



House of Commons
Committee of Public Accounts

Child maintenance 2012 scheme: early progress

Seventeenth Report of Session 2014–15

*Report, together with the formal minutes
relating to the report*

*Ordered by the House of Commons
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Committee of Public Accounts

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Summary

We welcome the progress the Department for Work & Pensions (the Department) has made in simplifying the way it administers child maintenance, through the introduction of the first phase of the child maintenance 2012 scheme. The Department implemented the scheme carefully in stages, and there is no evidence of the backlogs or IT failings with which previous child maintenance schemes have struggled. However, there remain risks ahead, from the introduction of charging for statutory services, and from closing legacy cases and moving them to the 2012 scheme. Responses to charging are uncertain and the Department will need to monitor whether, in practice, parents take up family-based arrangements as planned, rather than rely on state intervention through the Department's scheme.

The 2.5 million separated families in the UK have several options for arranging child support. Around 1.1 million rely on statutory government-run schemes that assess, collect and make payments. Other families set up their own (family-based) arrangements or use the court system. Around 600,000 families have no arrangements at all. In December 2012, the Department introduced the first phase of the child maintenance 2012 scheme. This replaces two previous schemes for child maintenance which had struggled with IT problems, leading to poor customer service and incomplete information about outstanding debt. The 2012 scheme is designed to maximise the number of children benefiting from child maintenance arrangements and reduce government spending on administering child support. It introduced new rules for calculating payments, a new IT system for managing cases, and charges for using and enforcing the scheme. Newly separated parents access information through an online and telephone 'gateway', which explains the benefits of the choices available, and provides guidance on how to set up family-based arrangements.

The first phase of the 2012 scheme introduced new systems and processes, and simplified the way maintenance is assessed. The second phase, which was due to start in June 2014, involves the introduction of charges for parents using the statutory service (a £20 application fee, a 20% collection fee for paying parents, and a 4% fee deducted from maintenance paid to receiving parents), and the staged closure of legacy cases until 2018.

Conclusions and recommendations

1. **The good practice evident in the way the Department designed and introduced the first phase of the 2012 scheme reflected lessons learned from previous programmes.** The key factors behind the successful introduction of the scheme included: identifying what had gone wrong with the previous schemes; maintaining a stable and experienced leadership team that brought together both policy and operational expertise to the project; and implementing the scheme progressively, by moving forward only when the Department was confident it could introduce each stage, rather than trying to meet pre-announced deadlines. The Department decided on a pathfinder approach for implementing the first phase of the scheme to identify problems early. It started with a small number of cases, and increased the volume only once it was content that the system was operating as intended. The 2012 scheme is simpler and more efficient to administer than the previous schemes, for example, by automating the process of collecting data on parents' income from HM Revenue & Customs (HMRC) systems.

Recommendation: *The Department should evaluate the introduction of Phase 1, in particular the roll-out and pathfinder approach, to identify good practice to apply when planning future programmes and share this more widely in the public sector.*

2. **The Department has had stable senior leadership of the 2012 scheme.** The programme director, senior responsible officer and executive team in charge of child maintenance have all worked on child maintenance for several years. The scheme's leadership brought together operational and policy people into programme planning. The Department noted that decisions about roll-out required some judgment, as not all aspects of a programme could be tested in advance. We are pleased to see that these judgments were being made by a stable and experienced team.

Recommendation: *The Department should ensure that major programmes have resilient and stable leadership teams in place from the development stage, who have the insight to make critical judgements about programmes.*

3. **The impact that charging to use the statutory service will have on the number of parents willing to adopt family-based arrangements instead is uncertain.** A primary aim of the reforms to the child maintenance schemes is to encourage more parents to make family-based arrangements, rather than rely on the statutory scheme. The Department estimated that the 2012 scheme would lead to around 250,000 fewer statutory cases, equivalent to a reduction of a quarter by 2018-19. But it remains to be seen whether the charges for the statutory scheme have been set at the right level to achieve this objective. Gingerbread believes the Department had been unrealistic about the number of parents who would be able to make their own private family-based arrangements that last. According to a survey of callers using the gateway that explained the choices available for child maintenance, the number of parents intending to choose family-based arrangements reduced by more than a third from 5,540 in August 2013 to 3,590 in March 2014. The Department

considered this to be a temporary phenomenon associated with making the gateway mandatory and expected the position to change over the next 12 to 15 months.

