National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Child maintenance 2012 scheme: early progress

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National Audit Office

Department for Work & Pensions

Child maintenance 2012 scheme: early progress

Report by the Comptroller and Auditor General

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This report examines the Department for Work & Pensions' early progress in the roll-out of the 2012 child maintenance scheme. It is too early to assess the value for money of the whole set of reforms; the Department has not yet introduced charging or case closure of legacy cases.

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Contents

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Key facts

£950m	£220m	800,000
expected cost of introducing the 2012 scheme	expected annual saving from introducing charging and closing cases	legacy cases that the Department will close or move to the 2012 scheme by 2018

£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.[1]

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[2] 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.[3]

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.[4]
- 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.[5]
- 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'[6] to automate its case closure programme have cost a further £4 million in direct costs (paragraph 1.16).

6 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.

Part One

Progress of the 2012 scheme

1.1 The Department for Work & Pensions (the Department) has implemented Phase 1 of the 2012 child maintenance scheme (the 2012 scheme), which introduced new processes and the majority of the IT systems for administering cases. In June 2014, it will start Phase 2, which introduces charging for the statutory service and closing cases from the 1993 and 2003 schemes (legacy schemes).

1.2 In this part, we consider the Department's progress at this midpoint in the programme. We set out the 2012 scheme's:

- aims, design and timing;
- costs and expected savings; and
- actual performance up to March 2014.

1.3 Unless otherwise indicated all timings, costs and savings are based on the Department's plans at the end of March 2014. In some cases we show how the Department's estimates have changed. We consider changes to the timing and scope of the programme in more detail in later parts of this report.

Aims of the 2012 scheme

1.4 The Department has long recognised the need to replace the legacy schemes and improve its performance in administering child maintenance cases. It has also announced two major reforms to the way it administers child maintenance. In 2008, the Department removed the requirement for all benefit claimants to register child maintenance arrangements with the statutory scheme. In January 2011, the Department announced it would be introducing charges for using the statutory scheme.[7]

1.5 The Department aims to maximise the number of children benefiting from effective child maintenance arrangements. It also aims to encourage parents to make family-based arrangements rather than use the statutory scheme and reduce costs by charging fees and working more efficiently. The 2012 scheme represents a shift away from using the statutory scheme as a default option.

7 Department for Work & Pensions, *Strengthening families, promoting parental responsibility: the future of child maintenance*, government consultation, January 2011.

1.6 The 2012 scheme will change how the Department administers child maintenance (**Figure 1**). It requires parents to contact its Options Service before choosing the most suitable child maintenance arrangements. Parents who want the Department to manage payments for them will be charged for this. The Department will close all cases on the legacy schemes.

Simplifying the system

1.7 The Department has designed a simpler system by reducing the number of child maintenance procedures from over 21,000 to 450 and significantly reducing the number of clerical processes compared to legacy schemes. It has introduced more efficient technology to manage its procedures.

1.8 Getting accurate and timely information about parents' income has been difficult for staff administering the legacy schemes. The 2012 scheme has helped to automate this process. In March 2014, the Department collected income details directly from HM Revenue & Customs or job centre systems for 90 per cent of its new cases.

1.9 The Department is aiming to improve efficiency by reducing the administrative burden on parents. From February 2014, it has offered an online payment service for employers and plans to offer similar services to parents from July 2014. The employer self-service portal allows employers who deduct child maintenance from their employees' earnings to manage their payments online. The Department estimates that 40,000 employers may eventually use this service. The client self-service portal will enable parents to manage payments online, for example updating changes of circumstances.

Extending the timing of the programme

1.10 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 abolition of the Child Maintenance and Enforcement Commission (the Commission) and transfer of its functions into the Department. The Department is now implementing the scheme in two phases. In Phase 1 it built the processes and systems for the scheme and tested these using a phased implementation approach. In Phase 2 the Department is introducing charging and closing its legacy cases.

1.11 In May 2012, the senior management team agreed the staged introduction of Phase 1. In April 2013, it made early decisions to extend the timing of these stages to reduce risks in the programme. It began with a small number of cases, adding more once it was content the system was working as intended. In December 2012, the Department began with new cases involving families with four or more children, expanding to two or more children in July 2013 and all new cases in November 2013 (**Figure 2** on page 14). The decision for gradual roll-out (pathfinder) allowed the Department to make sure the system was fully tested before full implementation.

Figure 1

The 'parent journey' on the statutory scheme

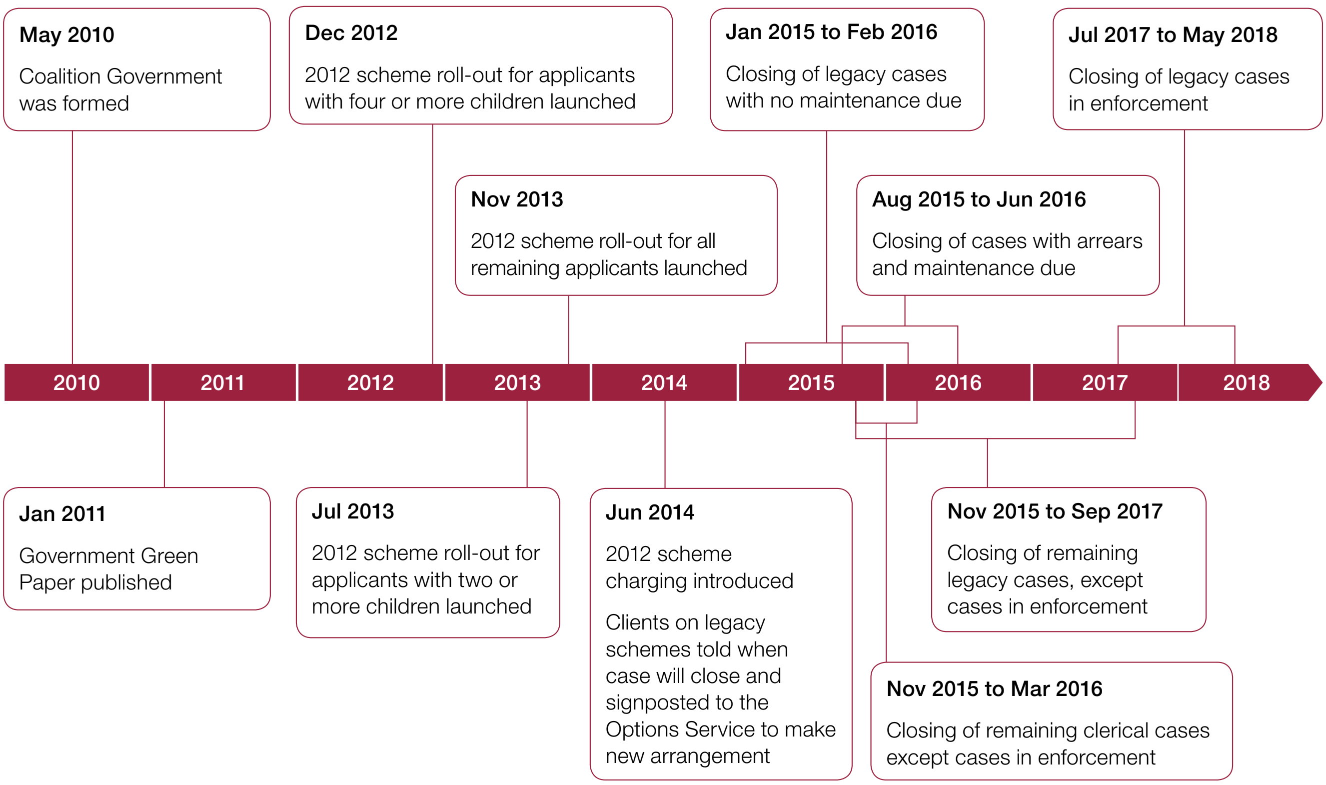
Changes have been made throughout the parent journey

Steps	Description	Changes from the past
Options Service	Parents presented with options Parents decide to apply to the 2012 statutory scheme or make family-based or other arrangements	Information on the benefits of family-based arrangements Mandatory discussion of options
Application decision	Either parent applies to statutory scheme	Application charge of £20 (from June 2014) Legacy scheme cases linked to new applications moved to the 2012 scheme All legacy scheme cases closed. Parents can choose to reapply to the 2012 scheme (from June 2014)
Assessment	Department assesses income and maintenance payments	New assessment formula, now based on gross rather than net income Greater reliance on HM Revenue & Customs and job centre systems rather than information from parents
Collection	On 'Direct Pay' maintenance is paid directly between parents On the 'Collect & Pay' service, the Department collects maintenance from paying parent and gives this to the receiving parent	Parents encouraged to use 'Direct Pay' which incurs no collection charge Paying parents using the 'Collect & Pay' service pay 20 per cent collection fee (from June 2014) Four per cent fee deducted from maintenance paid to receiving parent using the 'Collect & Pay' service (from June 2014)
Arrears	Department collects arrears	Consistent monitoring of arrears Receiving parents on legacy scheme cases decide whether they wish their arrears to be collected, and if so, the arrears will be transferred to the 2012 system (June 2014 to May 2018)
Enforcement	Department enforces payments	Enforcement fees of £50 to £300 (from June 2014)

Source: National Audit Office analysis of published departmental documents

Figure 2
Timeline for the 2012 scheme

The Department is at the midway point of the programme



Source: National Audit Office analysis of departmental data

1.12 The Department plans to begin Phase 2 from June 2014. It is planning to close its legacy cases in stages (called segments). It has grouped cases into five segments based on the risk involved in disrupting maintenance payments. Case closure will take four years to complete.

