



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**Department for Work & Pensions**

# Child maintenance 2012 scheme: early progress

## Key facts

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**£950m**

expected cost of introducing the 2012 scheme

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**£220m**

expected annual saving from introducing charging and closing cases

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**800,000**

legacy cases that the Department will close or move to the 2012 scheme by 2018

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**£503 million** total cost of administering the child maintenance statutory service in 2012-13

**£370 million** expected cost of closing cases from the previous schemes (legacy cases)

**£352 million** expected cost of IT for the 2012 scheme

**55,600** people making applications to the 2012 scheme between December 2012 and March 2014

**95 per cent** accuracy to within £1 or 2 per cent of the correct calculation in 2013-14

**90 per cent** proportion of new cases where HM Revenue & Customs or job centre systems have provided details of parents' income

# Summary

**1** The 2.5 million separated families in the UK have several options for arranging child support. Around 1.1 million (40 per cent) 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. The Department for Work & Pensions (the Department) spent £503 million running child maintenance services in 2012-13.<sup>1</sup>

**2** The 2012 child maintenance scheme (the 2012 scheme) replaces the existing 1993 and 2003 (legacy) statutory schemes for child support. The government created the Child Support Agency in 1993 to act as an alternative to pursuing child maintenance through the courts. The legacy schemes have struggled with IT problems leading to poor customer service and incomplete information about outstanding debt. The Department administers over 100,000 cases clerically<sup>2</sup> at a cost of £33 million a year. The Comptroller and Auditor General has issued a qualified opinion on the child maintenance accounts since 1994-95.<sup>3</sup>

**3** The Department is introducing the 2012 scheme to: resolve problems with previous schemes; maximise the number of children benefiting from child maintenance arrangements; and reduce government spending on administering child support. One of the primary objectives of the 2012 scheme is to ensure more parents pay the child maintenance they owe in full and on time. The Department also aims to encourage parents to make their own arrangements for child maintenance and expects to save £220 million a year through reducing the number of applications to the scheme and through charging parents for the services it provides.

**4** The 2012 scheme introduces new rules for calculating payments, a new IT system for managing cases, and charges for using and enforcing the scheme. Newly separated parents will access information through the Options Service – an online and telephone ‘gateway’. As of November 2013, parents must speak to the Options Service which will explain the benefits of the choices available and encourage them to set up family-based arrangements wherever possible. Parents can still apply for assessment or collection of money from paying parents, which will incur charges.

1 Includes 2012 scheme change programme costs of £83 million.

2 Problems with the 2003 scheme IT system resulted in a number of cases being managed through a clerical case database.

3 Department for Work & Pensions, *Client Funds Account – Statutory Child Maintenance Schemes 2012-13*, March 2014.

5 The Department is introducing the 2012 scheme in two phases. In December 2012, Phase 1 introduced the new IT system and rules for new applicants, but without charges. The Department expects to start Phase 2 in June 2014 and will begin charging parents for the services it provides. At the same time it will start to close cases set up through the legacy schemes, offering parents the choice to move to the 2012 scheme. The Department expects to close around 800,000 cases.

6 The Child Maintenance and Enforcement Commission (the Commission) started planning the reforms before its functions moved to the Department in 2012. In this report we refer to the Department for all stages of the programme.

### **Scope of this report**

7 In this report we look at the progress of the 2012 scheme. It is too early to assess the value for money of the full reforms; the Department has not yet introduced charging or closed legacy cases. We look at the Department's progress in introducing the 2012 scheme. In light of previous problems introducing legacy schemes, we consider what the Department has done to reduce risks and prevent past mistakes. We consider the Department's:

- Progress against plans (Part One). Eight years ago, the Committee of Public Accounts' report *Child Support Agency: Implementation of the Child Support Reforms* called for urgent improvements to fix IT problems. It also stated the Department needed to rebuild staff confidence damaged by previous failed attempts to provide a workable system.<sup>4</sup>
- Management of the first phase of the programme (Part Two). In its report *Child Maintenance and Enforcement Commission: Cost Reductions*, the Committee recommended the Department fully test its new systems before implementing them to avoid repeating mistakes, and introduce new systems safely.<sup>5</sup>
- Management of risks for the second phase of the programme (Part Three). The Department's targets for reducing costs depend on the success of the new IT system, introducing charging and successfully closing legacy cases. The Comptroller and Auditor General's reports on the child maintenance client funds account have repeatedly highlighted significant and unresolved inaccuracies that the Department needs to correct.

