



Department
for Work &
Pensions

Client Funds Account 2014/15

CMS 2012 Child Maintenance Scheme

Presented to the House of Commons pursuant to Section 7 of the
Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 16 December 2015

HC 686



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Foreword

The Department for Work and Pensions is responsible for the management of client funds relating to the Child Support Agency 1993 and 2003 schemes and the new Child Maintenance Service 2012 statutory child maintenance scheme. These schemes support children by collecting money from non-resident parents and paying these funds to parents with care. In some cases, where parents with care have received benefits before 2008, the funds are paid to the Secretary of State.

The Department is required, by Her Majesty's Treasury, to publish a Client Funds Account which is separate from the accounts for the rest of its activities.

In the last two reporting years the 2012 statutory scheme and the 1993 and 2003 statutory schemes have been reported in the same Client Funds Account publication. This year sees the 2012 statutory scheme reported separately.

This provides more clarity for the reader and allows the Comptroller and Auditor General to provide an opinion on the Account that is independent of the 1993 and 2003 schemes and their historic weaknesses that led to the creation of the 2012 scheme. The opinions for this account are given in the audit certificate below and the rationale explained in the report from the Comptroller and Auditor General, also below. The opinions are clean with the exception of a qualified regularity opinion on the receipts and payments statement based upon the assessment accuracy rates being achieved on the 2012 statutory scheme.

Robert Devereux
Principal Accounting Officer

Date: 14 December 2015

Management commentary

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1.1 Major reforms

The Department has continued to make significant progress in delivering the Government's major reforms to child maintenance while at the same time administering the CSA 1993 and 2003 schemes. The Government is determined to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. To do this it has a two-pronged approach: more support for separated families to work together and reach family-based arrangements; and for those that need it the new Child Maintenance Service, which can collect money on behalf of parents although there is a fee for doing so.

In addition, the Child Maintenance Options service, which launched in 2008, helps separated parents to make informed choices about their maintenance arrangements. The Department has invested around £14 million in its Help and Support for Separated Families (HSSF) initiative. This includes a Sorting Out Separation web application, which is designed to help parents identify their needs and signpost them to trusted information, tools and services. It includes more than 300 signposts to over 50 different organisations. Up to £10 million of the HSSF investment is being spent on the HSSF Innovation Fund, involving 17 voluntary and private sector organisations that have received funding to test and evaluate innovative and effective interventions that are designed to help separated parents to collaborate more effectively in their children's interests.

The 2012 scheme offers one simpler assessment type based on gross income and benefits in payment. The system retrieves this data automatically from HMRC and the Department's benefits system to carry out the assessment calculations. The Scheme opened to all new applicants in November 2013; the Department was able to proceed to its second phase of reform on 30 June 2014. This included the introduction of a £20 application fee, although there are some exemptions, which was followed by collection and enforcement charges as part of a package of financial incentives to encourage collaboration where possible, better compliance among non-resident parents and to reduce costs for

the taxpayer. Once they have made application to the 2012 scheme, both parents can usually avoid on-going collection charges entirely by using the Direct Pay service (where parents organise payments between themselves based upon a Child Maintenance Service calculation), which can be a step towards a more collaborative relationship, and it is encouraging to see that, at March 2015, two out of three parents using the new Child Maintenance Service are already opting not to rely on the state to collect and pay maintenance on their behalf.

The other key element to the second phase of reform is the closure of existing Child Support Agency 1993 and 2003 scheme cases. In around three years, this activity will result in there being just one statutory system in operation, the 2012 system. We expect case closure to affect around 800,000 cases. Many of these will go on to make family-based arrangements, leaving the 2012 scheme to manage a reduced caseload that can be run more effectively, ensuring more money for more children, while also reducing costs for the taxpayer.

1.2 Performance during 2014/15

The caseload at 31 March 2015 was 116,300. At that point 87 per cent of case groups were contributing towards their current liability.

Parents using the Child Maintenance Scheme may elect to use either the Direct Pay or the Collect and Pay service.¹ In total, the Department estimates that £101.3m (2013/14 restated, £12.1m) was paid between parents:

- £79.6m through Direct Pay; and,
- £21.7m through Collect and Direct Pay.