1.13 The Department has extended the timing of the programme several times. It originally planned to start Phase 1 in October 2012 but delayed this until December 2012. It delayed Phase 2 by a year from July 2013 to June 2014. While some of this delay resulted from the Department responding to policy changes, the need for further testing and the adoption of a phased implementation approach, early progress was also hindered by contractual discussions with the Department's suppliers. Parts Two and Three describe concerns such as supplier relationships and implementation risks that led the Department to postpone Phases 1 and 2.

Costs and benefits of the programme

1.14 The Department's July 2013 business case estimates the net present value of the programme as £835 million. It also estimates recurrent savings to 2022-23 as £2.1 billion made up of reductions to payroll costs (£349 million), IT live running (£446 million), contract savings (£312 million) and fee income (£890 million).[8]

1.15 The Department estimates the 2012 scheme will cost £950 million up to 2022-23 (**Figure 3**).[9] This includes IT, migration support, training and estates costs.

1.16 The Department's estimate of the total cost of setting up the 2012 scheme has increased by £70 million from its plans in April 2012. This is because of delays in the programme, extra testing and the use of a pathfinder approach. Delays have so far cost £39 million in testing and technical support to staff. Delays in setting up the data warehouse have cost a further £4 million in direct costs.

Figure 3
Estimated programme costs to March 2023

The Department's costs have increased by £70 million from its 2012 estimates

	As at April 2012 (£m)	As at July 2013 (£m)	Change (£m)
Capital	37	97	60
Non-capital	304	343	39
Scheme transition	389	370	-19
Exit costs	109	94	-15
Training	37	41	4
Estate costs	4	5	1
Total	**880**	**950**	**70**

Notes
1 Scheme transition includes the costs of closing cases on the legacy systems and shutting the systems down.
2 Non-capital includes the costs of running the pathfinder, design costs and non-capital IT costs.

Source: National Audit Office analysis of departmental business cases

8 Economic assessment, which is adjusted for inflation, of the benefits and costs to 2022-23 of running child maintenance including case closure and charging.
9 Department for Work & Pensions, *Child Maintenance Reform Business Case*, July 2013.

1.17 Our report on the *Child Maintenance and Enforcement Commission: Cost Reduction* in February 2012 noted that in January 2011, the Commission reported to its audit committee that the forecast cost of the new IT system was £149 million.[10] By October 2011, it estimated the cost as £275 million. The Commission estimated that on a like-for-like basis £27 million of the difference was due to cost increases but we could not substantiate this amount. IT costs and the wider change programme costs were reclassified between these dates.

1.18 These estimates did not include the cost of charging. The Department now estimates that the lifetime cost of the design, build and testing of IT systems for the 2012 scheme, including charging, and now with a £44 million provision for future IT development, will be £352 million (**Figure 4**).

Figure 4
IT costs for the 2012 scheme

The Department has spent 76 per cent of planned IT expenditure as at March 2014

Description	2009-10 (£m)	2010-11 (£m)	2011-12 (£m)	2012-13 (£m)	2013-14 (£m)	Future costs (£m)	Total (£m)
Design and build	34	21	14	11	1	0	81
Project management and support	9	9	8	23	11	11	71
Maintenance support	1	0	7	22	5	0	36
Links with other systems	2	4	7	4	1	0	17
Testing	0	0	4	2	0	0	7
Telephony	1	2	2	3	0	0	7
Phase 2	0	0	1	7	27	18	52
Future IT development	0	0	0	0	0	44	44
Data warehouse	4	5	5	5	7	12	37
Total	**50**	**42**	**48**	**76**	**52**	**84**	**352**

Notes
1 Future costs covers the period from 2014-15 to 2016-17.
2 Phase 2 costs includes design, build, testing and project management to implement requirements, such as charging and case closure.
3 Future IT development is a departmental estimate subject to approval.
4 Figures may not sum due to rounding.

Source: National Audit Office analysis of departmental data

10 Comptroller and Auditor General, *Child Maintenance and Enforcement Commission: Cost Reduction*, Session 2010–2012, HC 1793, National Audit Office, February 2012.

Approaching expected performance levels

1.19 By March 2014, the Department had processed 55,600 applications on the 2012 scheme (**Figure 5** overleaf), of which 11,500 have been closed or withdrawn. Of the remaining 44,100 cases, 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 been traced. Numbers of new cases are so far consistent with the Department's expectations and the agreed maintenance arrangements are higher than achieved at a similar stage in legacy schemes (only 42 per cent had an agreement in place two years after the start of the 2003 scheme).[11]

1.20 The Department monitors performance of the 2012 scheme in several ways. It has started to publish statistics on accuracy, telephony and complaints; and measures customer satisfaction and outcomes from its Options Service.[12] The key measures of performance include:

- **Accuracy of the Department's assessments.** The Department estimates the percentage of cases on the 2012 scheme assessed as being accurate to within £1 or 2 per cent (whichever is higher). Its accuracy rate was 95 per cent for 2013-14; 2 per cent below its expectations. In 2004-05, the previous child maintenance scheme (the 2003 scheme) missed accuracy targets by 15 percentage points.

- **Time to first payment.** The Department assessed a sample of 400 applications made in January 2014. It found 91 per cent were assessed or closed within 12 weeks, compared with a target of 90 per cent. In 2004-05, the equivalent clearance performance was 28 per cent for the 2003 scheme.[13] The Department estimates that 65 per cent of parents made their first payment within 12 weeks of a new application, against an expectation of 60 per cent.

- **Compliance by paying parents.** The Department measures the proportion of cases where a parent has made a payment in the last three months. Compliance was 71 per cent as at March 2014 and is expected to be at 83 per cent[14] by March 2015. The Child Support Agency achieved a compliance rate of 66 per cent in 2004-05, two years after the 2003 scheme launched.

1.21 The Department does not expect all aspects of performance to have reached long-term targets. Most measures of performance of the 2012 scheme in Phase 1 are at or approaching expected levels (**Figure 6** on page 19). In several cases the Department expects performance to improve as the 2012 scheme matures, in the same way that previous schemes took time to reach stable levels of performance.

11 Departmental analysis of Child Support Agency quarterly summary statistics: December 2011.

12 Department for Work & Pensions, *Experimental statistics on 2012 scheme administered by the Child Maintenance Service*, March 2014.

13 Departmental analysis of Child Support Agency quarterly summary statistics: March 2014.

14 Eighty-three per cent was the Department's indicative expectation based on the compliance performance of legacy schemes. The Department did not set a formal performance target for 2013-14 on the 2012 scheme as it was gradually building the caseload under its pathfinder approach.

Figure 5

2012 scheme intake and caseload (December 2012 to March 2014)

Volumes are in line with expectations

Steps	Description	Expected	Actual	Actual compared with expected (%)
Options Service	Telephone calls about making child maintenance arrangements	283,000	219,140	-23
	Parents decide to apply to the statutory scheme	Not reported	45,320	n/a
Application decision	Parents applying to the statutory scheme including linked cases on the legacy schemes that are moved to the 2012 scheme	58,000	55,600	-4
Assessment	Department assesses income and maintenance payments	47,000	44,100	-6
	Cases where maintenance is due	33,000	30,910	-6
Collection	Paying parents paying maintenance	23,750	22,070	-7
Arrears	Paying parents who pay less than 90 per cent of maintenance due	17,360	14,370	-17
Enforcement	Cases in the legal enforcement process	170	390	129

Source: Child Maintenance Group operational profiling, business cases and interim management information

Figure 6

Early performance of the 2012 scheme in 2013-14

Performance is approaching expected levels

Steps	Description	Expected	Actual
Options Service	Parents intending to opt for family-based arrangements	No expectation	Declined by more than a third between August 2013 and March 2014
	Children benefiting from family-based arrangements	228,000	Unknown
Application decision			
Assessment	HM Revenue & Customs and job centre systems provide income data	90 per cent	90 per cent
	Accuracy of assessment	97 per cent	95 per cent
Collection	Paying parents contributing towards maintenance	83 per cent	71 per cent
	Parents paying through 'Direct Pay'	23 per cent	39 per cent
	Children benefiting from the 2012 statutory scheme	21,000	42,000
	Maintenance collected	£10.6 million	£12.7 million
Arrears	Arrears	No expectation	£6.7 million
Enforcement			

Notes

1 Expectations are for 2013-14 and accuracy of assessment and paying parents contributing towards maintenance are indicators of expected performance.

2 The Department had no expectation for 'paying parents contributing towards maintenance' in 2013-14 but 83 per cent refers to its expectation for 2014-15.

3 Percentage of 'parents paying through Direct Pay represents the number of cases on Direct Pay as a percentage of cases on the 'Collect & Pay' service where the paying parent has paid partial or full maintenance and all cases on Direct Pay.

4 Percentage of 'paying parents contributing towards maintenance' represents cases on the 'Collect & Pay' service where the paying parent has paid partial or full maintenance and all cases on Direct Pay; as a percentage of all cases on the Collect & Pay service and Direct Pay.

Source: National Audit Office analysis of departmental data

1.22 The Department believes that variations in accuracy and compliance relate to parents and staff becoming familiar with the scheme rather than failings in the Department's enforcement. For example, accuracy of assessments fell to 92 per cent between October and December 2013 before climbing to an average of 95 per cent for 2013-14. Compliance by paying parents increased from 44 per cent in September 2013 to 71 per cent in March 2014.

