



Department  
for Work &  
Pensions

# Client Funds Account 2014/15

1993 and 2003

Child Maintenance Schemes

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 687



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Print ISBN 9781474126991

Web ISBN 9781474127004

ID 15121522

12/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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# Foreword

The Department for Work and Pensions is responsible for the management of client funds relating to the 1993 and 2003 schemes, and the new Child Maintenance Service 2012 statutory child maintenance scheme. These schemes support children by collecting funds 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.

The Comptroller and Auditor General has provided an unqualified opinion that receipts and payments are properly presented, but he has repeated modified opinions on other aspects from previous years, both of which relate to the historic issues with the 1993 and 2003 statutory schemes.

The first, is a qualified opinion on the regularity of receipts and payments, because the assessment of some of the amounts due to be paid are incorrect. The second is an adverse opinion on arrears, because the accumulated arrears owed by some non-resident parents are misstated reflecting inaccurate assessments and incorrect processing since the inception of the statutory schemes.

The strategic solution to address these historic failings was the introduction of the 2012 scheme, underpinned by a completely new system. The 1993 and 2003 schemes have been closed to new applicants since 25 November 2013, and the process to close all existing cases held on the 1993 and 2003 systems is well underway. Parents are being supported and encouraged to make their own family-based arrangements. If this is not possible they will need to make a new application to the 2012 scheme through a mandatory 'gateway' conversation with Child Maintenance Options.

In the last two reporting years the 2012 statutory scheme and the 1993 and 2003 statutory schemes have been reported upon within the same Client Funds Account publication. This year the 2012 statutory scheme has a separate Client Funds Account. This allows the Comptroller and Auditor General to provide an opinion on the 2012 scheme account that is independent of the 1993 and 2003 schemes and the weaknesses that have led to a historic qualified opinion on the regularity of receipts and payments and an adverse opinion on arrears.

Arrears arising from cases on the 1993 and 2003 schemes which have been transferred to the 2012 system are reported in this publication.

The Department remains committed to pursuing payments, and ensuring that parents meet their financial responsibilities for their children.

**Robert Devereux**  
**Principal Accounting Officer**

**Date: 14 December 2015**

# Management commentary

# 1

## 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 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 will be 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 also 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.

Following the introduction of the 2012 scheme, which 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 as well as 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 in the 2012 scheme, both parents can usually avoid on-going collection charges entirely by using the Direct Pay service, 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 ending of liabilities on 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 CMS 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 – 1993 and 2003 schemes

The live caseload on the 1993 and 2003 schemes was at 1,332,800 by the end of March 2015 (1,391,500 at March 2014). The number of 1993 and 2003 scheme cases with a current liability of child maintenance (ie excluding those cases with arrears of child maintenance only) reduced to 634,900 (738,500 at March 2014), whilst the percentage of cases contributing to their current liability of child maintenance increased to a high of 87.9 per cent by the end of March 2015 (85.6 per cent at March 2014).

The number of children benefiting from maintenance through the 1993 and 2003 schemes in the quarter to March 2015 was 762,100, a reduction of 109,700 since March 2014, which can be largely attributed to all new maintenance applications now being processed on the 2012 scheme and beginning the programme to close all cases on the 1993 and 2003 system. The amount of maintenance collected or arranged<sup>1</sup> over the year through the 1993 and 2003 schemes was £1,177.2 million, of which £135.3 million was arrears (down from £1,270.5 million collected and arranged, of which £155.7 million was arrears in the 12 months to March 2014).

### 1.3 Receipts of child maintenance

During 2014/15, 4.4 million individual receipts were recorded, a 9 per cent decrease in volume compared to 2013/14. Total monies received were 10 per cent lower at £766 million (2013/14: £853 million). Of these, 95 per cent of receipts by volume (2013/14: 94 per cent) and 93 per cent by value (2013/14: 91 per cent) were received electronically, excluding receipts received in 1993 and 2003 systems for cases which have now transferred to the 2012 system.

By value, 65 per cent of receipts from non-resident parents were paid using the following methods via the collection service: direct debit, deduction from earnings orders via employers and payment by debit or credit card. This has remained static from 2013/14 by value and has increased by 1 per cent by volume. Within the collection service, direct debit and deduction from earnings orders result in the highest levels of compliance; collection by debit or credit card is particularly effective for one-off payment of arrears.

A further 22 per cent of receipts were executed under the Faster Payments system (2013/14: 21 per cent), introduced by the major UK clearing banks. Faster Payments has significantly reduced the timescales for receipts from non-resident parents and has the additional benefit of ensuring cleared funds are received promptly. Receipt failure rates remain low overall, except for direct debits, where 3 per cent of receipts fail (2013/14: 4 per cent). More than 92 per cent of these failures are initiated by non-resident parents and the most common reasons being the cancellation of a direct debit instruction or insufficient funds in the paying account.

<sup>1</sup> Maintenance collected in Note 6 is sourced from 1993/2003 scheme general ledger. Maintenance arranged is based on the actual value of any calculation for Maintenance Direct performed by the Child Support Agency following a request from the parent with care. If the Child Support Agency becomes aware that the Maintenance Direct arrangement has changed, the calculation is adjusted.

