come into effect.

79. The 2008 Act also gave the Commission a power to disclose details on maintenance compliance to credit reference agencies, which could affect credit ratings. This power is expected to come into effect through regulations in the months ahead.

80. It is planned that further regulations under the 2008 Act should come into force in January 2010, introducing the power for the Commission to recover arrears from deceased estates, and offset liabilities between parents, should the care arrangement alter.

81. The Welfare Reform Act, which gained Royal Assent in November 2009, has enabled the Child Maintenance and Enforcement Commission to pilot the removal of passports and driving licences of parents who have wilfully or culpably failed to meet their child maintenance obligations. The Commission will not have to apply to a court first, though the Act provides an immediate right of appeal to a Magistrates' Court in England and Wales or Sheriff Court in Scotland. These powers are based on positive experiences in other countries such as Australia, Canada, US and Norway.

82. The time limitation on prosecutions for providing false information is also being extended by the Welfare Reform Act. The Commission will have 12 months from the date of the alleged offence to investigate and bring a prosecution, as opposed to the current six months.

83. The Commission believes that the increased simplicity and transparency of the calculations for the future scheme, together with an effective enforcement regime, will mean that arrears are less likely to accumulate than in the past.

PROCUREMENT

84. Over the course of 2009, the Commission has been developing its strategy on how services will be delivered in the future. To this end, a notice in the Official Journal of the European Union (OJEU) was released on 15 June 2009, seeking parties who may be interested in providing services for the Commission over the transition period. These services could include, but are not limited to: collection and assessment of maintenance, case working and client management and arrears recovery.

85. The purpose of the OJEU notice was to put together a framework agreement of suitable suppliers, to give the potential for contracting out services in the future. The framework agreement is expected to last around four years. The Commission however is not at this stage awarding any contracts, nor committing to awarding any contracts. The Commission has not yet made any decision on public, private or third sector delivery and its ability to take any of these decisions will depend on the availability of sufficient funding.

COMMISSION PERFORMANCE

86. Although there is a significant focus at present on the development of the future scheme, the Committee might find it helpful to have some details on current levels of performance of both of the Commission's services, the CSA and Child Maintenance Options.

CSA

87. The Operational Improvement Plan saw a root and branch restructuring of the Agency, a focus on improving IT as far as was possible, as well as systems and processes, an emphasis on using the powers available to the CSA to the full, and a drive to improve the training and competencies of its people.

88. One area of particular focus was around the "debt steer", under which the Agency sought (and continues to seek) to negotiate with non-resident parents in arrears, a payment plan which will see their debt paid off within two years. The starting point when negotiating debt is to require full repayment immediately. Where this is not possible, and taking into account individual circumstances, the maximum amount non-resident parents may have to pay is 40% of their net income.

89. The changes brought in under the Operational Improvement Plan achieved the planned degree of improvements needed to provide a platform for the introduction of the future scheme and some improvements continue. The number of children benefiting from maintenance payments has increased from

561,100 in March 2005 to 797,300 in September 2009, a 42% increase. The amount of maintenance collected has increased from £798 million in the year to March 2005, to £1,131 million in the year to September 2009, a 42% increase.⁹

90. The growth of arrears has been stemmed. Where, in 2004 and 2005, arrears grew by around £23 million per month, in the 12 months to September 2009, they actually reduced by £3.2 million per month. In September 2009, the headline total of arrears stood at £3.796 billion, the first time it had fallen below £3.8 billion since February 2008. Figures after March 2008 have not yet been audited and finalised.

91. Upon transfer of responsibility for the Child Support Agency functions to the Commission, a review was undertaken to assess the level to which outstanding maintenance arrears were collectable. The conclusion was that the assumptions used previously had been over-optimistic and should be revised downwards to more realistic levels. Current estimates are that £1,065 million is estimated to be collectable. This does not necessarily mean that the full £1,065 million will be collected in practice as funding is limited, and collection of ongoing regular maintenance continues to be prioritised above collection of arrears. However, the full balance of arrears remains due and the Commission is committed to maximising the value of the arrears it collects, within available funding.

92. The quality of the service has also improved. Where the average time which callers had to wait before their calls were answered was one minute and 40 seconds in 2005, the average waiting time is now eight seconds. The CSA is clearing 84% of new applications within 12 weeks, compared with 30% in 2005. Further details on performance are set out in Annex A.

93. Although the Operational Improvement Plan was completed in March 2009, the CSA's programme of reform continues, with a focus on people development and organisational efficiency, reacting to a changing caseload where all applicants to the CSA are voluntary and to reducing funding. The CSA is also working hard to stem the flow of cases which become clerical (ie have to be handled manually because the IT system cannot process them).

94. The Commission takes the view that, as a result of the Operational Improvement Plan, the CSA is performing as well as it possibly can, given the current IT systems and policies. It is unlikely that there can be further significant improvements in performance until the future scheme is launched.

CHILD MAINTENANCE OPTIONS

95. The performance of the Options service is also monitored. Current internal estimates suggest that 60,000 children are benefiting from private child maintenance arrangements, established following one or other parent's contact with the service.¹⁰ We are in the process of updating our mechanisms for measuring the number of arrangements made as a result of the service, to ensure that they are as robust as practically possible.