1.23 The Department expects accuracy and compliance to increase further as staff become more familiar with the scheme and new cases settle into more regular payment. One opportunity for improving performance may come from reducing variation in staff compliance with administrative processes. The Department is recruiting extra staff from other parts of its businesses to administer the 2012 scheme. Staff compliance varies geographically. For example, the Department estimates that, as of March 2014, staff complied with its processes in 93 per cent of cases in the northern region, compared with 75 per cent in the south-east region.

Not yet increasing family-based arrangements

1.24 A primary aim of the reforms is to encourage more parents to make family-based arrangements rather than rely on the statutory scheme. The Department estimates that the 2012 scheme will lead to around 250,000 fewer statutory cases, equivalent to a reduction of a quarter by 2018-19 (**Figure 7**).[15]

1.25 The Options Service gives guidance to parents on different ways to arrange child maintenance. One aim of the service is to encourage and support parents to make their own arrangements. The number of parents choosing family-based arrangements has not yet increased (**Figure 8** on page 22). Based on a survey of callers to the gateway, 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.

1.26 Of parents who said they were intending to apply to the statutory scheme, the proportion intending to use 'Direct Pay' (parents making their own arrangements through the statutory scheme) increased from 22 per cent to 44 per cent between September 2013 and March 2014, which would reduce the Department's administrative costs.

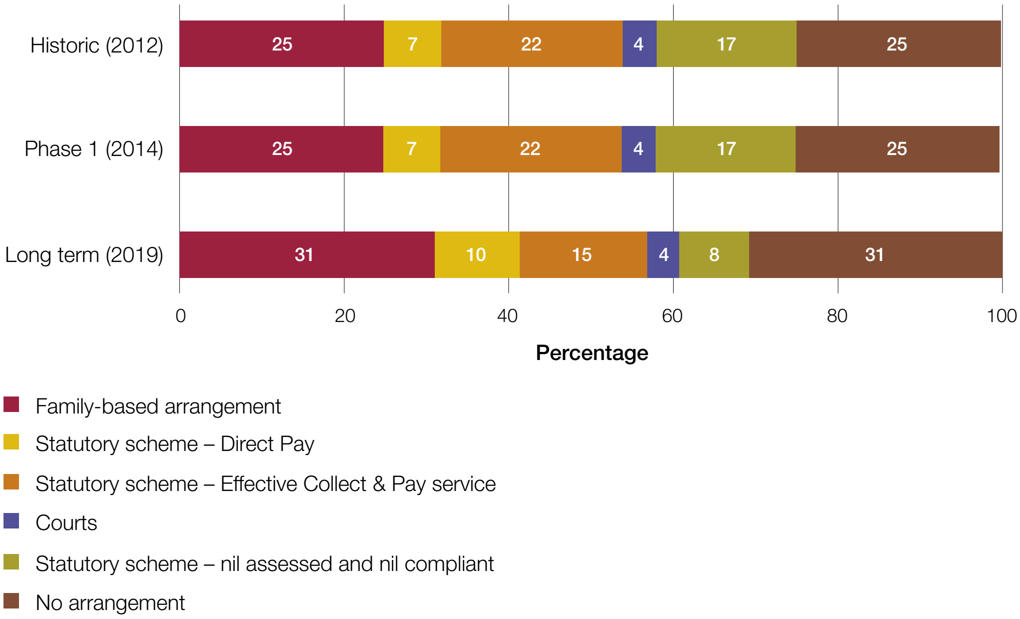
1.27 There are several reasons why it is difficult to infer actual outcomes from intentions at this stage. The Department estimates that around half of callers do not express an intention. Some people may change their decision after the gateway call. There is no sign that intentions have had a significant effect on applications to the statutory scheme. The Department's experimental statistics show applications declined from 11,600 in January 2014 to 9,700 in May 2014, 1,500 below the Department's expectations.[16]

15 Department for Work & Pensions, *Corporate Planning Model*, December 2013.

16 Department for Work & Pensions, *Experimental Statistics on 2012 Scheme administered by the Child Maintenance Service*, June 2014

Figure 7
Estimates of all child maintenance arrangements

The Department expects more parents to choose family-based arrangements



Notes

1 Figure reflects estimates of the types of child maintenance arrangements for the 2.5 million separated families.

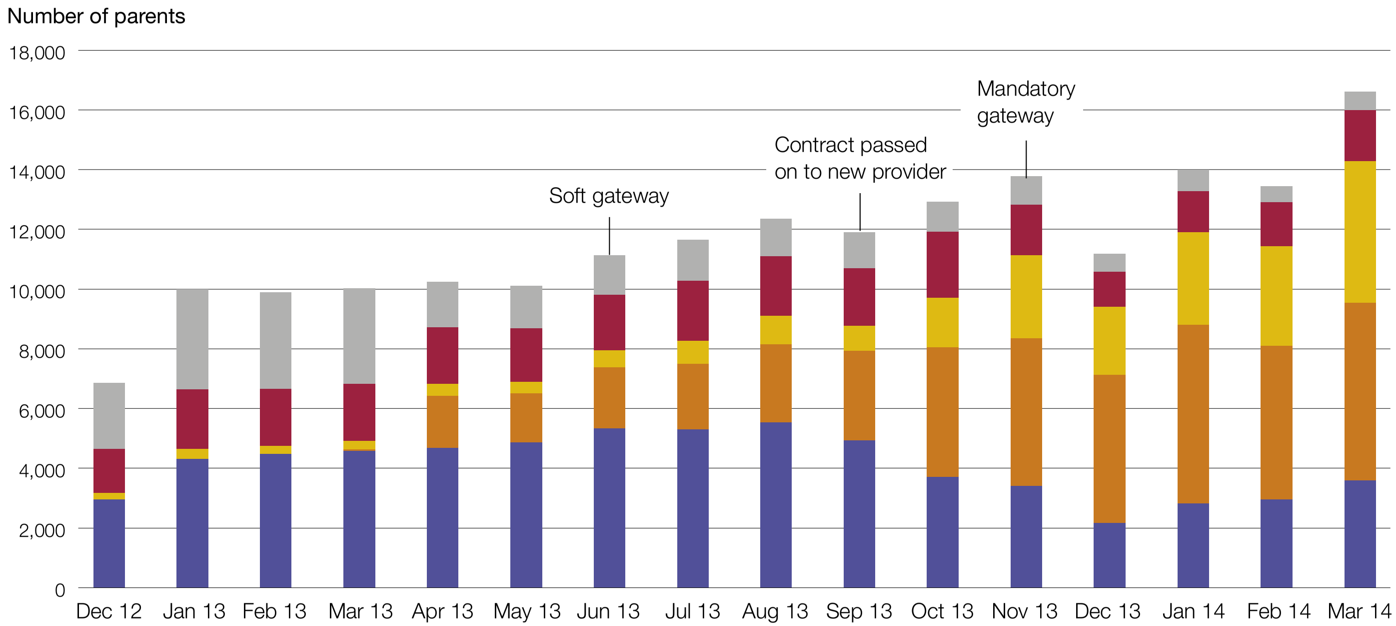
2 Department's estimates are based on projections for its 2012 impact assessment.

3 Figures may not sum up due to rounding.

Source: National Audit Office analysis of departmental data

Figure 8
Options Service intentions

The proportion of parents intending to choose family-based arrangements is not yet increasing



	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Other	2,200	3,340	3,220	3,190	1,520	1,420	1,310	1,360	1,250	1,200	1,000	940	580	710	520	610
No arrangement	1,480	1,990	1,920	1,920	1,910	1,800	1,860	2,010	1,990	1,920	2,210	1,700	1,160	1,390	1,470	1,700
2012 scheme or legacy schemes Direct Pay	210	340	260	270	390	380	570	780	960	840	1,650	2,790	2,290	3,090	3,350	4,760
2012 scheme or legacy schemes Collection Service	0	0	0	60	1,740	1,640	2,040	2,190	2,620	2,990	4,340	4,930	4,970	5,980	5,130	5,950
Family-based arrangement	2,970	4,320	4,490	4,580	4,690	4,880	5,340	5,310	5,540	4,950	3,720	3,420	2,170	2,830	2,970	3,590

Notes

1 The data shows what the customer intends to do at the end of the telephone call, with options that may translate into action or a different result.

2 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 (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 (Mandatory gateway).

Source: National Audit Office analysis of departmental data

1.28 Operational changes may also have affected the recording of intentions. The Department's decision to change its contractor in September 2013 reduced the number of staff with experience in helping callers overcome barriers to family-based arrangements. The mandatory referral of all new applicants to the Options Service resulted in a change in the mix of callers with those intending to apply to the statutory scheme having to call the service first. The Department responded to the increase in calls by suspending some procedures aimed at overcoming barriers to making family-based arrangements and the offer of extended support between November 2013 and early February 2014.

Maintaining customer satisfaction

1.29 The Department regularly surveys parents about their experience of the Child Maintenance Service. The most recent survey was from October to December 2013 and showed little change in parents' satisfaction (**Figure 9**).

1.30 By March 2014, the Department had received a total of 325 complaints about administration of the 2012 scheme.[17] The number of complaints received so far represents 0.7 per cent of all cases compared with 1.1 per cent on the legacy schemes.

Figure 9

Parents' satisfaction: October to December 2013

The latest survey shows no significant differences between parents' experience of the legacy and 2012 schemes

Response	Legacy schemes (%)	2012 scheme (%)
Satisfied or very satisfied with experience	66	60
Dissatisfied with experience	11	12
Received a call back when promised	70	77
Issues were dealt with in a reasonable period	71	72
Kept informed of progress on case	69	62
Needs were dealt with in a sensitive manner	72	83
Likely or highly likely to recommend the service	80	84
Sample size	424	597

Notes

1 Sample includes new cases and services.

2 'Needs were dealt with in a sensitive manner' includes responses from paying parents only.