## 1.4 Payments of child maintenance in the statutory schemes

During 2014/15 the number of individual payments to parents with care decreased by 9 per cent to 8.3 million, representing a decrease in volume of 0.8 million transactions, whilst the total value of payments also reduced by 9 per cent, consistent with overall receipts. 100 per cent of payments to clients by value and volume are made by funds transferred electronically directly to clients' bank accounts.

Volumes of payments can vary considerably since one receipt from a non-resident parent can be allocated to multiple parents with care. Similarly, one receipt from an employer through a deduction of earnings order may relate to multiple non-resident parents, in which circumstances the single receipt will be allocated to a number of parents with care.

In 2014/15, more funds were paid out than were received due to, prior year receipts paying out in this financial year. In 2013/14 there was an overstatement of the receipts and payments due to a one-off receipt of £6.7 million transferred from a 3rd party agent, of which £4.7 million was paid to Secretary of State. Total net payments to the Secretary of State fell by £8.8 million, or 34 per cent. Around £1.4 million per month relating to arrears continues to be paid to the Secretary of State. Only amounts relating to arrears are payable to the Secretary of State as the legislation linking maintenance to the benefit system was repealed in 2008. However, payments continue to be due to the Secretary of State as and when funds are received relating to on benefit periods prior to the repeal.

Maintenance monies received are paid to parents with care as quickly as possible, and cash held at 31 March 2015 equated to around 2 per cent of the funds received during the year. The Department's systems and policies do not support the use of Faster Payments as an outgoing payment on a routine basis.

There are a very small number of receipts which historically have been difficult to match to individual clients and cases, and consequently have not been paid to the relevant parent with care. Once all avenues to correctly assign a receipt to a non-resident parent have been exhausted, surpluses are transferred to Her Majesty's Treasury (HM Treasury). Despite the inherent challenge of translating 4.4 million receipts into 8.3 million payments – including many instances of sub-dividing or aggregating payments between or across multiple cases – the vast majority of payments are made accurately and in a timely manner, whether processed automatically or manually.

## 1.5 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, which totalled £3,957 million at 31 March 2015 on the 1993 and 2003 schemes.

Outstanding child maintenance arrears totalled £3,957 million at 31 March 2015 (a decrease of £28 million on 1993 and 2003 scheme arrears at 31 March 2014 of £3,985 million), and were owed by non-resident parents to their respective parent with care and to the Secretary of State. The Department is responsible for pursuing their collection. The £3,957 million arrears owing have accumulated over the last 22 years.



## 1.6 Collectability

Under a new accounts direction there is no longer the requirement to report an analysis of the collectability of the arrears balance in the Notes to the account.

However, the Department continues to consider this a meaningful measure and will continue to publish an annual estimate in the Client Funds Account to establish the three categories of collectability.

### **Likely to be collected**

Amounts outstanding, which meet certain criteria indicating that the Department had a good chance of collecting the outstanding arrears. The criteria are:

- Receipt of at least one payment against the outstanding arrears in the six-month period prior to the reporting date.
- Funds received in the Department's Client Funds bank account in excess of the on-going scheduled payments for cases with arrears which, due to system limitations, could not be allocated to a case, but indicate the non-resident parent's intent to clear arrears.

### **Potentially collectable**

Amounts outstanding for which the evidence base indicating that the arrears will be recovered is not as strong as for the 'likely to be collected' category, but which meet criteria suggesting that the Department has a reasonable chance of collecting the arrears. The criteria are:

- The existence of a maintenance arrears schedule at any point during the six months prior to the reporting date, even though no payments were received in the period. Arrears schedules are established following contact with the non-resident parent, who makes a commitment to clear the arrears over a specified period. Non-resident parents do not always adhere to the schedule, but the fact that contact had been made with the individual and a commitment had been made is considered to indicate that the arrears are potentially collectable.
- For recent arrears, i.e. aged three months or less, the receipt of at least one payment against those arrears after the reporting date. Recent arrears arise on new cases, where the set-up process can mean that no receipts can be accepted immediately, or on older cases where an existing maintenance arrangement has recently broken down. Schedules are seldom put in place until arrears have been accumulating for more than six months; enforcement resources are concentrated on re-establishing broken down arrangements quickly. Consequently, receipts after the balance sheet date for young arrears are considered to provide reasonable evidence that the arrears will be cleared.
- The anticipated impact of some of the enforcement powers on the arrears, were the powers to be used more widely. The two powers considered were the deduction order, which enables the Department to seize funds from non-resident parents' bank accounts, and the use of orders for sale of non-resident parents' property.

**Uncollectable**

These balances represent amounts outstanding which do not meet any of the criteria outlined above for the 'likely to be collected' or 'potentially collectable' categories.