TRANSFER OF EMPLOYEES TO JOBCENTRE PLUS

96. We understand that the Committee has an interest in the way in which people have been transferred from the CSA to Jobcentre Plus. Due to the economic downturn and subsequent rise in unemployment, Jobcentre Plus experienced a significant increase in the number of customers claiming Jobseeker's Allowance. Earlier this year, it was required to increase its resource levels by 15,000 to meet the demand on its services. Government departments and non-departmental public bodies were asked to help Jobcentre Plus meet the increase in resources needed.

97. The CSA was well placed to provide support to Jobcentre Plus; it has a similar business model with trained call centre and client facing processing staff requiring minimum re-training, in locations close to existing Jobcentre Plus sites. The transfer of staff also helped the CSA to reduce its own staffing levels to meet budgetary constraints.

98. Therefore between January and June this year, the CSA responded by transferring 636 people to Jobcentre Plus. There was no impact on CSA client service as calls were automatically rerouted to the teams taking responsibility for their cases.

ALLEVIATING CHILD POVERTY

99. The 2006 White Paper stated that one of the principles underpinning the child maintenance system of the future going forward would be the need to tackle child poverty.

100. The receipt of child maintenance payments currently helps to lift around 100,000 children out of poverty than otherwise would have been the case.

101. In April 2010, the Government will introduce a full child maintenance disregard for those on income-related benefits; that is, those people entitled to benefits and child maintenance will be entitled for the first time to receive all of their maintenance and benefit payments. At present, they are only entitled to receive the first £20 of maintenance paid.

⁹ All figures in this section are from the CSA's Quarterly Summary of Statistics.

¹⁰ In-House Mini Surveys.

102. It is estimated that this full disregard, plus other reforms to child maintenance introduced in October 2008 and beyond, will lift a further 100,000 children out of poverty.

103. We expect that our drive to change behaviour and embed financial responsibility as the norm in the next few years, if successful, will lift more children out of poverty.

CONCLUSION

104. Since the Commission took responsibility for child maintenance in November 2008, significant progress has been made. However, this is just the beginning. The introduction of the future scheme, the Options service and the drive to increase financial responsibility, although a huge challenge, will pave the way for a new era of child support and a change in the social landscape, where it is considered morally unacceptable for non-resident parents not to support their children. The Commission is committed to creating a future where children's welfare is at the heart of all we do by supporting separating families and thereby securing children's futures.

105. We look forward to discussing this further at the oral evidence session on 2 December.

December 2009

Supplementary memorandum submitted by the Child Maintenance and Enforcement Commission

1. The Operational Improvement Plan (OIP) ran from April 2006 to March 2009 and set out to lift around 40,000 children out of poverty [by August 2010]. We have heard the evidence that the CSA delivered the objectives of the OIP but that the CSA is not able to confirm that around 40,000 children were actually lifted out of poverty. Who was responsible for setting this parameter for the OIP business case and what evaluation has been undertaken to assess the effectiveness of the OIP in reducing child poverty?

2. It is estimated that an additional 100,000 children will be lifted out of poverty when the child maintenance total disregard comes into effect from next year [April 2010?]. What is the basis for this estimate and can CMEC confirm that they will be able to measure the number of children who are lifted out of poverty as a result?

Child poverty policies and targets are the responsibility of the Department, rather than the Commission, and my responses are based primarily on information provided by the Department.

1. The Secretary of State and I discussed and agreed the Operational Improvement Plan (OIP) and supporting business case. I accept that the narrative of the OIP states that 40,000 children would be lifted out of poverty by August 2010, but this was a prediction of the impact of achieving the targets rather than a target in itself. The CSA's targets during the OIP period were set by the Secretary of State and were reported in annual reports and business plans. They are set out in the NAO's memorandum to the Committee in Appendix Two (pages 34 and 38).

There are inherent difficulties in attributing changes in poverty levels to specific policies relative to the impact of other measures and real-world changes during the same period. The fact that the 40,000 figure is small, relative to the expected annual variations in poverty statistics, makes it even more difficult to estimate the contribution the OIP has had on reducing child poverty.

However, performance shows many more children are known to be benefiting from maintenance following the implementation of the OIP. The number of children benefiting increased from 623,000 in 2006 to 780,000 by the end of the plan in March 2009.

2. Poverty estimates are based on modelling conducted using DWP's Policy Simulation Model. As such, poverty figures are hypothetical estimates of how many more children would be in poverty without the measures in question.

The 100,000 figure refers to the number of children who would still be in poverty without the full child maintenance disregard. The full disregard, where parents with care will be entitled to keep all of their benefits regardless of maintenance arrangement, will be introduced on 12 April 2010.

In reality, child maintenance measures are just one element of a whole package of policies designed to tackle the multifaceted causes of child poverty, and will interact with other elements of the child poverty 2020 strategy currently being developed.

For all these reasons, it will not be feasible to attribute reported reductions in child poverty to individual policy measures.

December 2009