1.3 Direct Pay

A case is classed as Direct Pay when the maintenance calculation has been derived by the CMS (after assessment of the case) and the paying parent pays maintenance direct to the receiving parent. Parents are incentivised, through fees, to choose Direct Pay.

As at 31st March 2015, 68 per cent of those parents due to pay their liability were using Direct Pay rather than the collection service. While payments made through Direct Pay do not flow through the Client Funds Bank Account they are a key part of the reforms. Payments due under Direct Pay are considered to be made in full and on time unless the Child Maintenance Service is informed otherwise.

Where a payment is reported as missed, both clients are asked to provide evidence of the missed payment. Where it is deemed the paying parent is unlikely to pay, the case may be changed to collect and pay where enforcement tools are available to re-establish compliance and recover any outstanding arrears, including arrears accrued while the case was Direct Pay.

¹ Maintenance collected and arranged is sourced from 2012 scheme ledgers. Direct Pay arranged is the total assessed by the Child Maintenance Service based upon the gross income of the paying parent paid directly to the receiving parent.

1.4 Collect and Pay

1.4.1 Receipts of child maintenance

During 2014/15, 0.2 million (2013/14, 0.03 million) individual receipts were recorded. Total monies received were £21.7 million (2013/14 restated, £4.6 million) with 100 per cent of receipts by volume received electronically.

1.4.2 Payments of child maintenance

During 2014/15, 0.2 million (2013/14, 0.04 million) individual payments were made to parents with care with a total value of £21.4 million (2013/14 restated, £4.2 million). One hundred per cent are made by funds transferred electronically to clients' bank accounts.

Fewer funds were paid out than were received. Maintenance monies received are paid to parents with care as quickly as possible subject to normal banking clearance cycles, but there are occasions where funds are pending allocation to a case. This leads to the Child Maintenance Service holding a cash balance at 31 March 2015 of £1.18 million, equating to 5 per cent of the funds received during the year (2013/14 restated, 9 per cent).

1.4.3 Outstanding arrears of child maintenance

In addition to reporting the receipts and payments of maintenance monies, the Department is required to report on the value of outstanding child maintenance arrears in Note 6 below.

Outstanding child maintenance totalled £25.9 million (March 14 restated, £6.7 million) at 31 March 2015 which was owed by the non-resident parents and is payable to the parents with care.

1.4.4 Statutory Child Maintenance Scheme costs, fees and charges

Non-child maintenance receipts of £2.9 million collected during 2014/15 include fees and charges of £2.8 million. Receipts during 2013/14 totalled £0.003 million, the increase is due to the introduction of charging during the year. The administrative cost of the Child Maintenance Service in collecting these fees is reported as part of the Child Maintenance Group costs within the Department for Work and Pensions Resource Accounts.

1.4.5 Collectability

All outstanding arrears on the 2012 scheme were reported as collectable in the Year to 31 March 2014 due to how recent most of the arrears were on the system. We have reviewed this assumption and still believe it appropriate to report all arrears on the 2012 scheme as collectable.

1.5 Assessment accuracy

With the 2012 scheme, the Department has simplified the way it administers child maintenance. For example, it has significantly reduced the number of procedures and manual interventions involved in its administration, and built direct digital interfaces with Her Majesty's Revenue and Customs and Jobcentre Plus to establish parental income and calculate maintenance.

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Assessment accuracy compares the aggregate weekly value of correct and incorrect assessments made by caseworkers to calculate the percentage of accurate cases. For the year to 31 March 2015, the reported accuracy was 97.4%. This figure increases to 97.9% when adjusted to take account of fully automated transactions; those where a caseworker does not intervene.

Accuracy is expected to improve over time as caseworkers become more familiar with the system but also due to the impact of increasing volumes of automated calculations, particularly Annual Reviews. This is where each case is updated after 12 months with the latest gross income which is usually sourced automatically from HMRC.

Robert Devereux
Principal Accounting Officer

Date: 14 December 2015

Statement of Accounting Officer's responsibilities

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As Principal Accounting Officer of the Department, I have responsibility for the Client Funds Account.