**Analysis of Collectability 2014/15**

<b>£'000</b>	<b>2003 System</b>	<b>1993 System</b>	<b>Clerical Case Database</b>	<b>Total</b>
Likely to be collected	308,050	109,259	49,596	466,905
Potentially Collectable	399,687	98,135	64,281	562,103
Uncollectable	1,540,881	1,136,717	250,221	2,927,819
<b>Total</b>	<b>2,248,618</b>	<b>1,344,111</b>	<b>364,098</b>	<b>3,956,827</b>

**Analysis of Collectability 2013/14**

<b>£'000</b>	<b>2003 System</b>	<b>1993 System</b>	<b>Clerical Case Database</b>	<b>Total</b>
Likely to be collected	325,246	121,105	53,701	500,052
Potentially Collectable	409,875	85,929	67,674	563,478
Uncollectable	1,498,620	1,175,362	248,165	2,922,147
<b>Total</b>	<b>2,233,741</b>	<b>1,382,396</b>	<b>369,540</b>	<b>3,985,677</b>

**Robert Devereux**  
Principal Accounting Officer

**Date: 14 December 2015**

# Statement of Accounting Officer's responsibilities

# 2

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 1993 and 2003 statutory schemes 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 Managing Public Money published by the HM Treasury.

**Robert Devereux**  
Principal Accounting Officer

**Date: 14 December 2015**

# Governance Statement

# 3

## 1 Introduction

- 1.1 The Department for Work and Pensions (the Department) has responsibility for the management of client funds relating to the 1993 and 2003 statutory child maintenance schemes, which include the flow of receipts from non-resident parents, payments to parents with care and the Secretary of State, and accumulated maintenance arrears. The Department operates through the Child Support Agency for the 1993 and 2003 schemes.

In accordance with Her Majesty's Treasury (HM Treasury) Direction under Section 7 of the Government Resources and Accounts Act 2000, dated 6 May 2015 the Department is required to publish a separate Client Funds Account for cases assessed under 1993 and 2003 scheme rules and 2012 scheme.

- 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 Group operating within the Department with particular emphasis on the significant control weaknesses identified in relation to child maintenance.
- 1.4 The control weaknesses of the systems underpinning the 1993 and 2003 statutory schemes are a result of the limitations of the systems, which have led to successive qualifications by the Comptroller and Auditor General. This statement records the action which the Department has taken to manage these control weaknesses.

## 2 Significant control challenges

### 2.1 Cases managed off the 1993 and 2003 systems

- 2.1.1 The Department operated two main child maintenance computer systems under the Child Support Agency umbrella during 2014/15. These were 1993 (previously known as CSCS) and 2003 (previously known as CS2).
- 2.1.2 Data issues, software defects or both mean that some cases either cannot be managed at all on the 2003 system, or can only partially be managed on that system. As at March 2015, there were 103,200 cases managed wholly off the 2003 system, which has decreased from 107,200 as at March 2014.
- 2.1.3 These cases are managed on a number of small IT systems. However, the limited functionality of these systems means a significant additional resource is required to manage these cases.

### 2.2 Assessment accuracy

- 2.2.1 Assessment accuracy remains an issue for the 1993 and 2003 schemes. It is central to the modified audit opinions on the Client Funds Account from the inaccuracy of maintenance assessment and consequent uncertainty around the reported arrears (including the estimate for non-collectability of arrears). The accumulated inaccuracies arising mainly from earlier years continue to affect current arrears balances.
- 2.2.2 Cash Value Accuracy on the 1993 and 2003 schemes in 2014/15 has reduced slightly against previous years to 97%, from 98% in 2013/14. Cash Value Accuracy remains an area of focus particularly during the challenging conditions brought about by the movement of work relating to the closure of cases on the 1993 and 2003 schemes, while maintaining the growing 2012 Scheme caseload.

### 2.3 Adjustments to assessments and arrears

In the 1993 and 2003 schemes the accuracy of adjustments has further improved to 90.5% for 2014/15 compared to 88.4 per cent for 2013/14, which was itself a marked improvement on the previous year. The improvement is as a result of continuing management focus, including the fruits of improvement plans that were put in place during the previous year.

### 2.4 System and transaction controls

- 2.4.1 During 2014/15, the Department continued to utilise and improve the 1993 and 2003 systems to ensure efficient processing of receipts and payments.
- 2.4.2 The small systems introduced in 2010/11 have continued to deliver robust and automated solutions, providing streamlined receipt and payment processing, accuracy and efficiency. The small systems have continued to evolve as the Case Closure Programme volumes have increased and receipts paid into 1993 and 2003 systems need to be transferred to the 2012 system, amendments to the system has meant there is limited manual intervention to this process.
- 2.4.3 A number of significant improvements have been made to the Client Fund Accounts Team bank reconciliation function to replace a number of manual processes with functionality to create rolled-up entries, which are fully audit trailed. This has allowed the team to focus on value added activities and enabled achievement of the lowest number of outstanding bank reconciliation items at 961 since the inception of the 2003 system, which has historically been as high as 42,000.

2.4.4 As in prior years, the 1993 and 2003 scheme element of Note 6 has been prepared using a suite of reports developed as a result of weaknesses in the information on outstanding levels of maintenance arrears (Client Funds Account 2008/09 covers this in more detail).

## **2.5 Reimbursements to clients**

2.5.1 The Department continued to make reimbursements to clients due to short-term timing differences in updating client change of circumstances across all schemes. These reimbursements are treated as a loss and recorded as such in the Department's Annual Report and Accounts.