Recommendation: *The Department should monitor closely the number of parents that choose family-based arrangements, following the introduction of charging for the statutory scheme, and maintain regular contact with groups supporting families to determine whether changes are needed to improve the support available to parents.*

4. **The first phase of the scheme was over budget and late, but it has produced results that are close to the expected performance levels.** The Department's prudent approach to implementing phase one, particularly its decision to undertake extra testing and implement the service gradually in phases, increased the costs of the programme and resulted in some delays. The Department now expects total costs to be £950 million, some £70 million more than it estimated in 2012, and the second phase of the scheme was postponed from July 2013 to June 2014. However, the scheme has produced results that are at, or approaching, expected levels of performance. For example, accuracy of assessment is 95%, compared with a target of 97%.

Recommendation: *The Department should monitor and manage performance of the scheme, to ensure effective control of operational costs, delivery of planned savings, and achievement of expected levels of accuracy and productivity.*

5. **Delays in setting up the 'data warehouse', required to close the legacy cases from the previous systems, have resulted in increased costs to the Department.** The Department is planning to close 800,000 legacy cases at a cost of £370 million, but will not be able to close its more complex cases without its 'data warehouse'. This is a database to allow cases on legacy schemes to be closed, and to improve management information on all schemes. The 'data warehouse' is several months behind schedule and much of its functionality remains undelivered. The Department is still uncertain about when it would be fully operational. The Department has developed contingency solutions to address this, which it stated are straightforward, and which are scheduled to end by June 2016. The Department was confident that the 'data warehouse' would be ready by this time, to close the complex cases, but it acknowledged that significant costs would be involved if it had to continue to operate legacy systems beyond this date.

Recommendation: *The Department should be transparent about the progress of case closure, ensure that it has the necessary systems in place by the time it closes complex cases, and monitor the performance of its contingency arrangements in the meantime.*

1 Securing the benefits of the programme for consumers

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Work & Pensions (the Department) on the delivery of the 2012 child maintenance scheme (the 2012 scheme).¹ We also took evidence from Gingerbread, a charity for single parents, and Resolution, an association of family lawyers.

2. The Department's aims in introducing the 2012 scheme were to: resolve problems with previous child maintenance schemes; maximise the number of children benefiting from child maintenance arrangements; and reduce government spending on administering child support. It introduced the 2012 scheme in two phases: Phase 1 which went live in December 2012 with a new IT system and new rules; and Phase 2 which from June 2014, implemented charges to parents and started to close around 800,000 cases on the previous child maintenance schemes. There are significant risks to the successful implementation of Phase 2 because of uncertainties over how parents would respond to charging and to case closure.²

3. The Department told us that it had adopted a prudent approach to implementation by proceeding only when it considered that it was safe to do so. It had also applied the lessons of the past by introducing the 2012 scheme through a controlled start. The Department considered that, letting all the applications and business of the 2012 scheme go live from day one would have been a "recipe for significant problems." In May 2012, the senior management team agreed to introduce Phase 1 in stages, allowing the Department to test the system before full implementation.³

4. In November 2013, the Department experienced problems with the stability of its IT system when it opened the 2012 scheme to all applications, but it told us that these had not significantly affected processing and performance. The Department decided on a pathfinder approach to implement the first phase of the scheme, to identify problems early. It started with processing a small number of cases, and then increased the volume once it was content that the system was operating as intended. This approach allowed the Department to implement the 2012 scheme when it was confident to do so, rather than at a pre-announced date. The Department extended the timing of the programme several times; it delayed Phase 1 from October 2012 to December 2012, and postponed Phase 2 from July 2013 to June 2014.⁴