3 'Likely or highly likely to recommend the service' includes responses from receiving parents only.

4 The Department reported no significant differences between legacy and 2012 schemes results.

Source: Child Maintenance Group customer satisfaction results 2013

17 Department for Work & Pensions, *Experimental statistics on 2012 scheme administered by the Child Maintenance Service*, June 2014.

Part Two

Managing the first phase of the programme

2.1 In this part we consider how the Department for Work & Pensions (the Department) has managed Phase 1 of the 2012 scheme. In Phase 1 the Department introduced new rules for assessing maintenance, new processes and IT systems for administering cases, and made a gateway service (the Options Service) compulsory to advise parents about their options. The Department is now administering all new cases under the 2012 scheme and is approaching expected levels of performance.

2.2 In the past the Department has had problems introducing its child maintenance schemes, causing hardship for parents who depend on accurate and timely payments. In its report *Child Maintenance and Enforcement Commission: Cost Reductions*,[18] the Committee of Public Accounts highlighted the need to establish service levels and trust in the 2012 scheme before introducing charges.

2.3 In previous reports we have shown that operational problems with child maintenance schemes have often arisen because of unclear objectives, inadequate governance and weak controls or reporting. In this part we consider how the Department has:

- set out its requirements for the 2012 scheme;
- adjusted the timing of the programme;
- established its governance and oversight of the programme; and
- monitored progress and performance.

Early problems in setting out requirements

2.4 The 2012 scheme's requirements have changed over time, reflecting changes in government policy. The Department had long-standing plans to replace child maintenance systems and had taken steps to replace systems before the current reforms were announced by the government in 2011. For example, in September 2009, it commissioned a contractor to develop a data warehouse. This is a database that will allow the Department to close down cases on legacy schemes and improve its management information on all schemes. In 2011, the government announced changes to the 2012 scheme including charging and using a phased approach to implementation.

18 Comptroller and Auditor General, *Child Maintenance and Enforcement Commission: Cost Reduction*, Session 2010–2012, HC 1793, National Audit Office, February 2012.

2.5 The Child Maintenance and Other Payments Act 2008 provided for a new child maintenance scheme and the Department started to plan the new arrangements. The early stages of the programme suffered from unclear definition of requirements and weak management. It adopted an 'Agile' approach and developed the policy and technical requirements at the same time. The Department had limited experience of Agile methods at this time.

2.6 In April 2012, the Major Projects Authority was concerned about the ability of the Department to introduce the 2012 scheme and awarded the programme a 'red' rating for delivery confidence. **Figure 10** overleaf summarises the early problems the Department had in setting out the requirements of the 2012 scheme and how it risked making the same mistakes as the 2003 scheme.

Improving governance in early 2011

2.7 The Department needed to improve the way it managed the programme if it was going to introduce new systems in 2012 and avoid the mistakes of the past. It realised governance arrangements did not support clear decisions, and that individual teams were working in an isolated and uncoordinated way. In 2011, the Department made changes to all three of the 'lines of defence' in its governance arrangements: internal programme management and control over suppliers; departmental challenge and oversight; and independent review or assurance.

Transparency and challenge within the programme

2.8 In May 2011, the Department appointed a new senior responsible officer for the programme, who still retains this responsibility. A Major Projects Authority review in March 2014 found that "the programme team seems strongly integrated". This is reinforced by an effective governance process with senior management commitment and a high level of senior responsible officer involvement.

2.9 Similarly, an internal audit report in March 2014 found "robust levels of governance and stakeholder engagement". The report concluded that the programme has effective levels of senior management oversight, including a weekly meeting of the programme delivery authority attended by the senior responsible officer and other relevant programme directors.

Figure 10

Early challenges in setting out 2012 scheme requirements

The Department failed to define requirements clearly in the early stages of the programme

Factors contributing to failures in 2003	Factors affecting delivery of the 2012 scheme IT system
The Child Maintenance and Enforcement Commission's (the Commission's) original contracting strategy was inappropriate	Early contract management was handled by the programme team rather than the contract management team. The Commission improved the Commercial Team's input into management of the contract from February 2011
It did not have enough staff with relevant technical knowledge to be an intelligent customer of the contractor	The Commission initially used elements of both an 'Agile' approach and traditional approach to build the new system. Its mix and match approach meant there were two distinct routes for specifying requirements. This resulted in duplicated, conflicting and ambiguous specifications
It took some time to develop a full partnership with its contractor	The Commission could not always specify its requirements clearly. In addition, a lack of knowledge led to failing to recognise the standards that were required. This led to protracted discussions with the application developers on the meaning and implementation of requirements
Planning was too optimistic	The delivery date has slipped from full implementation in April 2010 to implementation in two phases in December 2012 and June 2014
There were serious governance failures	Project teams did not always work together. Governance arrangements did not identify that detailed plans were not robust until March 2011

Note

1 We refer to the Commission as it started the programme before becoming part of the Department.

Source: National Audit Office interviews with departmental staff and document review

2.10 A number of interviewees told us that the senior responsible officer has cultivated an open and challenging approach at meetings and forums. The Major Projects Authority also found a high level of transparency in the programme, including openness about bad news.

2.11 The senior managers of the programme have been closely involved in decisions to reduce risk by extending the timing or phasing of implementation. In May 2012, the senior management team agreed to implement Phase 1 in three stages. In April 2013, it decided to extend the timing of stages within Phase 1 to reduce risks in the programme. In each case the programme board considered extensions to timings at least four months before affected milestones.

Improved control over suppliers

2.12 The Department had to manage several suppliers. Four main suppliers – Tata Consultancy Services, Capgemini, British Telecom and Hewlett Packard Enterprise Services – developed parts of the new scheme and the planned data warehouse system.

2.13 The Department initially chose a contracting model based on the supplier committing resources for time and materials, and not on a set of fixed outcomes at a known (and agreed) price. This is known as a 'time and materials' contract, where costs are demand-led. In all time and materials contracts most of the risk remains with the client.

2.14 During the implementation of Phase 1 the Department was involved in contractual discussions with some of its suppliers over payment and outcomes. In one case, payment was withheld for over a year.

2.15 The Department replaced 'Agile' with more traditional programme management methods to improve control of the 2012 scheme. By July 2013, it terminated the time and materials contracts and replaced them with fixed-price agreements that transferred risks to the Department's suppliers. Since then, the Department has improved oversight and control of its suppliers by clarifying its requirements and adopting a more transparent approach. For example, the senior responsible officer introduced a weekly supplier meeting to improve understanding of requirements, the overall context of IT development and system integration issues.

2.16 The 2012 scheme's IT systems have not created problems such as the 'stuck cases' experienced in the legacy systems.[19] However, the Department went live without completing full testing of the systems and has experienced minor service disruptions. An internal audit report in early 2014 concluded that IT systems were not yet stable.

19 Stuck cases refers to applications or cases that the Department was unable to progress on its IT system for the 2003 scheme and were subsequently processed and managed off the system as clerical cases.

Effective oversight by the Department

2.17 In addition to monitoring by its programme team, the Department oversees the programme as a second line of defence. The programme has had high levels of ministerial and senior departmental engagement from the beginning. Since October 2012, departmental ministers, Executive Team members and senior child maintenance officers meet regularly to review progress. This team, called the Ministerial Change Delivery Group, provides a monthly assessment of delivery confidence for the major reform programmes. It also challenges the programme team.

2.18 In December 2013, the Ministerial Change Delivery Group asked whether it was sensible to introduce charging at the same time as starting to close cases. The programme board reviewed its risk assessments before concluding it could manage charging and close cases simultaneously. The programme board acts as the programme's main oversight and decision-making body (**Figure 11**). The Department has kept a relatively stable management team over recent years with substantial experience in administering child maintenance (**Figure 12** on page 30). The Department has had two senior responsible officers since 2010. The current senior responsible officer was appointed in May 2011.

2.19 The Programme Delivery Authority is accountable for the implementation of the 2012 scheme. The team scrutinises information about performance and uses it to challenge the programme's progress. It uses a 'delivery confidence' approach to assess the risks to successfully implementing the programme.

Responding to recommendations from assurance reviews

2.20 As well as oversight by the programme team and the Department, there is a regular programme of reviews by the Major Projects Authority and internal audit. This supports major approval and spending decisions (**Figure 13** and **Figure 14** on page 31 and 32). In several cases the Department has commissioned external advisers to assess specific aspects of the programme's progress or management.