2.5.2 Robust authorisation and controls introduced in 2011/12 continued but the value of these payments increased to £7.5 million in 2014/15, of which £7.0 million paid out of the Client Funds bank account.

## **2.6 Information Security**

The control challenge remains to protect the vast 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 1993 scheme, CSCS, is not security accredited and given its expected limited life there are no plans to pursue accreditation.

## **2.7 Management information**

Action was taken to improve the ability of managers to drive performance improvement, which in the period was evident through increased maintenance compliance and most key performance indicators being met (performance reflected the commencement of closure of cases on the 1993 and 2003 schemes). However, some issues remained over the robustness, timeliness and completeness of this information, in particular:

- Stability of management information production for 1993 and 2003 Schemes. The Department produced many forms of performance reporting both for internal and external consumption. In the period, the production of management information was affected on occasion by problems centring on the data runs carried out by the Department's Information Exploitation and Security Directorate. Work is continuing to further improve the situation.
- Ability to 'age' arrears. The 1993 and 2003 systems lack the functionality to 'age' arrears of balances due to the parent with care from the non-resident parent, which is the standard accounting approach. This impacts the Department's ability to assess the collectability of debt on this basis. The cost of remedying this issue is considered prohibitive.

## **2.8 Case Closure Programme**

The Case Closure Programme began in 2014 including processes to contact all 1993 and 2003 system clients to consider if they would like their arrears managed on 2012 system or written off. The intention being that all cases will be closed over the next three years or so, and the 1993 and 2003 systems decommissioned.

For clients who decide to have their arrears managed on the 2012 system, the current process is to transfer arrears from the 1993 and 2003 systems to the 2012 system via a manual process. Financial control is maintained via a dedicated finance team who complete a daily reconciliation to ensure arrears are accurately received and attributed to the correct payee, either parent with care or the Secretary of State.

Separate teams have also been established to control the case closure programme, one to prepare the 1993 and 2003 system cases for either closure or transfer to the 2012 system and a second on CMS 2012 to control the necessary case build on that system. During the reporting year to 31 March 2015 £26.5 million had transferred to the 2012 system with only £0.014 million not held on a system at year end due to incidents on the case build process on the 2012 system.

Improvements will continue to be made to this process, for example a small system is currently under development to support the increased volumes of cases closing. This will require reconciliation between systems. Also, testing is underway on system changes to deliver automated upload of arrears to the 2012 system which will remove the manual element of this process for all cases which can transfer from 1993 or 2003 system. This testing is advanced and progressing well.

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

# 4

I have audited the Client Funds 1993 and 2003 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 1993 and 2003 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 1993 and 2003 scheme Account and the cash balances held and that 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 Practises 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 1993 and 2003 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

### **Opinion on regularity for the Client Funds 1993 and 2003 scheme Account**

#### **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 £765.6 million are shown in the Client Funds 1993 and 2003 scheme Account. I estimate that errors in underlying maintenance assessments resulted in overpayments of around £4.2 million and underpayments of around £6.5 million which are not in accordance with the relevant legislation.

## Note 6: ‘Outstanding Maintenance Balances’

### **Adverse opinion on Note 6 ‘Outstanding Maintenance Balances’**

In my opinion, Note 6 to the account does not give a true and fair view of the outstanding maintenance balances as at 31 March 2015.

Basis for adverse opinion on Note 6 ‘Outstanding Maintenance Balances’ as a result of errors in underlying data

The individual arrears balances supporting the reported outstanding arrears balance are misstated as a result of:

- inaccurate maintenance assessments by caseworkers since the inception of the statutory schemes; and
- incorrect processing of cases with arrears since the inception of the statutory schemes.

The Department is unable to estimate the value of the misstatements as a result of inaccurate maintenance assessments, but my audit work indicates that the cumulative impact on the value of arrears as at 31 March 2015 is significant.

The best estimates available to me of the impact of incorrect processing of cases with arrears indicate that this has led to overstatements of at least £54.2 million and understatements of £155.2 million within the reported balance of £3.96 billion in Note 6 to the account.

### **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 1993 and 2003 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 opinions are provided in my report on page 18.

**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

# 5

## 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, 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 Child Support Agency 1993 and 2003 schemes (the 1993 and 2003 schemes); and a second reporting on cases calculated under the Child Maintenance Service (CMS) 2012 statutory child maintenance scheme (the 2012 scheme). As such I have provided separate opinions on both Accounts and I provide a separate report for each account, with this report relating specifically to the Account reporting on cases administered under the 1993 and 2003 schemes.

The modifications to my audit opinions are longstanding and reflect significant and ongoing problems in the accurate calculation of maintenance and with the underlying IT systems since the 1993 and 2003 statutory child maintenance schemes were first introduced. I have reported on these issues previously.

## Qualified Opinion due to 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 1993 and 2003 Scheme Account (the Account) properly presents the 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 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 £756.6 million in respect of child maintenance from non-resident parents assessed under the 1993 and 2003 schemes. I have estimated that errors in assessments result in overpayments of child maintenance amounting to £4.2 million (0.54% of receipts) and underpayments totalling £6.5 million (0.85% 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.