Under Section 7(1) and (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Work and Pensions to prepare, for each financial year, a Client Funds Account for the 2012 statutory scheme in the form and on the basis set out in the Accounts Direction.

In preparing the accounts, the Accounting Officer is required to:

- observe the Accounts Direction issued by Her Majesty's (HM) Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis; and
- make judgements and estimates on a reasonable basis.

HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department for Work and Pensions.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money.

Robert Devereux
Principal Accounting Officer

Date: 14 December 2015

Governance Statement

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1 Introduction

- 1.1** The Department for Work and Pensions (the Department) has responsibility for the management of client funds relating to the 2012 statutory child maintenance scheme. The Department operates the 2012 scheme through the Child Maintenance Service, part of the Child Maintenance Group. For the financial year ending with 31 March 2015, and each subsequent financial year, the Department must prepare a Client Funds Account through the Child Maintenance Service for the 2012 Scheme, in accordance with Her Majesty's Treasury (HM Treasury) Direction under Section 7 of the Government Resources and Accounts Act 2000.
- 1.2** The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2015 relate to the Child Maintenance Group as part of the Department.
- 1.3** This statement covers topics which are specific to the Child Maintenance Service operating within the Department
- 1.4** On 10 December 2012, the Department launched the 2012 statutory child maintenance scheme, delivered by the Child Maintenance Service. This was introduced using a pathfinder approach. Initially it opened to new applicants with four or more children with the same two parents. On 29 July 2013 it opened to new applications with two or more children with the same two parents. On 25 November 2013, it opened to all new applicants and applications to the 2003 scheme effectively ceased. Cases on the existing 1993 and 2003 schemes are being gradually closed,

requiring parents to choose between making their own, family-based arrangement and putting in an application to the Child Maintenance Service. Although outstanding arrears balances on some cases are transitioning from 1993 and 2003 systems to the CMS 2012 system, these arrears are reported in the Client Fund Account for the 1993 and 2003 schemes.

- 1.5** From 30 June 2014 a £20 application fee was introduced for the parent applying to the 2012 Scheme (with the exception of cases where the applicant is: under 19 years of age, a resident in Northern Ireland, or they are or have been a victim of domestic violence). Charging for new enforcement action was also introduced.
- 1.6** From 11 August 2014 all 2012 Scheme clients who use the Collect and Pay service pay collection fees. Parents can avoid collection fees completely if they choose to set up a family-based arrangement or pay by Direct Pay. The charging structure introduced adds 20% to each of the paying parents' usual child maintenance amounts and deducts 4% from each of the receiving parents' usual child maintenance amount.
- 1.7** The introduction of charging for our services aims to encourage clients to make an active choice about their child maintenance arrangements rather than automatically default to the statutory service. The intention is that only those clients who are unable to reach a family-based arrangement or where the paying parent has failed to pay using Direct Pay turn to the Collect and Pay statutory service.
- 1.8** Once all cases have been closed on the systems supporting the 1993 and 2003 schemes, the plan is to decommission those systems.
- 1.9** The 2012 scheme uses new operational, processing and accounting systems, and is maintained on a new platform entirely separate from the 1993 and 2003 schemes. Significant improvements in financial control are being delivered through the accounting systems used for the 2012 scheme.

2 Control challenges

- 2.1** The 2012 Scheme is facing a small number of control challenges. Caseworkers are still learning and gaining experience with a new system and its processes; the accuracy of assessments made by caseworkers on the 2012 system is expected to improve over time. There are also a number of initiatives in progress to deliver targeted improvements in areas where weaknesses have been recognised.

The Child Maintenance Group is working with the Department for Work and Pensions Operational Excellence Directorate, which manages assurance work carried out on the CMS 2012 system, to ensure that the automated interfaces and calculations are fully tested and reflected in reported accuracy.

Increasing availability of Management Information will also contribute to improving accuracy through increased transparency of the CMS 2012 system.

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2.2 Case closure on the 1993 and 2003 schemes represents a major operational challenge, but there has been extensive and detailed planning for this element of the programme and early stages have progressed successfully.