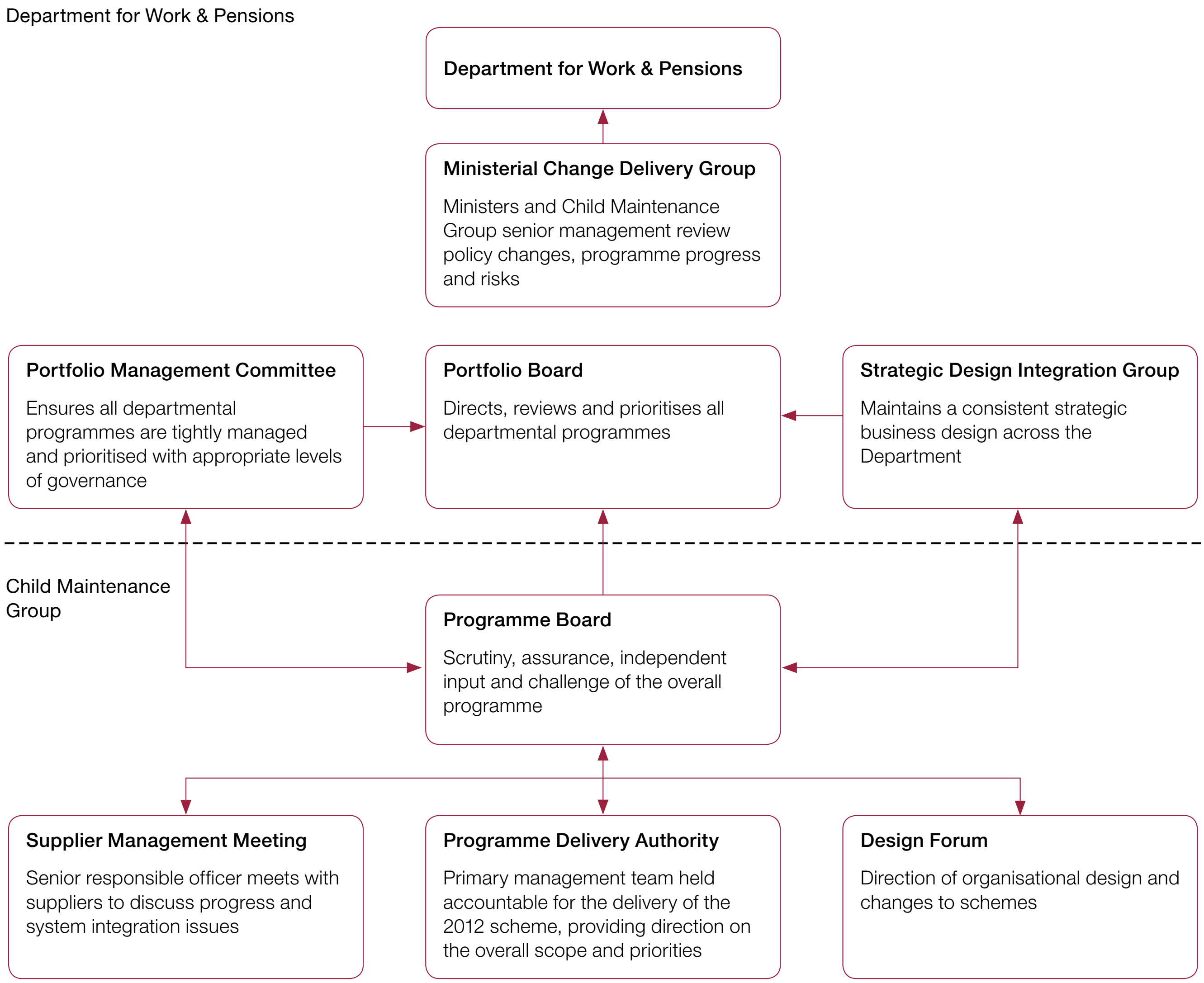
2.21 In March 2014, the Major Projects Authority found the Department had made progress on all areas on which its recommendations focused. In some cases these reviews have led to important changes in the Department's approach and how it manages the 2012 scheme. The Major Projects Authority assessed the programme as 'amber-green' in September 2013[20] and in its latest review concluded that "the programme is generally in a good position to successfully deliver Phase 2 Go Live, subject to applying continued high focus of attention and energy on key risk areas, particularly the data warehouse, operational management information and the charging/ case closure client reaction preparations".

20 Major Projects Authority, *Department for Work & Pensions Government Major Projects Portfolio data*, September 2013. This is published in support of the 2014 Major Projects Authority annual report.

Figure 11

2012 scheme programme governance arrangements

Governance arrangements are clearly defined

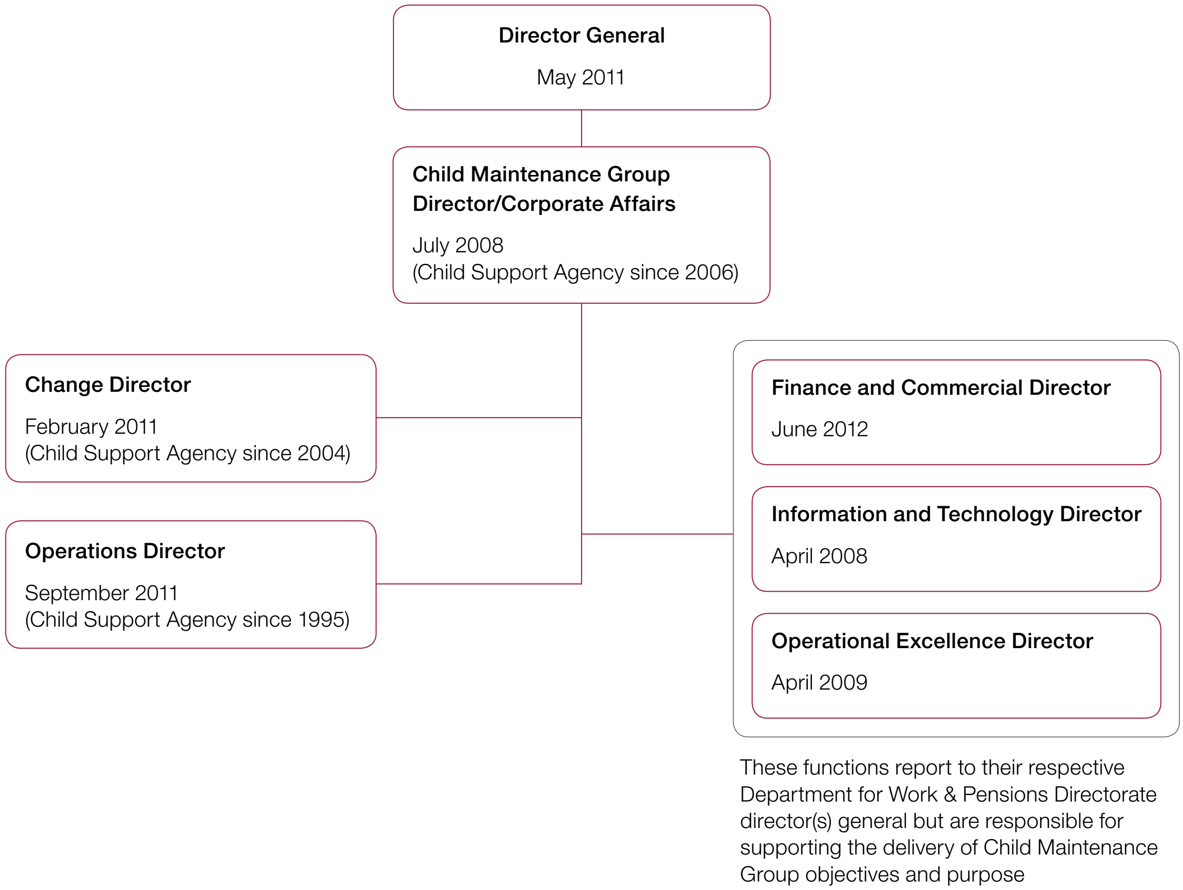


Note

1 The Strategic Design Integration Group will be replaced by a new business design authority.

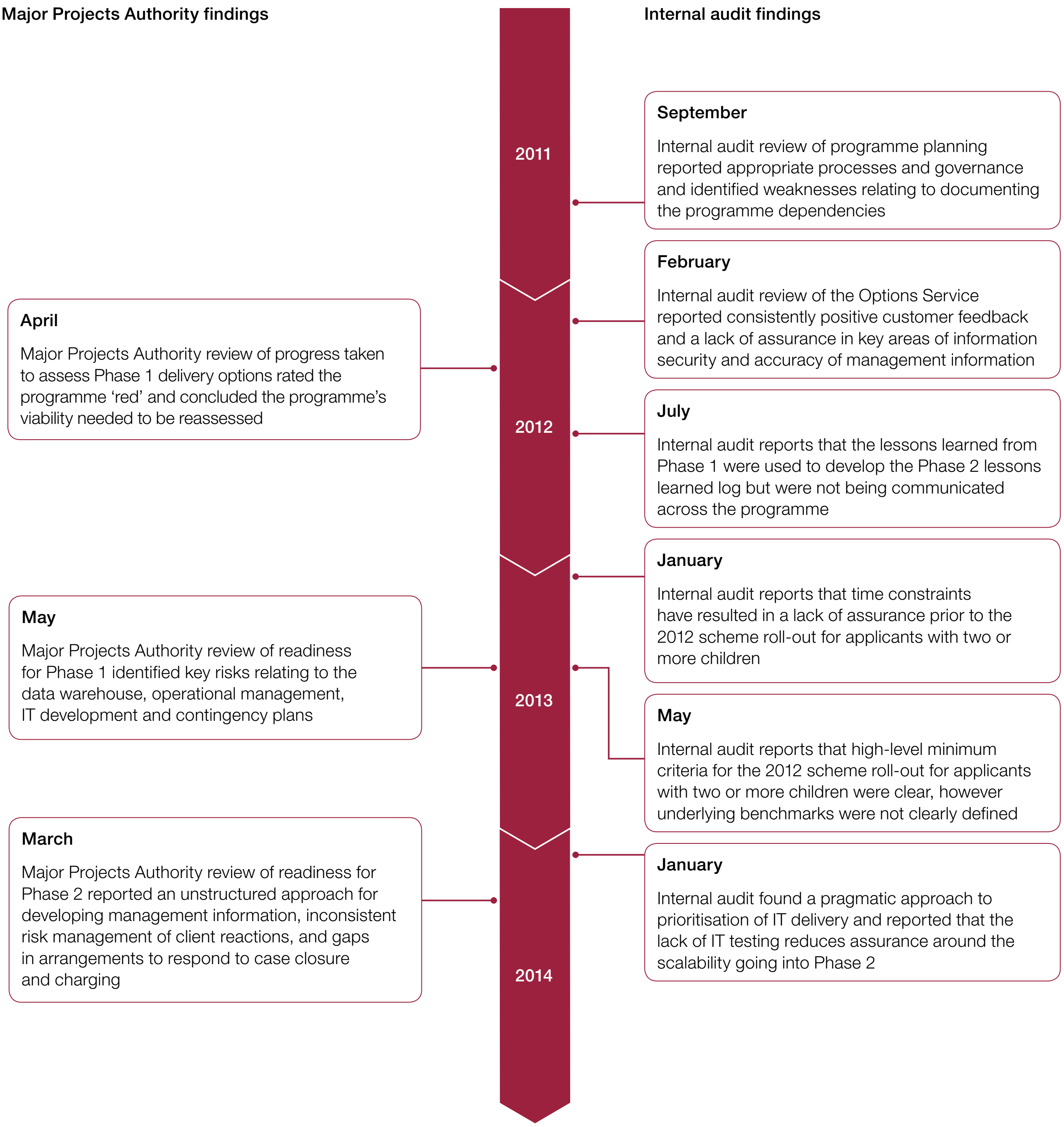
Source: Child Maintenance Group terms of references and governance charts