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.

## Incorrect maintenance assessments

The original 1993 legislation required up to 148 different pieces of information to calculate a maintenance assessment. An error in any element of the assessment will impact the accuracy and so regularity of the child maintenance received from the non-resident parent. Ordinarily there are multiple assessments throughout the lifetime of a case to reflect changes in circumstance. Where such reassessments occur, the likelihood of error increases.

The Department’s Quality Assurance Team (QAT) carries out extensive checking of maintenance assessments each year. These checks cover cases where there has been a recalculation owing to a change in circumstance only, given that all new cases are being assessed under the 2012 scheme. As part of my audit I have reviewed the findings of the QAT and have estimated a gross error rate of 1.4% in maintenance assessments under the 1993 and 2003 schemes underpinning receipts and payments recorded in 2014-15. While QAT found a slight decrease in accuracy in assessments undertaken during 2014-15, I have estimated a slight improvement in overall accuracy as receipts and payments relate to assessments over a number of years, in effect an average accuracy rate. The table below shows how this level of accuracy compares to previous years.

**Table 1: Accuracy of maintenance assessments – legacy systems**

	2011-12	2012-13	2013-14	2014-15
QAT annual Cash Value Accuracy	98%	98%	98%	97%
NAO estimated cumulative irregular receipts and payments accuracy (gross)	2.7%	1.7%	1.7%	1.4%

## Outstanding Maintenance Arrears

### Adverse opinion on Note 6 ‘Outstanding Maintenance Balances’

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 and reports it in Note 6 of the Client Funds Account. The balance of £3.957 billion as at 31 March 2015 is the cumulative total of outstanding arrears since the Child Support Agency was established in 1993. This balance represents the total amount owed by non-resident parents to either the parent with care or, in some instances, the Secretary of State. Current legislation allows the Department to write off arrears only in very limited circumstances.

I am required to give an opinion on whether the outstanding maintenance arrears balance as at 31 March 2015 is true and fair. In my opinion there is material error in the value of arrears recorded in Note 6 to the account and as a result I have concluded that Note 6 does not give a true and fair view of the maintenance arrears outstanding at 31 March 2015. The misstatement is primarily a result of:

- a) Incorrect maintenance assessments (as outlined above);
- b) Incorrect adjustments to arrears; and
- c) Issues relating to clerical cases.

#### a) Incorrect maintenance assessments

Where the Department has made incorrect maintenance assessments, for the reasons set out in more detail above, any arrears accruing will be doing so at an incorrect rate and consequently the value of the accrued outstanding maintenance arrears will be misstated. The Department is unable to estimate the value of this misstatement, but audit work indicates that the cumulative impact of incorrect maintenance assessments on the value of arrears as at 31 March 2015 is significant.

#### b) Incorrect adjustments to arrears

Caseworkers administering child maintenance cases are able to adjust the value of arrears on individual cases. This is to allow the Department to take retrospective action when circumstances change that alter the value of maintenance charged. Errors can arise in the calculation of the required adjustment, which then result in a misstatement in the value of arrears.

Note 6 to the Account reports the arrears balance net of any caseworkers’ adjustments, which means that any errors made in these adjustments affect the arrears balance reported. I estimate that arrears are overstated by around £15.9 million and understated by around £113.7 million as a result of such errors.

As with the level of irregular receipts and payments, the Department has chosen not to make a revision to the arrears note in order to correct for these errors, because they are an estimated aggregation of the accumulated over and under-adjustments made to individual cases since the inception of the statutory schemes.

The Department's QAT measures the accuracy of adjustments to arrears and undertakes a 'root cause' analysis of both maintenance assessments and arrears adjustments to allow focussed training and improvements to processing procedures.

In forming my opinion on the arrears balance I have carried out sufficient work to enable me to conclude that a material level of error exists in the arrears balance. This has not included an exercise to estimate the accuracy rate of all adjustments made to the arrears balance. The Department does, however, estimate the level of accuracy in all arrears adjustments and these estimates are shown in Table 2 below.

**Table 2: The Department's estimates of the accuracy of adjustments to arrears 2011-12 to 2014-15**

	2011-12	2012-13	2013-14	2014-15
Percentage of cases with accurate adjustments to arrears	91%	86%	94%	90%

The Department has no plans to correct cases where errors have occurred previously. As the errors that have accumulated over the years remain uncorrected in the arrears balance, we consider a material level of error remains.

### **c) The clerical case database**

The two issues described above are the primary causes of the high value of errors in the arrears balance. Further errors arise from weaknesses in the management of clerical cases, but it is not possible to accurately estimate the financial impact.

Where system failures prevent on-line case management, the Department has to manage the affected cases manually on a separate clerical case database. This database was originally set up to manage around 10,000 cases, but there are currently over 100,000 cases managed in this way. There are two specific problems with the clerical case database, which are set out below. The Department has continued to take corrective action on the clerical case database balances in readiness for the transition of these cases to the 2012 Scheme.