2.3 **Assessment Accuracy**

Internally reported assessment accuracy for 14/15 is 97.4% however this does not fully reflect the automation of the CMS 2012 system. If factored in, accuracy rises to 97.9%. This compares favourably with accuracy of the 1993 Scheme (47.5%) and 2003 Scheme (75%) after two years of operation and is expected to rise as caseworkers become increasingly competent and system releases reduce levels of manual intervention.

2.4 **Information Security**

This control challenge is to protect the growing amount of sensitive personal data necessary to assess and pay child maintenance while at the same time making efficient use of that data. The Department's information security risk appetite formally remains low, but will continue to be reviewed to ensure it remains appropriate. However the system introduced to manage the 2012 Scheme brings with it certain new risks due to the interfaces employed and client / employer web access to the system. Despite these risks CMS 2012 currently holds an interim security accreditation and plans are in place to gain full accreditation during 2016.

2.5 **Management Information**

A strategy for the publication of information on the performance of the 2012 Scheme, delivered by the Child Maintenance Service, was published in February 2014 and will be updated with plans to increase the range and assurance levels of published data. Experimental Official statistics are published quarterly.

<https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme>

2.6 **Adjustments to assessments and arrears**

The accuracy of adjustments made to 2012 assessments is 95% by volume, but 99.5% by value; this is expected to improve as caseworkers gain experience. Many of these instances are misclassifications and procedural errors.

Certificate of the Comptroller and Auditor General to the House of Commons

4

I have audited the Client Funds 2012 Scheme Account for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Receipts and Payments Statement, the Statement of Balances and the related notes. This account has been prepared in the form directed by HM Treasury. These financial statements have been prepared under the accounting policies set out within them, namely:

- Note 6, detailing outstanding maintenance balances, which has been prepared on an accruals basis; and
- All other sections of the financial statements, which are prepared on a cash basis.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer of the Department for Work and Pensions (DWP) is responsible for the preparation of the Client Funds 2012 Scheme Account in accordance with the HM Treasury Direction.

My responsibility is to audit the account in accordance with the Government Resources and Accounts Act 2000 and I provide three opinions on the financial statements:

- For all sections of the financial statements, I provide an opinion as to whether, in all material respects, the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them;
- On note 6, 'Outstanding Maintenance Balances', I provide an opinion as to whether the note gives a true and fair view of the outstanding maintenance balances; and

- On all sections other than note 6 ‘Outstanding Maintenance Balances’, I provide an opinion as to whether the account properly presents the receipts and payments of the Client Funds 2012 scheme Account and the cash balances held and whether the account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder.

I conduct my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the account sufficient to give reasonable assurance that the account is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Client Funds 2012 Scheme Account and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the DWP in respect of the account; and the overall presentation of the account.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the account have been applied to the purposes intended by Parliament and the financial transactions recorded in the account conform to the authorities which govern them.

Opinions

Qualified opinion on regularity

In my opinion, except for the over and underpayments relating to errors in maintenance assessments described in the basis for qualified opinion on regularity paragraph, in all material respects the receipts and payments recorded in the accounts have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis for qualified opinion on regularity as a result of transactions not conforming with legislation

Certain receipts from non-resident parents (and the subsequent payments to the parent with care or Secretary of State) were for incorrect amounts because of errors in the underlying maintenance assessments. Receipts from non-resident parents of £25.7 million are shown in the Client Funds 2012 Scheme Account. I estimate that errors in underlying maintenance assessments resulted in overpayments of around £305,000 and underpayments of around £295,000, which are not in accordance with the relevant legislation.

Note 6: ‘Outstanding Maintenance Balances’

Unqualified opinion on Note 6 ‘Outstanding Maintenance Balances’

In my opinion, Note 6 to the account gives a true and fair view of the outstanding maintenance balances as at 31 March 2015.

All sections other than Note 6, ‘Outstanding Maintenance Balances’

Unqualified opinion on the Receipts and Payments Statement

In my opinion:

- The account properly presents the receipts and payments of the Client Funds 2012 Scheme Account for the year ended 31 March 2015 and the cash balances held as at 31 March 2015; and
- The account has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions thereunder.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the account is not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury’s guidance.