Figure 12
A stable programme team



Source: Department for Work & Pensions

Figure 13
Internal audit and Major Projects Authority reviews



Source: National Audit Office analysis of departmental documents

Figure 14
Summary of recent assurance recommendations

Issue	Findings	Recommendations	Status
IT systems			
Internal Audit	IT system instability resulted in a reduced time frame for testing the second stage of IT system roll-out	Revisit IT environments; ensure the built-in systems' resilience has been tested and minimise the risk of significant defects being migrated to the live IT environment; emphasise IT system stability; review plans for the data warehouse	Implemented
Major Projects Authority	Significant effort is needed to get approval for IT expenditure, contributing to risk of delaying the data warehouse	Ensure early engagement with Cabinet Office where IT approvals are required	Ongoing
Management information			
Internal Audit	Insufficient management information is available	Maintain oversight of all contingency plans and ensure volume increases do not have a detrimental effect on management of cases	Implemented
Major Projects Authority	Overall requirements remain unclear and the plan for delivery has yet to be developed	Develop a more strategic and structured approach to implementing management information	Ongoing
	No overall single point of 'ownership' for management information and separate owners for different aspects	Appoint a single point of accountability to a named member of the Project Delivery Authority	Ongoing
Business case			
Major Projects Authority	The assumptions underlying the business case are now old	Refresh assumptions and benefits realisation framework after full operation	Ongoing
Stakeholders			
Major Projects Authority	Some stakeholders do not know the current status of Phase 2	Ensure early briefing and dialogue with stakeholders not already routinely engaged	Ongoing
Risk management			
Major Projects Authority	Adverse client reaction to case closure is not included in the 2012 scheme risk log	Consider a more consistent reflection of the strategic risk of adverse client reaction	Ongoing
	The Department has no contingency for scenarios relating to possible client reactions that might only be manifest through experience	Put in place a longer-term arrangement for dealing quickly with unforeseen case closure/charging issues	Ongoing

Note
1 The recommendations above are a summary of recent recommendations, some of which have time frames of implementation extending beyond the date of this report.

Source: National Audit Office analysis of Internal Audit and Major Projects Authority reviews

Partial monitoring of progress and performance

2.22 Management information allows the Department to monitor performance, track progress and identify problems early. In our 2006 report examining the implementation of the 2003 scheme we highlighted the importance of complete, timely and accurate management information in improving child maintenance systems.[21]

2.23 In Phase 1 the Department is using interim management information to track cases. In the very early stages of the programme the Department had to gather information manually every day to track the progress of cases. But by the time it had to deal with larger volumes of cases the Department was able to use its case management system to track cases and overall measures of performance.

2.24 The Department believes its current management information systems are sufficient for Phase 1 of the programme. It is able to monitor case numbers and processing but cannot yet carry out in-depth analysis of performance at site level. The Department has published experimental statistics on intake, caseload, telephony, accuracy and complaints.[22]

2.25 The Department's longer-term aim is to use a 'data warehouse' to provide detailed management information. The Department cannot access information about cases on legacy systems in the way it needs to. This means it must transfer them to a common database. The Department plans to integrate management information with the data warehouse and extend its ability to track the performance of staff and each site administering the 2012 scheme in a timely manner.

2.26 If successfully implemented the data warehouse should lead to improvements in the quality of management information by: providing more timely information (for example, current data on staff efficiency is 6–8 weeks out of date); interrogating all cases rather than samples; and providing the capability to produce more detailed management reports on performance, efficiency and the progress of case closure (**Figure 15** overleaf).

2.27 Management information also helps in evaluating the Department's impact on parents. The Department is planning to evaluate the overall impact of the child maintenance reforms, including: the overall impact on society; the impact of closing cases and charging; and the efficiency of the scheme. The Department has developed a series of measures to help; many of these depend on accurate management information.

21 Comptroller and Auditor General, *Child Support Agency – Implementation of the child support reforms*, Session 2005-06, HC 1174, National Audit Office, June 2006.
22 Experimental statistics are subject to further testing and quality assurance.

Figure 15
Improving management information

Successful implementation of the data warehouse should improve management information

Management information requirement	The Department's plans
Closing cases	
Selecting and prioritising cases for closure	The data warehouse will interrogate legacy and 2012 systems to identify cases for closure. The Department has enhanced the capability of its legacy systems to select simpler cases for closure
Case management	
Timeliness	Information on operational efficiency will be available within 1–2 days of the event, compared to 6–8 weeks on legacy systems
Completeness	Legacy systems allow analysis of samples of data but the data warehouse will allow analysis of all cases
Progress of cases e.g. delays	Automation of process to analyse the progress of cases
Classifies type of payments e.g. contribution to maintenance or payment of arrears	Provide functionality to report payment types for both legacy and 2012 schemes
Arrears management	The 2012 system shows the age of arrears which is not available on the legacy systems

Notes

1 The 2012 system primarily uses an off-the-shelf customer management system. The Department is customising its management information requirements predominantly through the data warehouse, in part because of past problems customising management information of legacy systems.

2 The older a debt the more difficult it is considered to recover.

Source: National Audit Office analysis of departmental documents

Part Three

Managing risks of the second phase

3.1 From June 2014, the Department of Work & Pensions (the Department) will charge parents for using the 2012 scheme to assess or collect maintenance. It will also start to close cases on the legacy schemes. In this part we look at how the Department is managing the risks of both charging and case closure, in particular:

- uncertainty about the impact of charging on parents' decisions to use the statutory service; and
- the difficulty of closing cases on previous schemes and legacy IT systems.

Uncertain response from parents

3.2 The Department aims to maximise the number of children benefiting from effective child maintenance arrangements. After it introduces charges for statutory services the Department expects many parents to adopt voluntary family-based arrangements instead. It expects the number of children benefiting from family-based arrangements to increase by over 300,000 between 2013-14 and 2018-19.

3.3 However, parents' response to charging is uncertain. In 2011, the Department interviewed parents through a telephone survey to ask about likely responses to charges (**Figure 16** overleaf). This type of survey is likely to give only a limited basis for estimating actual responses. The Department believes that parents may be influenced by a range of factors such as the quality of service in the statutory scheme, advice from the Options Service and the support for family-based arrangements.

3.4 The Department has consulted stakeholders to identify improvements to proposed charges. These consultations led to the Department reducing the proposed application fee from £100 to £20, and the fee for parents receiving payments from 7 per cent to 4 per cent. It has also worked with stakeholders to define exemptions to the application fee in certain circumstances.

Figure 16
Expected behavioural impacts of charging and case closure

Policy	**Expected impact**
Application fee	The Department estimates that the application fee will discourage 12 per cent of potential new applicants from applying to the 2012 scheme. In addition, the application fee is expected to discourage a further 17 per cent of existing parents from reapplying to the 2012 scheme after their case is closed
Case closure	The Department expects that 20 per cent of the receiving parents in the legacy schemes will not apply to the 2012 scheme after having their case closed
Collection fees	Minimal
Enforcement fees	Not examined

Source: Department for Work & Pensions, *Estimating the impacts of Child Support Agency (CSA) case closure and charging for the new Child Maintenance Service*, August 2012

Charging limits financial risk for the Department

3.5 The Department expects charging will reduce the cost to the taxpayer of administering child maintenance arrangements. The Department estimates that charging will reduce the number of people using the statutory scheme by around 250,000 between 2013-14 and 2018-19.

3.6 Fees themselves will offset costs from additional cases on the scheme. Our analysis of the Department's modelling shows that even large changes in the projected future caseload will have a limited impact on the costs. For example, if the number of parents applying increased by around 40 per cent, net costs (the costs to the taxpayer), would increase by around 3 per cent (**Figure 17**).