#### **Incorrect charging status of cases**

The clerical case database requires the manual input of customer maintenance schedules. A maintenance schedule which is not correctly maintained can result in cases incorrectly reporting that no maintenance is due, which will understate the arrears balance at the year end. There is no adequate information available from which either the Department or I can provide a reliable estimate of error, but the available evidence indicates that arrears are understated as a result.

### **Opening balances on the clerical case database**

Of the cases that the Department has transferred onto the clerical case database, there are a number which it transferred without arrears balances. The Department had adjusted for this in the account by increasing the arrears balance by the value of the arrears reported on the online systems for the affected cases before they transferred. The Department's two key assumptions underlying this adjustment are that the majority of nil opening balances on the Clerical Case Database are errors and that the closing balance on the 2003 system is the correct opening balance for cases now managed on the clerical case database. However, my testing has confirmed that this is not the case in all instances. While it is clear that the arrears balance is overstated, there is not, however, sufficient information available to make a reliable estimate for the value of this error.

As part of my audit of the 1993 and 2003 scheme account I have considered the two issues above and have been able to confirm that they remain a source of error within the account. Given the limitations in calculating estimates of the errors and the material errors due to incorrect maintenance assessments and adjustments to arrears, I have not sought to carry out further testing in order to quantify the error resulting from issues with the clerical case database.

## **Next steps for the 1993 and 2003 schemes**

### **Case Closure and its impact on receipts and payments and the arrears balance**

The Department is currently part-way through the process of closing cases on the 1993 and 2003 schemes, issuing letters to customers who have cases on the 1993 and 2003 systems informing them that their cases are to be closed and inviting them to apply under the 2012 scheme rules. Customers will be encouraged by the Department to make child maintenance paying arrangements independently, though where one or both parents feel this is not possible, the Department can still be used for administering child maintenance under the 2012 scheme rules.

Once all cases assessed under the 1993 and 2003 schemes have been closed, the value of receipts and payments made in the 1993 and 2003 Account will decrease significantly as the only receipts and payments recognised will be those that satisfy arrears built up while the cases were assessed under the 1993 and 2003 rules. As customers transition onto the 2012 scheme, where arrears have built up under the 1993 or 2003 schemes, they will be asked whether they wish for the arrears to be written off. The Department anticipates that as the volumes of cases transitioning increases, the 1993 and 2003 arrears balance, which will continue to be reported in this Account, will fall in value but not in its entirety as not all customers will agree to previous arrears being written off.

Though volumes of cases administered under the 1993 and 2003 schemes are likely to fall as transition of cases onto the 2012 scheme accelerates, I consider that the issues that lead to me qualifying the 1993 and 2003 Account will not be sufficiently addressed in the natural course of this transition and without direct intervention by the Department to retrospectively correct cases that have been, historically, miscalculated. The Department has made it clear to me that they have no plans to correct past incorrect assessments and adjustments given the significant volumes of case worker decisions made in the past, as it does not believe it is value for money to do so.

The Department's attention is understandably focused on the new 2012 scheme, and ensuring that the issues of the previous schemes are not repeated, with encouraging results to date. My report on the 2012 scheme provides further detail (HC686). However, the slight reductions in in-year accuracy rates on assessments and arrears on the 1993 and 2003 schemes as assessed by QAT are cause for concern

and the significant period over which arrears relating to 1993 and 2003 schemes will continue to be collected mean that these issues merit attention in the coming year. In the meantime inaccuracies in maintenance assessment calculations continue to 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  
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SW1W 9SP

**Date: 15 December 2015**



# Receipts and Payments Statement for the year ended 31 March 2015

# 6

	Notes	2014/15 £000's	2013/14 £000's
Receipts	2	765,608	853,730
Bank interest	3	-	-
<b>Total receipts</b>		<b>765,608</b>	<b>853,730</b>
<b>Less payments to:</b>			
Parents with care	2	743,574	819,633
Secretary of State	2	16,529	25,317
Non-resident parents/employers	2	7,075	3,314
Department in respect of fees	2	223	314
<b>Total payments</b>		<b>767,401</b>	<b>848,578</b>
<b>Net receipts</b>		<b>(1,793)</b>	<b>5,151</b>
<b>Balance as at 1 April 2014</b>		<b>23,904</b>	<b>18,753</b>
<b>Balance as at 31 March 2015</b>		<b>22,111</b>	<b>23,904</b>

# Statement of Balances at 31 March 2015

# 7

	2014/15 £000's	2013/14 £000's
Funds awaiting clearance	7,228	9,895
Cleared funds awaiting distribution	14,883	14,009
<b>Balance on bank account</b>	<b>22,111</b>	<b>23,904</b>

# Notes to the account for the year ended 31 March 2015

# 8

## 1 Statement of accounting policies

The Receipts and Payments statement 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 under the historic cost convention.

A new Account Direction, dated 6 May 2015, confirmed all transactions relating to cases assessed under the 1993 or 2003 schemes, including those now hosted on 2012 system, will be reported in a separate Client Funds Account to the 2012 scheme assessed cases. As a result, a number of the prior year comparators have changed as they now contain information for 1993 and 2003 scheme cases hosted on the 2012 system.

There is a separate Account Direction and Client Funds Account publication for 2012 Scheme cases.