4 HC Committee of Public Accounts, *Child Support Agency: Implementation of the Child Support Reforms*, Thirty-seventh Report of Session 2005-06, HC 812, June 2006.

5 HC Committee of Public Accounts, *Child Maintenance and Enforcement Commission: Cost Reductions*, Eighty-third Report of Session 2010-2012, HC 1874, May 2012.

## Key findings

### Early progress

#### **8 The Department has simplified the way it administers child maintenance.**

The Department has significantly reduced the number of procedures and manual operations required to administer the 2012 scheme. Staff working on legacy schemes had difficulty getting accurate and timely information on income from parents, but the 2012 scheme has automated this. HM Revenue & Customs or job centre systems provide details of parents' income to calculate payments for 90 per cent of new cases. The Department now offers an online service for employers to manage their payments and plans to offer a similar service to parents from July 2014 (paragraphs 1.7 to 1.9).

#### **9 The Department introduced Phase 1 of the 2012 scheme in December 2012.**

It originally planned to start Phase 1 in October 2012 but delayed this until December. The Department decided on a pathfinder approach for implementing Phase 1 to identify problems early. It started with a small number of cases, first increasing the volume once it was content that the system was operating as intended. By March 2014, the Department had received 55,600 applications; 11,500 of these have been closed or withdrawn. Of the remaining 44,100, 70 per cent have a maintenance arrangement in place; the remaining 30 per cent of cases have either been assessed as having no child maintenance liability, or the paying parent has not yet been traced (paragraphs 1.13 and 1.19).

**10 The Department is approaching expected levels of performance.** It is assessing 95 per cent of new cases accurately; 2 per cent below its expectations but higher than legacy schemes at equivalent stages. In most cases the performance of the 2012 scheme is at or approaching expected levels. Performance on accuracy and parents' compliance with the scheme has varied over the course of Phase 1. The Department has also identified some variations at a regional level, for example, in the proportion of staff adhering to its processes (paragraphs 1.20 to 1.23).

**11 Recent changes to the Options Service have not yet led to more parents making family-based arrangements.** The Department changed its Options Service contractor in September 2013 and, from November 2013, made it compulsory for parents to use the Options Service for guidance. The number of people intending to choose family-based arrangements has reduced by over a third from 5,540 in August 2013 to 3,590 in March 2014. Surveyed intentions may not reflect the actual choices people make and the Department also expects charging to encourage parents to make family-based arrangements (paragraphs 1.25 to 1.28).

**12 Programme costs have increased because of time extensions and higher IT costs.** The Department expects the total cost of the programme to be £950 million – £70 million more than it estimated in 2012. Its decision to adjust the start of roll-out and use a pathfinder approach has increased costs by £39 million. Delays in setting up a 'data warehouse'<sup>6</sup> to automate its case closure programme have cost a further £4 million in direct costs (paragraph 1.16).

<sup>6</sup> The data warehouse is a database used for reporting and data analysis, usually integrating data from one or more sources to create a central information system.

## Managing the first phase of the programme

**13 Up to 2011, the Department made limited progress in setting up the 2012 scheme.** IT systems were delayed by contractual discussions with suppliers and a lack of clarity about what the Department required. In April 2012, the Major Projects Authority was concerned about the Department's ability to introduce the 2012 scheme and gave the programme a 'red' rating for delivery confidence (paragraphs 2.6 and 2.14).