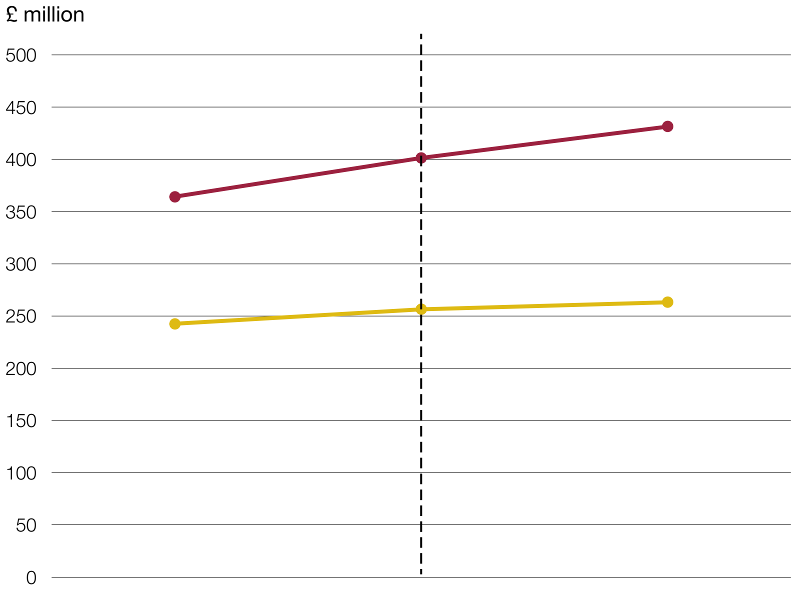
3.7 While a change in the number of applicants would not significantly affect net costs the Department would need to adjust its staff numbers. For example, if applications were 40 per cent greater than the Department's assumption it would need to recruit 1,000 extra staff (16 per cent increase) at a cost of £30 million.[23] The Department's programme team has identified variations in the number of applicants as a significant risk. Currently there is no formal contingency plan in place if the level of applications was to vary significantly.

23 National Audit Office analysis of the departmental corporate planning model.

Figure 17

Impact on costs of the number of parents applying in 2018-19

Net costs are not sensitive to changes in the number of parents applying



	-40%	Baseline	+40%
Gross costs	364	401	432
Net costs	243	256	263

Notes

1 The chart shows how net and gross costs change if the number of parents applying is greater or lower by +/-40 per cent compared with the Department's current estimate of costs in 2018-19.

2 Net costs equal gross costs minus fee revenue.

3 We have chosen 2018-19 as this is the last year of case closure.

Source: National Audit Office analysis of the departmental corporate planning model

Segmented approach to case closure

3.8 By May 2018, the Department aims to assess all cases under the 2012 scheme. To achieve this, the Department is planning to close all of its legacy cases in a staged approach (called segments), starting with simpler cases. It has grouped cases into five segments based on risk to the disruption of maintenance payments (**Figure 18**).

Delays to the data warehouse

3.9 The Department's legacy systems cannot select or prioritise cases for closure. The Department will prioritise cases not only by segment but also according to a number of rules, for example case age. While it is possible to amend legacy systems to identify simpler cases for closure, the Department is still uncertain about how it will close its more complex cases. It has decided to build a data warehouse to automate case closure and provide better management information (**Figure 19**). This information will also allow the Department to revise plans if case closure is taking longer than expected.

3.10 The data warehouse is several months behind the original schedule and much of its functionality remains undelivered (**Figure 20** on page 40). The Department signed a contract for the design of the new data warehouse in September 2009 but is still uncertain about when it will be fully operational. The Department estimates that the extra cost caused by the delay is £4 million.

3.11 Contractual discussions between the Department and its contractor over the scope and requirements of the new system have delayed the data warehouse. The Department suspended payments to the contractor for a year until they reached agreement on the scope and final implementation plans.

3.12 As the data warehouse will not be available to select cases for the first segment in July 2014, the Department has amended its legacy systems so they can help close cases. The Department can only apply this arrangement to the first three segments, so it is highly dependent on the data warehouse being ready for selecting more complex cases.

Figure 18
Case closure timetable

Description	Timetable	Cases (000s)
No child maintenance is liable for payment	January 2015 to February 2016	156
Paying parent is currently not paying maintenance	August 2015 to June 2016	89
Cases that are currently being managed outside of the two legacy systems	November 2015 to March 2016	46
Remaining legacy cases with no enforcement action	November 2015 to September 2017	380
Enforcement action is under way	July 2017 to May 2018	129
Total		**800**
Cases with only arrears and no ongoing liability	To be agreed	666

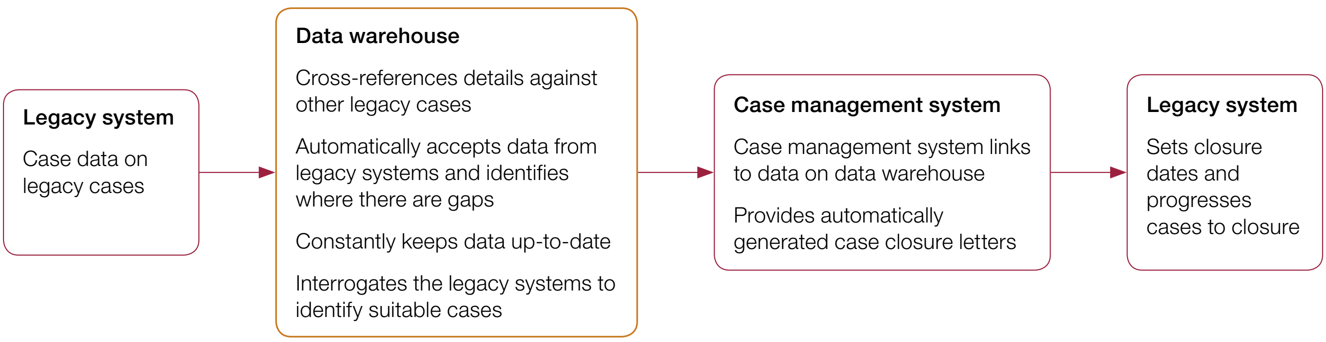
Note

1 Cases with only arrears and no ongoing liability are closed cases because children are older than 18 years but arrears are still owed to parents.

Source: Departmental analysis of departmental documents

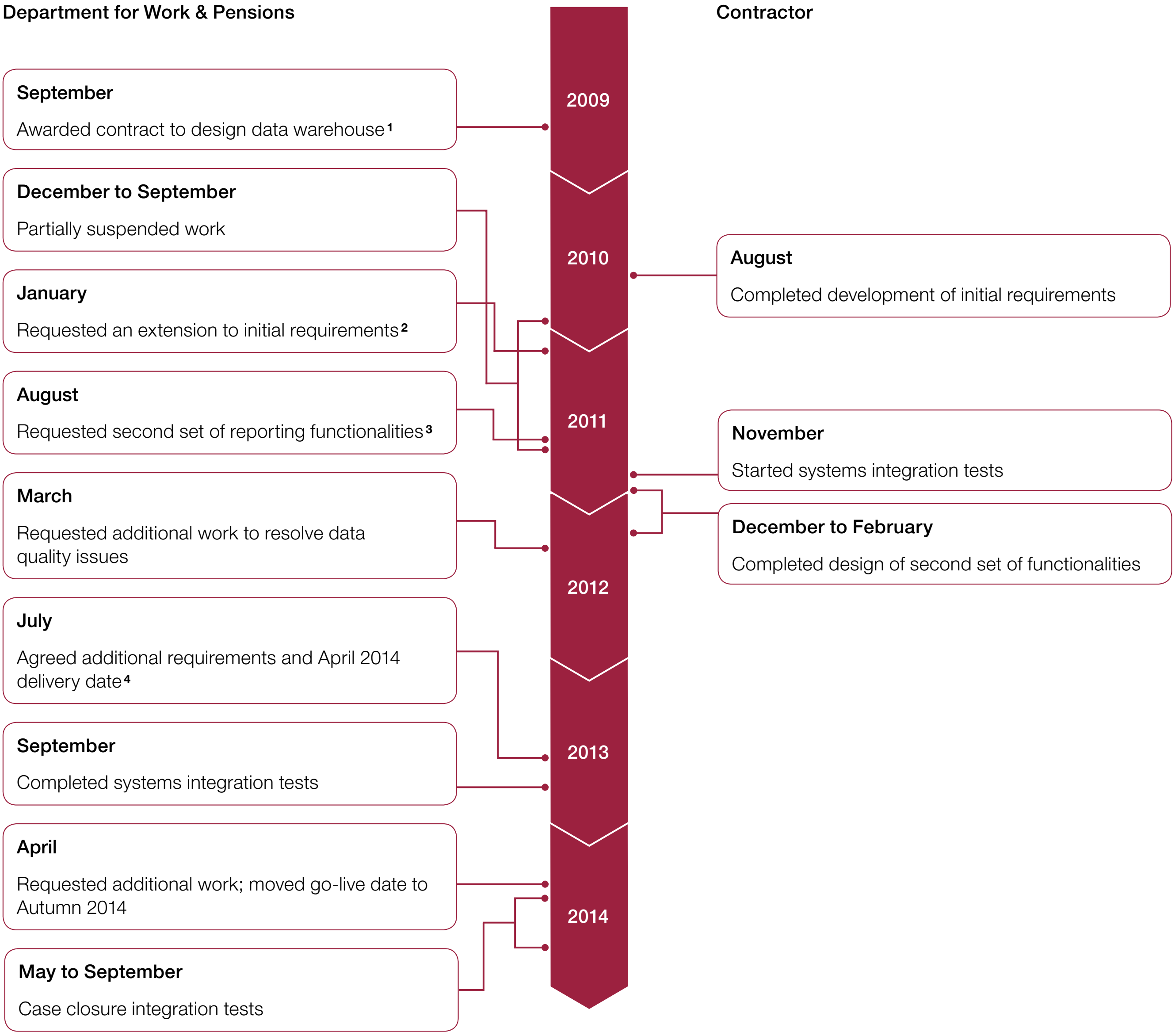
Figure 19
Summary of case closure and the use of the data warehouse

The data warehouse is essential to case closure



Source: National Audit Office summary of case closure process; departmental interviews and document review

Figure 20
Delays to the data warehouse



Notes

1 The original scope included abilities to move cases from the legacy systems to the new IT system and reporting of legacy cases to the data warehouse.