## 2 Receipts and payments

The 2013/14 financial year Receipts and Payments have been re-stated, as it contained receipt and payment information relating to 2012 scheme cases. However these have now been removed and are published in a separate account for 2012 scheme only.

Receipts from clients relate to child maintenance and fees collected from non-resident parents by the Department for payment to parents with care (maintenance) or to the Secretary of State (where pre-2008 maintenance offsets benefits paid to the parent with care) and to the Department (fees for DNA and court costs).

The receipts quoted in the Receipts and Payments Statement differ from the receipts total shown in movements on outstanding maintenance arrears (see Notes 6.0 and 6.1). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Statement.

Monies are also received from the Secretary of State to refund non-resident parents in cases where an overpayment has been made and the amount is irrecoverable. This totalled £7.5 million (2013/14, £5.9 million) and is disclosed as a loss in the Department's Annual Report and Accounts 2014/15.

Included in the £744 million (2013/14, £820 million) paid to the parent with care is £1.8 million (2013/14, £2.1 million) paid to the Department for Social Development in Northern Ireland to fund payments made on the Department's behalf.

The payments to the Secretary of State of £16.5 million have been made in respect of funds received on cases where clients were in receipt of benefit at the time of the assessment, pre-October 2008. The repeal of Section 6 in October 2008 resulted in all cases being re-classified as private cases with no involvement with the benefit system. However, when funds are received which relate to periods when clients were in receipt of benefits these payments continue to be made to the Secretary of State.

Other payment categories relate to refunds/reimbursements to non-resident parents and employees for overpayments of maintenance, totalling £7.0 million in 2014/15 (2013/14, £3.3 million). The increase is due to more improved analysis of NRP refunds and a one off Direct Debit Indemnity relating to funds being incorrectly received in the Client Funds for 2014/15 of £1.1m. Also, payments were made to the Department in respect of fees for DNA tests and court costs, £0.22 million in 2014/15 (2013/14, £0.32 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 parents with care.

### **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 at 31 March 2015**

Under the Accounts Direction dated 6 May 2015 issued by HM Treasury, the Department was required to disclose the balances outstanding from non-resident parents at the year end, the movements in the balances outstanding between the beginning and end of the year.

## 1993 and 2003 schemes

### There are four types of maintenance assessments:

- Full maintenance assessments – where the 1993 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Interim maintenance assessments – where the 1993 rules apply and it has not been possible to obtain sufficient information to make a full maintenance assessment.
- Maintenance calculation – where the 2003 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Default maintenance decision – where the 2003 rules apply and it has not been possible to obtain sufficient information to make a maintenance calculation.

The majority of interim maintenance assessments were set at punitive rates to encourage contact from, and compliance by, the non-resident parent, and hence take no account of their income or ability to pay.

Where the statutory maintenance service is in contact with a non-resident parent on whom an interim maintenance assessment has been imposed, a proportion of the amount outstanding may prove collectable. This is particularly likely where the non-resident parent is co-operating with us and we are able to replace the interim maintenance assessment with a full maintenance assessment.

Where an interim maintenance assessment has been imposed on or after 18 April 1995, the subsequent full maintenance assessment will be backdated and will replace the interim maintenance assessment. Any amounts collected under the interim maintenance assessment will be offset against the full maintenance assessment due.

A default maintenance decision is a calculation based on a weekly average wage and is not set at punitive rates.

## 6 Arrears Balances

On 31 January 2013, the Government published the *Preparing for the future, tackling the past: Child Maintenance – Arrears and Compliance Strategy 2012-2017*. This explained that in reforming the statutory Child Maintenance Service, the Government's chief priority is to ensure more parents pay the child maintenance they owe not only in full, but also on time. Only by the effective prevention and management of arrears can we get more money flowing to children and avoid increasing debts owed by parents for their children.

However, it also acknowledged that we must deal with a legacy of allowing arrears to build up, with money owed by parents expected to pay child maintenance accruing in the Child Support Agency at an average rate of £20 million per month between 1993 and 2008. The operational priority of the statutory service is to collect money for children who will benefit from regular on-going maintenance payments today, rather than prioritising the pursuit of historic arrears in cases where the children have now grown up.

An Arrears Strategy working group has been established in CMG test and implement a number of initiatives outlined in the Arrears and Compliance Strategy. The aim of the strategy is to achieve a reduction in the arrears balance by either recovering it from the non-resident parent and / or write off of an element of arrears using existing and new write off powers.

Initiatives being piloted include pro-active calls to parents with care to discuss the options in collecting any arrears and the extension of part payment powers as full and final satisfaction of an arrears balance owed to Secretary of State.

The success of these and other pilots will inform whether CMG roll these activities out for the whole 1993 and 2003 scheme case load as part of the Case Closure Programme.