5. One of our witnesses, Gingerbread, recognised that the phased implementation of Phase 1 had gone well and that the IT system had performed reliably so far. It also considered that delaying some of Phase 1 had been an appropriate and effective way of managing risk.⁵

1 [C&AG's Report, *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, 20 June 2014](#)

2 [Q 45; C&AG's Report, para 3, 5, 16](#)

3 [Q 23; C&AG's Report, para 1.11](#)

4 [Qq 24, 96; C&AG's Report, para 1.13, 1.21](#)

5 [Q 7](#)

Both Resolution and Gingerbread considered that it was too early to provide feedback from customer experience of the 2012 scheme, as neither body had yet seen many people who had used the new service.⁶

6. The Department introduced the 2012 scheme carefully and appeared to be learning from the mistakes of its previous schemes. The Department maintained a stable management team with a senior responsible officer and an executive team with substantial experience in administering child maintenance. The Department told us that it had taken particular note of what had gone wrong with the last two schemes. For example, it had not carried out the high-level design of the new scheme in isolation, but in conjunction with policy and operational people, to translate policy into implementation. The scheme is approaching expected performance levels, for example, it is processing 95% of cases accurately, against a target of 97%. At similar stages of implementation, the previous scheme (2003) missed accuracy targets by 15 percentage points.⁷

7. The Department simplified the administration of child maintenance by using an automated link to HMRC to collect data on parents' income. This allowed the Department to assess income more quickly and reliably, although there had been concerns about establishing accurate assessments of the income of the self-employed.⁸ The Department noted that receiving parents could raise concerns if assessments were too low, and that HMRC could also investigate if there were suspicions of undeclared income.⁹

8. The programme costs of the 2012 scheme increased by £70 million to £950 million because of the Department's conscious decisions to undertake extra testing and implement the service in phases and gradually. The Department told us that it did not expect programme costs to increase further, as it had already incurred most of the capital costs.¹⁰

2 Measuring and managing outcomes

9. The reforms to child maintenance aim to encourage parents to make family-based arrangements, rather than use the statutory scheme. The Department estimated that there would be 250,000 fewer statutory cases on the 2012 scheme. However, according to a survey of callers using the gateway that explained the choices available for child maintenance, the number of parents intending to choose family-based arrangements reduced by more than a third—from 5,540 in August 2013 to 3,590 in March 2014. Gingerbread told us that the Department had been unrealistic about how many parents would be able to make their own arrangements. Resolution pointed to research which indicated that, over time, more and more parents move into a regulated arrangement.¹¹

6 [Q 20](#)

7 [Q 23; C&AG's Report, para 1.20, 2.18](#)

8 [Q 15](#)

9 [Qq 29-30](#)

10 [Qq 42-43; C&AG's Report, para 1.15-1.16](#)

11 [Qq 2, 7; C&AG's Report, para 1.5, 1.24-1.25](#)

10. From June 2013, parents could voluntarily call the Options Service to receive information on the different child maintenance arrangements, including the benefits of making family-based arrangements (known as the ‘soft gateway’). From November 2013, the Department required parents to call the Options Service, to receive information on different child maintenance arrangements, before applying to the statutory scheme (known as the ‘mandatory gateway’).¹²

11. The Department told us that it was not yet concerned that the number of parents intending to choose family-based arrangements was not increasing. The Department believed that the increasing numbers choosing the statutory scheme were a result of making the gateway mandatory, as this had increased the number of calls, including those who would have automatically come to the state. The Department considered this would be a temporary phenomenon associated with making the gateway mandatory, and it expected the position to change over the next 12 to 15 months.¹³

12. Parents’ response to fees is uncertain and the impact on child poverty is unknown.¹⁴ Research by Gingerbread indicated that the £20 application fee would be a significant barrier to applying to the statutory service, especially for those on the lowest incomes.¹⁵ Research by Gingerbread and the National Centre for Social Research indicated that, where single parents on benefits received child maintenance, it lifted one in five of these families out of poverty.¹⁶

