



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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### **Department for Work & Pensions**

# Child maintenance: closing cases and managing arrears on the 1993 and 2003 schemes

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National Audit Office

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Department for Work & Pensions

# Child maintenance: closing cases and managing arrears on the 1993 and 2003 schemes

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

24 March 2017

Our investigation examines the Department for Work & Pensions' approach to closing cases on the 1993 and 2003 'Child Support Agency' child maintenance schemes, and how it is managing arrears on cases on these schemes.

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## **Investigations**

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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## What this investigation is about

**1** Many separated families in Great Britain rely on the Department for Work & Pensions (the Department) for their child maintenance arrangements. These arrangements provide an alternative to parents pursuing child maintenance through the courts or making private arrangements. The Department currently manages three child maintenance schemes.

**2** The Department is closing its 1993 and 2003 ‘Child Support Agency’ child maintenance schemes. The 1993 and 2003 schemes struggled with IT problems leading to poor customer service, backlogs and incomplete information about amounts due.

**3** The 2012 child maintenance scheme (the 2012 scheme) administered by the Department’s Child Maintenance Service was introduced to resolve these problems and encourage private arrangements. Since November 2013 all new applications have been to the 2012 scheme. The Department began to tell parents in 2014 that their 1993 and 2003 scheme cases would close and that they would have to apply to the new scheme, or make their own family-based arrangements. It plans to end continuing child maintenance on 799,000 1993 and 2003 cases by December 2017, before closing these cases. It is also closing a further 588,000 cases where continuing maintenance payments are no longer due, but arrears have built up.

**4** Parliament, parents and stakeholders have raised concerns about various aspects of child maintenance, prompted in part by these changes. Some parents told us that closing long-standing 1993 and 2003 scheme cases can be disruptive and lead to confusion about the amount they owe or the amount owed to them. In October 2014, the Committee of Public Accounts recommended that the Department should be “transparent about the progress of case closure, ensure that it has the necessary systems in place by the time it closes complex cases, and monitor the performance of its contingency arrangements in the meantime”.

**5** In response to the concerns raised with us by Parliament and users of the schemes we have examined the Department’s:

- closure of 1993 and 2003 scheme cases; and
- management of arrears on those schemes.

**6** Our methods are set out in Appendix One. We set out in Appendix Two background information and data about the 1993, 2003 and 2012 child maintenance schemes. Appendix Three is a summary of the issues raised with us by parents and stakeholders on the 1993 and 2003 schemes and how these relate to findings in this report.

# Summary

## Key findings

1993 and 2003 scheme case management and closure

**1 The Department for Work & Pensions (the Department) has not managed 1993 and 2003 child maintenance cases with enough accuracy.** Since child maintenance schemes began in 1993, the Comptroller and Auditor General has qualified his opinions on the 1993 and 2003 scheme accounts, because of inaccurate assessments and incorrect adjustments to arrears. Inaccurate assessments can mean that some parents receive too little for their children while others face hardship because of paying too much. Arrears are maintenance payments that are owed but have not been paid (paragraph 1.2).

**2 The Department is closing the 1993 and 2003 schemes to draw a line under the problems of the past.** The Department plans to end child maintenance payments on 799,000 'active' cases from these schemes by the end of 2017. These are cases where maintenance continues to be due or payable, by September 2016 the Department had ended payments on two-thirds of active cases. The Department then plans to close these cases. It is also closing a further 588,000 cases where continuing maintenance payments are no longer due, but arrears have built up (paragraphs 1.3 and 2.2).

**3 It is taking the Department longer than expected to close 1993 and 2003 scheme cases.** By September 2016 the Department had closed 33% of active cases, against an expectation of 50%. Before the Department can close a case it finalises arrears, which can be difficult to calculate. The number of cases where the Department needs to do this had grown to 163,000 by September 2016. The Department told us that this was mainly due to work taking longer than expected, and transferring staff to Employment and Support Allowance, Universal Credit and Personal Independence Payment, and choosing to focus effort first on ending payments of child maintenance (paragraphs 2.4 and 2.5).

**4 Fewer parents than the Department originally expected are applying to the new scheme when their 1993 and 2003 scheme cases are closed.** The Department estimated that a total of 63% of parents who had their 'active' case closed would apply to the 2012 scheme. Only around one-fifth of parents with cases closed by April 2016 had done so. There are also more people than expected with no arrangements in place following case closure. The Department's research shows that three months after case closure around half of parents have no arrangement in place, compared with the 16% it originally expected (paragraph 2.7 and Figure 2).