Further details of my modified opinion is provided in my report on pages 16 to 19.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

Date: 15 December 2015

Report by the Comptroller and Auditor General to the House of Commons – NAO

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Introduction

The Department for Work and Pensions (the Department) is responsible for the delivery of statutory child maintenance schemes in Great Britain, and the management of client funds relating to these. In Great Britain, the Child Support Agency (CSA) 1993 and 2003 schemes and the new Child Maintenance Service (CMS) 2012 statutory child maintenance scheme (the 2012 scheme) support children by collecting funds from non-resident parents and paying these funds to parents with care.

The Department is leading the schemes through a period of major reform, where the intention is that, eventually, all child maintenance cases in Great Britain are processed under the 2012 scheme. At present the Department is running the older 1993 and 2003 schemes concurrently with the new 2012 scheme while it continues to transfer cases from one to the other.

For the first time, in 2014-15 the Client Funds Account has been reported in two separate publications: one reporting on cases relating to the 1993 and 2003 schemes; and a second reporting on cases calculated under the 2012 scheme. Prior to 2014-15 the receipts, payments and arrears for all child maintenance schemes were reported in one Client Funds Account, and the transactions and balances that related to the 2012 scheme represented a small proportion of that account. In 2013-14 I qualified my opinion on irregular receipts and payments for that account, and issued an adverse opinion on the arrears reported in that account.

This report relates specifically to the Client Funds Account reporting on cases administered under the 2012 scheme. I have produced separate report on the Client Funds Account that reports cases administered under the 1993 and 2003 schemes (HC687).

Qualified opinion on Irregular Receipts and Payments

As the independent external auditor, I am required to give an opinion on whether, in all material respects, the Client Funds 2012 Scheme Account properly presents receipts and payments for the year ended 31 March 2015 and whether these transactions have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the ‘regularity’ opinion).

The Department is required to adhere to specific legislative requirements of the Child Support Maintenance Calculation Regulations (2012) when determining maintenance assessments and has no authority to exercise latitude. When an assessment is made that is not in accordance with these legislative requirements, the receipt and associated payment are incorrect and not in accordance with legislation. While the Account properly presents the amounts of child maintenance received and paid in year, I have qualified my regularity opinion on the grounds of material errors in the calculations of maintenance assessments; these assessments are not in accordance with the legislation and therefore are not in line with the purposes intended by Parliament.

In 2014-15, the Department received £25.7 million in respect of child maintenance from non-resident parents assessed under the 2012 scheme. I have estimated that errors in assessments result in overpayments of child maintenance amounting to £305,000 (1.19% of receipts) and underpayments totalling £295,000 (1.15% of receipts). The cases affected by overpayments are unconnected to the cases affected by underpayments, and consequently I have had to consider the gross error figures. I have therefore qualified my regularity audit opinion on the basis of the gross value of irregular receipts and payments.

The Department’s Quality and Assurance Team (QAT) carries out extensive checking of maintenance assessments each year. These checks cover both new applications for child maintenance and cases where there has been a recalculation owing to a change in circumstance. I have reviewed the findings of the QAT and have estimated the gross error rate of 2.4% in maintenance assessments using their work and findings from my audit.

My estimate for the level of over and underpayments remains unadjusted within the reported receipts and payments figures in the Account. An adjustment cannot be made to the figures because the value of over and underpayments is an accumulation of a significant number of individual incorrect maintenance assessments.

Impact of incorrect assessments on the arrears balance

Where a non-resident parent does not make payments in accordance with their child maintenance assessment, the Department records any shortfall in the outstanding maintenance arrears balance reported in Note 6 of the Account. At 31 March 2015, the arrears balance relating to the 2012 scheme was £25.9 million.

Unlike the 1993 and 2003 Schemes, the net impact of these incorrect assessments on the arrears balance disclosed in note 6 is not material, and so I have not qualified my opinion on the truth and fairness of this balance. I estimate that the net misstatement on the arrears balance is £59,000, this comprises a £332,000 understatement and £391,000 overstatement of the arrears balance.