## Note 6.0: Outstanding maintenance arrears at 31 March 2015

	£'000	2003 System	1993 System	Clerical Case Database	Total
Outstanding Maintenance Arrears as at March 2014 (Note a)		2,233,741	1,382,396	369,540	3,985,677
Write off (Note 6.2)		(5,929)	(23,629)	(1,331)	(30,889)
Maintenance charged in year and other adjustments (Note 6.2ii/c)		633,249	50,366	67,837	751,452
Maintenance received in year (Note 6.2iii)		(612,444)	(65,022)	(71,947)	(749,413)
<b>Outstanding Maintenance Arrears 31 March 2015</b> (Note 6.2iv)		<b>2,248,617</b>	<b>1,344,111</b>	<b>364,099</b>	<b>3,956,827</b>

### Note a

1993 scheme cases are managed on both the 1993 and 2003 systems. 2003 scheme cases and 'trans' old scheme cases are managed on the 2003 system and on the clerical case database. The format of this note continues to report by system rather than scheme basis.

### Note b

Transfer of arrears from 1993 and 2003 systems, £26.5 million, now hosted on the 2012 system are shown in the table above as it reflects a consolidation of 1993 and 2003 scheme arrears irrespective of the system upon which they are recorded.

### Note c

The Child Maintenance Group makes an annual adjustment to the arrears total for duplicated suspended arrears on the 1993 system. Caseworkers have been reviewing the duplicated debt on a case-by-case basis and during 2014/15 the value of the estimate of double counted arrears reduced by £0.6 million. The effect is to increase reported arrears by £0.6 million.

## Note 6.1: Outstanding maintenance arrears at 31 March 2014 – re-stated per note 6.3

	£'000	2003 System	1993 System	Clerical Case Database	Total
Outstanding Maintenance Arrears as at March 2013 (Note a)		2,067,282	1,427,389	358,637	3,853,308
Write off (Note 6.2)		(4,790)	(10,942)	(435)	(16,167)
Maintenance charged in year and other adjustments (Note b/c/d)		835,934	51,612	91,863	979,409
Maintenance received in year (Note 6.2iii)		(664,685)	(85,663)	(80,525)	(830,873)
<b>Outstanding Maintenance Arrears 31 March 2014</b> (Note 6.2iv)		<b>2,233,741</b>	<b>1,382,396</b>	<b>369,540</b>	<b>3,985,677</b>

### Note a

1993 scheme cases are managed on both the 1993 and 2003 systems. 2003 scheme cases and 'trans' old scheme cases are managed on 2003 and on the clerical case database. The format of this note continues to report by system rather than scheme basis.

### Note b

Transfer of arrears from 1993 and 2003 system, £5.3 million, now hosted on the 2012 system are shown in the table above as it reflects a consolidation of 1993 and 2003 scheme arrears irrespective of the system upon which they are recorded.

### Note c

The Child Maintenance Group makes an annual adjustment to the arrears total for duplicated suspended arrears on the 1993 system. Caseworkers have been reviewing the duplicated debt on a case-by-case basis and during 2013/14 the value of the estimate of double counted arrears reduced by £9.6 million. The effect is to increase reported arrears by £9.6 million.

### Note d

To remove the double count of arrears for cases managed off system, the Department has historically calculated adjustments to the accounts on at a non-resident parent national insurance number level, which includes all cases within a case group. Improved reporting at case level has allowed for a more accurate adjustment to be calculated, however this has reduced the adjustment by £37 million.

### Note e

The effect of Note c/d is an increase in reported arrears of £46.6 million. The increase in arrears during 2013/14 was £139.0 million, of which £90.4 million was a true 1993 and 2003 scheme increase.

## Note 6.2: 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 non-resident 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 offset against the maintenance due. The amount charged in 2014/15 was £751 million (2013/14, £979 million); the decrease is in line with the Case Closure Programme, to close cases on the 1993 and 2003 systems and if appropriate transfer them to be hosted on the 2012 system.
- ii) The Department has continued to make use of write off powers introduced as part of Write off and Part Payment legislation introduced in 2010, with £31 million being written off on 1993 and 2003 scheme cases (2013/14, £16 million).
- iii) Maintenance received during the year. This comprises amounts received from non-resident parents and the Department for Social Development in Northern Ireland during the year. When a receipt is subsequently allocated to a case by the child support computer systems, the receipt becomes a constituent of the arrears balance for that case. The timing difference between receipt, assignment and allocation contributes to the difference between the value of the receipts in the Receipts and Payments Statement and the receipts in Note 6. The total value of receipts allocated to cases in 2014/15 was £749 million (2013/14, £831 million).
- 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.

## Note 6.3: Prior Year comparator of Note 6.1

Due to the segregation of the 1993 and 2003 scheme account from the 2012 scheme, below is an explanation of how the prior year would have been disclosed under the new methodology.

	£'000	1993 System	Clerical Case Database	Total
Outstanding Maintenance Arrears as at March 2013	3,853,308	3,853,308		-
Transfer between schemes	(5,343)		-	5,343
Write off	(16,020)		(16,167)	(147)
Maintenance charged in year and other adjustments	979,443		979,409	(35)
Maintenance received in year	(830,807)		(830,873)	(66)
<b>Outstanding Maintenance Arrears 31 March 2014</b>	<b>3,980,581</b>		<b>3,398,677</b>	<b>5,096</b>



## 7 Events after the reporting date

The authorised date for issue is 15 December 2015.

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