**14 The Department has substantially improved control of the programme.** It appointed a new senior responsible officer in mid-2011 and has since had a broadly stable leadership team. Changes have led to a clearer definition of system requirements, better integration of suppliers, increased accountability and improved contractor performance. The Major Projects Authority assessed the programme as 'amber-green' as of September 2013 and in its latest review found that the programme was in a "good position to successfully deliver Phase 2". It also found that "the management team seems strongly integrated and is reinforced by an effective governance process" (paragraphs 2.8 and 2.21).

**15 The Department took several early decisions to extend the timing of the programme to reduce risk.** The Department's earliest plan assumed the programme would begin in April 2010; it revised plans following changes to child maintenance policy after the general election of May 2010 and the merger of the Commission into the Department. In May 2012, the Department decided to introduce Phase 1 in stages by testing the new system on a small number of cases. It delayed the programme by two months to start in December 2012 to allow time for more testing (paragraphs 1.10, 1.13 and 2.11).

## Managing the risks to the second phase of the programme

**16 Phase 2 continues to be the most uncertain phase of the 2012 scheme.** The Department has identified charging and case closure as the main risks to the 2012 scheme. It has done some modelling of the impact of charging but accurately predicting parents' reactions is difficult. If its assumptions are wrong, the scheme's overall benefits may be at risk (paragraphs 3.3 and 3.15).

**17 The Department depends on implementing a data warehouse to close its more complex cases.** 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. The IT systems of the legacy schemes cannot select cases for closure or prioritise the order for closing them. The data warehouse is designed to automate case closure and provide timely management information on productivity and efficiency of all schemes. But the data warehouse is several months behind schedule. The Department is using its legacy systems in the short term to help close cases but will not be able to rely upon these systems for more complex cases (paragraphs 3.9 to 3.13).

**18 In early 2014, the Department decided to postpone the start of Phase 2 to reduce risks.** The Department planned to start Phase 2 of the 2012 scheme at the end of March 2014. It decided to postpone it until June 2014 to undertake additional testing. In making this decision the Department balanced the extra costs from delaying charging against the need to reduce the risks of continuing as planned (paragraph 3.15).

### **Conclusion on value for money**

**19** The Department has introduced the first phase of the 2012 scheme, and is approaching expected performance levels. This is positive, and all new applicants apply through the 2012 scheme. We are concerned about signs that fewer parents intend to choose family-based arrangements, but this may change as the Department introduces charging.

**20** We are pleased to see that the Department is proceeding cautiously, and aiming to learn from experience. However, delivering value for money from the 2012 scheme as a whole will depend on winding up the remaining cases from legacy schemes, and implementing associated technology improvements successfully, and these tasks lie ahead.

### **Recommendations**

**21** From June 2014, the Department plans to introduce charging, begin closing cases and expand the roll-out of the 2012 scheme. As the Department carries out Phase 2 it will need to show it has:

**a Tested its new systems and processes for both administering and monitoring Phase 2 of the scheme:**

- The Department should complete testing of the new systems, or fully assess the risks of proceeding without full testing.
- It should review all of its major operating assumptions in the light of performance so far and estimate the impact on outcomes. For example, it should revise its estimates of the increase in the number of family-based arrangements using evidence from Phase 1, such as the performance of the Options Service.
- It should use models to test its capacity to manage significant increases in applications or increases in calls and correspondence as a result of charging.

**b Tested alternative arrangements for closing complex cases if there are further delays in setting up the data warehouse:**

- The Department will need to ensure its contingency plans for using legacy systems to select cases for closure are realistic. It should take into account uncertainty about parents' reactions to closure and the quality of existing data.
- When making decisions about the roll-out of the data warehouse, the Department should allow enough time to consider contingency arrangements for closing complex cases.

**c Introduced adequate management information to monitor performance, the achievement of outcomes and progress in closing cases:**

- The Department should assess the quality of management information to detect problems with performance or avoiding backlogs.
- The Department should ensure it collects information to evaluate the outcomes of the 2012 scheme. This includes measures of the overall impact on society, the impact of case closure and charging, and the efficiency of the scheme.
- The Department should develop measures to assess performance and efficiency, in particular to identify and tackle variations in accuracy and productivity.