How the Department is addressing the issues

Automated maintenance assessments under the 2012 scheme

This is the second year that the 2012 scheme has been operational and 2014-15 saw a significant increase in the numbers of cases being administered under this scheme. This increase was due to all new cases being calculated under the 2012 scheme and the beginning of the transition of cases originally assessed under the 1993 and 2003 schemes to the 2012 scheme. The 2012 scheme, for the first time, uses an automated interface with an HMRC customer database in order to establish various pieces of non-resident parent and parent with care details. The Department's own Quality and Assurance Team has reported that all automated case processing subject to their checking has been found to be free from error.

The Department has informed me that the proportion of cases assessed under the 2012 scheme rules that have initial maintenance assessments calculated using this automated interface is between 93 and 94%. For any given case there may be a need for manual case worker intervention for a number of reasons, including customers contacting the Department to inform them of a change of circumstance that impacts upon their maintenance assessments. The Department is currently unable to identify those cases that have had manual case worker intervention that impacted upon the maintenance assessment calculations and those manual interventions that are of a different nature, for example to issue a letter to a parent. Until the Department is able to disaggregate this level of detail it will be unable to identify those cases that have been subject to manual intervention impacting on assessment calculation and so require more focussed quality assurance action.

The Department is now investigating whether it is possible to generate this level of management information and has implemented a number of IT system releases that have had the effect of reducing the level of case worker intervention in automated cases where maintenance assessment recalculations are not required. If this is achieved the Department may be able to evidence higher accuracy rates.

Improving maintenance assessment accuracy rates going forwards

As with any significant change to a business there is likely to be a period of time before the new processes and operational ways of working are fully embedded within the organisation. The Department reported an accuracy rate of 97.9%² for maintenance assessments for the 2012 scheme that compares favourably to the Department's reported accuracy rate of just 75% two years after introducing the 2003 scheme, and very favourably to the 47.5% accuracy rate two years after introducing the original 1993 scheme.

The Department have informed me that they intend to take action to address the level of case worker accuracy when calculating maintenance assessments. This action includes analysis of the findings of the 2014-15 testing carried out in order to identify those types of case worker intervention that are most susceptible to error, which will then inform the Department as to where further training or interventions are required.

² Note that the Department's reported error rate of 2.1% differs slightly from my estimate of most likely irregularity error of 2.4%. Although I use the Department's results in my calculation of irregular receipts and payments, the two are not directly linked due to the calculation methodology I use in determining a most likely error across the whole value of receipts and payments.

Whilst it is pleasing to see the significantly higher accuracy rate in the 2012 scheme compared to its predecessor schemes, it is vital that the Department continues its work to understand and improve case worker accuracy in maintenance assessment calculations, as well as seeking ways of improving the accuracy of maintenance calculations through other means, such as increased automation. Inaccuracies in maintenance assessment calculations have negative impacts on non-resident parents who are paying unequitable levels of maintenance, and on parents with care who are not receiving their full entitlement of maintenance.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

Date: 15 December 2015

Receipts and Payments Statement for the year ended 31 March 2015

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	Notes	2014/15 £000's	2013/14 ³ £000's
Receipts	2	25,656	4,699
Bank interest	3	-	-
Total receipts		25,656	4,699
Less payments to:			
Parents with care	2	21,371	4,253
Non-resident parents/employers	2	715	30
Statutory Child Maintenance Scheme costs, fees and charges	2	2,807	3
Total payments		24,893	4,286
Net receipts		763	413
Balance as at 1 April		417	4
Balance as at 31 March		1,180	417

³ 2013/14 figures reflect the 2012 scheme values consolidated with 1993 and 2003 Schemes in 2013/14. – see note 6.2 for further details.

Statement of Balances at 31 March 2015

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	Notes	31 March 2015 £000's	31 March 2014 £000's
Cash Balance	4	1,180	417

Notes to the account for the year ended 31 March 2015

8

1 Statement of accounting policies

The account has been prepared on a cash basis and in the form directed by Her Majesty's Treasury (HM Treasury). The outstanding maintenance arrears note records amounts owed by non-resident parents as at 31 March 2015, along with movements in these arrears balances during the financial year. It is prepared on an accruals basis.

1.1 Accounting convention

The account has been prepared under the historical cost convention.