13. By May 2018, the Department aims to operate a single child maintenance scheme and is planning to close some 800,000 of its legacy cases in a staged approach, starting with simpler cases. The Department is dependent on a ‘data warehouse’ to close its more complex cases. The ‘data warehouse’ is designed to automate case closure and provide timely management information on productivity and efficiency of all schemes.¹⁷ The Department expected to achieve the largest cost savings once it is able to turn off the old legacy systems. It recognised that if it were unable to close all the cases on the old legacy systems, it would incur a huge cost of continuing to operate them.¹⁸

14. Despite it being a significant IT component of the 2012 scheme, and having been commissioned five years ago, the ‘data warehouse’ was still not ready and there was no clear date when it would be.¹⁹ The Department has developed contingency solutions to close the first three stages of legacy cases. It considered that these would be straightforward and they are scheduled to end by June 2016. The Department was confident that the ‘data warehouse’ would be ready by this time, to close the complex cases. The Department acknowledged that if the ‘data warehouse’ was not ready for the more difficult cases, then

12 [Q 39; C&AG’s Report, para 1.28](#)

13 [Qq 40-41](#)

14 [Q 18; C&AG’s Report, para 3.3](#)

15 [Q 17](#)

16 [Q 14](#)

17 [C&AG’s Report, para 17, 3.8](#)

18 [Q 50](#)

19 [C&AG’s Report, para 3.9-3.10](#)

this would cause difficulty and costs in continuing to operate the legacy systems for longer.²⁰

15. As the Department closes cases it will look at arrears on legacy cases. The Department does not automatically write off arrears. It told us that it will speak to parents about writing off arrears, or agreeing what debt is carried onto the 2012 scheme; although it could be three years until all cases are closed.²¹

20 [Qq 47, 50, 52; C&AG's Report, Figure 18](#)

21 [Qq 81-83](#)

Formal Minutes

Wednesday 10 September 2014

Members present:

Mrs Margaret Hodge, in the Chair

Mr Richard Bacon	Meg Hillier
David Burrowes	Mr Stewart Jackson
Jackie Doyle-Price	Austin Mitchell
Chris Heaton-Harris	Nick Smith

Draft Report (Child maintenance 2012 scheme: early progress), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 15 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

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

Ordered, That the Chair 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.

[Adjourned till Monday 13 October at 3.00 pm]

Witnesses

Wednesday 9 July 2014

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Caroline Davey, Director of Policy, Advice and Communications, Gingerbread;
James Pirrie, Resolution Child Support Committee

[Q1–22](#)

Robert Devereux, Permanent Secretary, Department for Work and Pensions,
Ian Wright, Change Director for Child Maintenance Group, DWP, and **Susan Park**, Senior Responsible Officer, Child Maintenance Scheme, DWP

[Q23–105](#)

Published written evidence

1 Department For Work And Pensions ([CHI0001](#))

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 2014–15

First Report	Personal Independence Payment	HC 280
Second Report	Help to Buy equity loans	HC 281
Third Report	Tax reliefs	HC 282
Fourth Report	Monitor: regulating NHS Foundation Trusts	HC 407
Fifth Report	Infrastructure investment: impact on consumer bills	HC 406
Sixth Report	Adult social care in England	HC 518
Seventh Report	Managing debt owed to central government	HC 555
Eighth Report	Crossrail	HC 574
Ninth Report	Whistleblowing	HC 593
Tenth Report	Major Projects Authority	HC 147
Eleventh Report	Army 2020	HC 104
Twelfth Report	Update on preparations for smart metering	HC 103
Thirteenth Report	Local government funding: assurance to Parliament	HC 456
Fourteenth Report	DEFRA: oversight of three PFI waste projects	HC 106
Fifteenth Report	Maintaining strategic infrastructure: roads	HC 105