## Managing arrears on 1993 and 2003 scheme cases

**5 The Department has assessed that around three-quarters of the £4 billion arrears balance is uncollectable.** It assesses arrears as uncollectable when there has been no recent contact with the non-resident parent and no payment against arrears in the last six months. The Department has not yet set out how it will manage the £3 billion of uncollectable arrears. The Department's current strategy prioritises collecting arrears on cases with continuing payments. It plans to publish a new strategy for addressing arrears including 1993 and 2003 scheme arrears in 2017 (paragraphs 3.2, 3.3 and Figure 3).

**6 The Department actively promotes a choice to write off older arrears.** The Department has the legal power to write off arrears in limited circumstances. As part of the case closure process it sends a letter to parents advising them they can make a fresh start by writing off arrears owed to them. As a result, in 2015-16 parents asked the Department to write off a total of £12 million in arrears, 8% of arrears on cases closed in 2015-16 (paragraphs 3.4 to 3.6).

**7 Parents do not always understand how and why the Department has calculated arrears when it closes 1993 and 2003 scheme cases.** The Department's research found some non-resident parents were dissatisfied with how the Department calculates arrears. This was due to: not being told earlier that arrears had been building up; not enough information on how the arrears had built up and a slowness to answer queries; and delays in being told how to repay. An internal audit report found that a lack of assurance over the robustness of arrears balances on 1993 and 2003 scheme cases increases the risk that arrears calculated at case closure and transferred to the 2012 scheme are inaccurate (paragraphs 3.7 and 3.8).

**8 Since 2012 the Department has reduced its overall enforcement actions to recover arrears on the 1993 and 2003 schemes.** The Department has reduced its enforcement activities in excess of the reduction in case volumes. When a parent owes arrears the Department can deduct up to 40% of their salary after tax, using a deduction from earnings order. It issued 69% fewer orders between 2012-13 and 2015-16. The Department is also taking fewer actions to have debt recognised by a court, which allows, for example, the case to be referred to bailiffs. The Department does not carry out a full review of the impact and outcomes of its enforcement activities. When the Department does take action to recover arrears, it prioritises cases where arrears have moved to the 2012 scheme and there are continuing maintenance payments (paragraphs 3.3, 3.12 and Figure 4).

**9 The Department does not tell non-resident parents that it will consider lowering repayments if they cause financial hardship.** The Department aims to ensure that parents pay off their arrears within two years. However, recovery of arrears can cause financial hardship. The Department told us that it has a number of safeguards in place to review the affordability of maintenance payments and caseworkers can also use a debt negotiation tool to agree lower repayments where appropriate. The Department told us that it does not tell people who have arrears about this option unless asked in order to encourage payment of arrears (paragraphs 3.13 and 3.14).



# Part One

## Background

**1.1** The 2.6 million separated families in Great Britain have several ways to arrange child support. Around 1.5 million rely on government-run schemes.<sup>1</sup> The Department for Work & Pensions (the Department) is responsible for calculating, collecting and paying out child maintenance for families who use these schemes. Other families set up their own family-based arrangements, use the court system or have no arrangements in place.

**1.2** Since child maintenance schemes began in 1993, the Comptroller and Auditor General has qualified his opinions on the 1993 and 2003 scheme accounts, due to inaccurate assessments and incorrect adjustments to arrears.<sup>2</sup> Inaccurate assessments can mean that some parents receive too little for their children while others face hardship because of paying too much. Arrears are maintenance payments that are owed but have not been paid.

### **The changing child maintenance system**

**1.3** The 2012 scheme is replacing the child maintenance schemes set up in 1993 and 2003, administered by the Department's Child Support Agency. The 1993 and 2003 schemes have struggled with IT problems leading to poor customer service, backlogs and incomplete information about arrears.

**1.4** The 2012 scheme administered by the Department's Child Maintenance Service was introduced to: resolve problems with the 1993 and 2003 schemes; maximise the number of children benefiting from child maintenance arrangements; and reduce government spending on administering child support.<sup>3</sup> The Department also aims to encourage parents to make their own arrangements for child maintenance.

<sup>1</sup> In this report we refer to parents who are responsible for paying maintenance as 'non-resident parents', who are sometimes known as 'paying parents'. Parents with more than half of the day-to-day responsibility for childcare are known as 'parents with care of children', also sometimes known as 'receiving parents'.