2 Receipts and payments

Receipts from clients relate to child maintenance (£21.7million 14/15, £4.6million 13/14) and recoveries from paying parents in respect of DNA and court costs. During the year, due to the introduction of charging, receipts also include application fees and charges collected from paying parents and receiving parents using the Collect and Pay Service. Costs recovered and income from fees and charges are then paid to the Department (£2.8million 14/15, £0.003 million 13/14).

The receipts quoted in the Receipts and Payments Statement differs from the receipts total shown in movements on outstanding maintenance arrears (see Note 6). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Statement.

Included in the £21.4 million (2013/14, £4.3 million) paid to the parent with care is £0.3 million (2013/14, £0.05 million) paid to the Department for Social Development in Northern Ireland to fund payments made on behalf of the Department for Work and Pensions.

Other payment categories relate to refunds and reimbursements to non-resident parents and employers for overpayments of maintenance, totalling £0.7 million in 2014/15 (2013/14, £0.03 million).

3 Interest received and paid

The Department receives interest on balances deposited in the Client Funds bank account, at the Bank of England base rate minus 1 per cent. Since the base rate was 0.5 per cent during the period, the effective rate was 0 per cent.

As a consequence of the low rate no interest was received in 2014/15 (2013/14, £nil) and no interest was paid to HM Treasury.

4 Statement of balances

The balances relate to monies collected, including any interest received, which had not been paid over at year end and was held in the Client Funds bank accounts.

5 Outstanding maintenance arrears

	Notes	2014/15 £000s	2013/14 £000s
Outstanding maintenance arrears at start of year		6,734	39
Maintenance charged in year and other adjustments	6.0 i)	41,227	11,263
Amounts written-off	6.0 ii)	(312)	(4)
Maintenance received in year	6.0 iii)	<u>(21,700)</u>	<u>(4,564)</u>
Outstanding maintenance arrears at year end	6.0 iv)	<u>25,949</u>	<u>6,734</u>

6.0 Movements in outstanding maintenance arrears

The following notes explain movements from the opening outstanding maintenance arrears balance to the closing balance:

- i) Maintenance charged during the year and other adjustments. This comprises: assessments made on paying parents during the year; outstanding maintenance arrears transferred to and from the Department for Social Development in Northern Ireland, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties being offset against the maintenance due.
- ii) Amounts written off. Child Maintenance Group has continued to make use of write off powers introduced as part of Write off and Part Payment legislation introduced in 2010. The regulations allow part payment of child maintenance arrears to be accepted in full and final satisfaction with the agreement of the parent with care. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the parent with care tells us that they do not want the arrears to be collected or the non-resident parent has died.

- iii) Maintenance received during the year from paying parents. When a receipt is allocated to a case by the CMS 2012 system, the receipt reduces the outstanding liability of the paying parent immediately but does not pay out to the receiving parent until funds are cleared. Times vary depending on the method of payment and its associated clearance cycle. The total value of maintenance receipts allocated to cases in 2014/15 was £21.7 million (2013/14, £4.6 million). The principal difference between the value of the receipts in the Receipts and Payments Statement (2014/15 £25.6million, 13/14 £4.7million) and those reported in Note 6 is due to the inclusion of non-child maintenance receipts, mainly fees and charges in the Receipts and Payments Statement.
- iv) Outstanding maintenance arrears as at 31 March 2015. This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after receipts of maintenance have been deducted.

6.1 Prior year balances consolidated with 1993 and 2003 Schemes in 2013/14

2013/2014 £000s	Notes	Published Client Fund Account 2013/14	Revised	Change
Outstanding maintenance arrears at 1 April		39	39	-
Transfer between schemes		5,343	-	(5,343)
Legacy amounts written-off		(14)	-	14
Maintenance charged in year		11,224	11,259	35
Maintenance received in year		(4,630)	(4,564)	66
Outstanding Maintenance Arrears at 31 March		11,962	6,734	(5,228)

7 Events after the reporting date

The authorised date for issue is 15 December 2015.

This publication can be accessed online at:
[https://www.gov.uk/government/collections/
child-maintenance-client-funds-accounts](https://www.gov.uk/government/collections/child-maintenance-client-funds-accounts)

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