2 In January 2011, the Department extended the scope to include collecting and paying fees and breakdown by geographic area.

3 In August 2011, the Department asked for extra reporting, for example on paid debt, arrears, corporate management information, process reporting and new fees.

4 Extra requirements in July 2013 allowed the system to automate closing and move legacy cases to the 2012 scheme.

Source: Interviews with data warehouse contractor and review of data warehouse contractor's documents

Risks of further increases in costs

3.13 The Department expects the costs of case closure to be £370 million, with an average of 2,500 staff working directly on this between 2014-15 and 2017-18.

3.14 The Department's assumptions about the process and the time needed to close a case are based on discussions with staff. The Department has conducted sensitivity analyses on the time it will take to close cases. For example, it estimates that extending case closure by two years would increase net costs by £140 million. These specific sensitivities were not part of the business case that informed the decision to begin Phase 2.

3.15 At this stage in the programme the Department has assessed charging and case closure as the most significant risks. The Department's programme team reviews both risks on a monthly basis. The Department's April 2014 risk log highlights the introduction of charging and case closure as significant concerns (**Figure 21**). In response to the level of these risks, the Department decided to allow further time for testing, and postponed its plan to begin Phase 2 from March 2014 to June 2014.

Figure 21

The principal risks to the 2012 scheme

The Department has identified risks to charging and case closure

Risk area	Description of risk	How the Department responded
Charging	Charging is not widely supported	Tested letters with parents
		Explained charging to Options Service callers
		Agreed the 'unlikely to pay' approach
		Trained parent support groups
		Introduced processes to handle enquiries and sensitive cases
Case closure	Case closure process disrupts maintenance flows	Used parents' views to inform designs and assumptions
		Tested scenarios and volumes
		Reordered case closure segments
		Checked processes against policy

Note

1 The 'unlikely to pay' approach allows staff to determine the likelihood of paying parents to make maintenance payments on the basis of compliance in the preceding 12 months.

Source: National Audit Office summary of the Department's April 2014 risk log

Appendix One

Our audit approach

1 This report examined the Department for Work & Pensions' early progress in the roll-out of the 2012 child maintenance scheme. It is too early to assess the value for money of the whole set of reforms; the Department has not yet introduced charging or case closure of legacy cases.

2 The report considered the Department's:

- progress against plans;
- its management of Phase 1 of the programme; and
- its management of risks for Phase 2.

3 Our audit approach is summarised in **Figure 22**. Our evidence base is described in Appendix Two.

Figure 22
Our audit approach

The objective of government

Is to wherever possible, support separated parents to work together in the interests of their children and set up their own, family-based child maintenance arrangements. For those who are not able to come to their own arrangements, to provide support to ensure families remain supported.

How this will be achieved

By introducing the 2012 child maintenance scheme. This has been developed to help increase the number of payments reaching children on time and in full, bringing better value for money for the taxpayer, speedier processing of applications, simpler calculations and faster enforcement action for those who choose not to pay.

Our study

Looked at the operational performance of Phase 1 implementation. Early performance directly affects parents that have entered the scheme and can also point to longer-term risks. We will be looking at whether the Department effectively managed the first phase of the programme and risks to the second phase.

Our evaluative criteria

Phase 1 has been delivered as planned:

- Scope delivered as planned
- Review of IT system functionality
- Costs have been managed effectively

There is strong programme management:

- Change programme delivered to time and budget
- Strong programme governance with appropriate challenge
- Useful management information to understand end-to-end process

Department is effectively managing risks to successfully delivering Phase 2:

- Clear understanding of risks
- Department has costed the risks
- Effective measures in place to mitigate risks

Our evidence

(see Appendix Two for details)

We examined the delivery by:

- reviewing the original business case and requirements
- analysing performance; and
- analysing costs

We examined programme management by:

- reviewing governance structure
- reviewing board papers and minutes
- reviewing assurance reviews

We examined risk management by:

- reviewing departmental documents
- analysing forecasts
- interviewing departmental officials

Our conclusions

The Department introduced the first phase of the 2012 scheme and is approaching performance levels. We are concerned about signs that fewer parents intend to choose family-based arrangements, but this may change as the Department introduces charging.

We are pleased the Department is proceeding cautiously and aiming to learn from experience. However, delivering value for money for the whole reform will depend on the closure of legacy cases and implementing related IT improvements successfully, which lie ahead.

Appendix Two

Our evidence base

1 We completed our review of the child maintenance 2012 scheme after analysing evidence that we collected between April and May 2014.

2 We used an evaluative framework to consider the implications for value for money by comparing the Department's progress against its plans, and reviewing whether the Department is achieving improvements in performance. Our audit approach is outlined in Appendix One.

3 **We reviewed the Department's progress against plans:**

- We reviewed departmental documents to understand how the business case for child maintenance developed and changed.
- We reviewed the Department's management information to assess how performance is progressing to date.
- We reviewed the costs of IT to date and future expenditure.
- We performed a walkthrough of the 2012 process to assess how the new scheme was being used.
- We reviewed the Department's user satisfaction data.

4 **We assessed the Department's management of the programme:**

- We carried out semi-structured interviews with departmental staff to gather further information on how the programme was developed and managed alongside understanding the background to decisions about the timing of roll-out.
- We reviewed departmental documents on programme management to understand how the Department introduced the programme and managed the programme at a high level.
- We reviewed internal audit and Major Projects Authority reports to understand how the Department managed the programme.

- We interviewed departmental officials to understand which factors affected operational performance, and how early assumptions compared to actual performance.
- We reviewed departmental documents, including minutes and risks registers, to understand the risks managed by the Department and how it undertook this.

5 **We reviewed the risks facing Phase 2:**

- We reviewed internal audit and Major Projects Authority reports to understand how the Department managed the risks.
- We interviewed departmental officials to understand how early operational performance, informed assumptions.
- We reviewed departmental documents, including minutes and risks registers, to understand the risks managed by the Department and how it undertook this.

Appendix Three

The Department's programmes

Figure 23

Comparison of the child maintenance 2012 scheme with Universal Credit and Personal Independence Payment

	Universal Credit	Personal Independence Payment	Child maintenance 2012 scheme
Summary description			
Aims	Simplifying benefits and encouraging people to work	Better targeting of support for disabled claimants	Support parents to reach their own arrangements wherever possible and offer an efficient statutory scheme
Description	Replaces six working-age benefit streams with a single payment	Replaces Disability Living Allowance for people aged 16 to 64 years old	Replaces the 1993 and 2003 child maintenance schemes
Implementation timetable	2013–2017	2013–2017	2012–2018
Claims received	2,000	166,000	55,600 (applications)
Claimants expected by 2018	8 million	3.6 million	0.9 million
Current stage	Pathfinder extension and developing new long-term plans	National roll-out of new claims and partial roll-out of reassessments	National roll-out and preparing to introduce charging and closure of 1993 and 2003 cases
Programme management			
Timetable	April 2013 pathfinder and October 2013 new claims, compared with internal assessment of start date in April 2015	April 2013 controlled start and June 2013 national new claims roll-out. Reassessments planned between October 2013 and October 2017	December 2012 and July 2013 pathfinder and November 2013 national roll-out. Charging from June 2014, and July 2014 to May 2018 case closure
Management approach	Agile adopted up to early 2013 then changed to more traditional method	Agile used throughout the design and implementation	Mixed agile and traditional approach adopted up to early 2011 then changed to traditional method only

Figure 23 *continued*

Comparison of the child maintenance 2012 scheme with Universal Credit and Personal Independence Payment

	Universal Credit	Personal Independence Payment	Child maintenance 2012 scheme
Clarity of end state	Repeated concerns over clarity of end state and attempts to redefine blueprint	Clearly defined end state identified early in programme development	Clearly defined end state identified following 2011 policy announcements on charging
Transparency and challenge	Good news culture and fortress mentality identified through third party reviews	No issues reported as part of third party reviews	No issues reported as part of third party reviews
Departmental oversight	Large programme board with frequent changes in attendance; lack of challenge	Programme board with a consistent membership that met regularly	Programme board with a consistent membership that met regularly
Assurance reviews	In mid-2012, failure to address recommendations from assurance reviews	Majority of recommendations accepted and steps taken to address these	Majority of recommendations accepted and steps taken to address these
Restructuring	Major simplification exercise in early 2012, followed by restructuring in autumn 2012	Limited narrowing of scope for online claims and internal systems	Policy announcements in 2011 included charging and the abolition of Child Maintenance Enforcement Commission in August 2012

Notes

1 The description of Universal Credit reflects the position in September 2013 when the National Audit Office last reported on its progress. The Department has been working to address concerns raised since May 2013.

2 Universal Credit claimants expected reflects the Department's plans from December 2012. The Department is currently revising its plans for Universal Credit claimant migration and will seek HM Treasury approval in spring 2014.

3 Personal Independence Payment claimants reflect claims received up to 25 October 2013.

Source: *Personal Independence Payment Business Plan, May 2013*; Comptroller and Auditor General, *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, February 2014

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