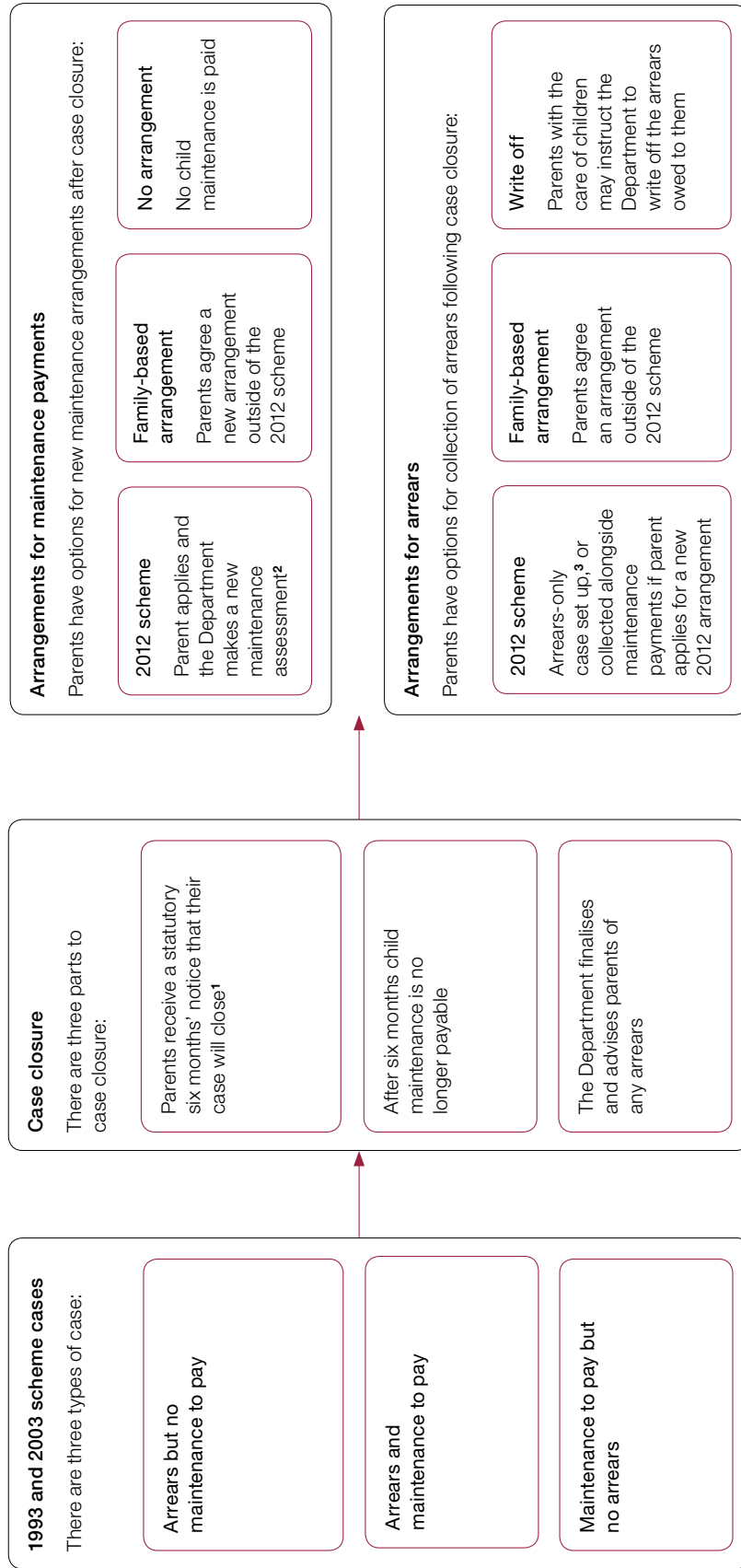
<sup>2</sup> The 2012 scheme accounts are also qualified due to inaccurate assessments, although the arrears balances are not qualified. Department for Work & Pensions, *Client Funds Account 2015/16, 2012 Child Maintenance Scheme*, December 2016.

<sup>3</sup> The Child Support Agency (CSA) and Child Maintenance Service (CMS) both sit within the Department's Child Maintenance Group. Parents and stakeholders may know the 1993 and 2003 schemes as the CSA schemes, and the 2012 scheme as the CMS scheme.

**1.5** The process for closing cases on the 1993 and 2003 schemes, and where relevant setting up a new arrangement under the 2012 scheme, is shown in **Figure 1**. Case closure will allow the Department to close 1993 and 2003 cases with continuing payments and shut down the 1993 and 2003 IT systems; it is not intended to address the arrears built up on the schemes. Our previous report on child maintenance concluded that value for money would depend on successfully winding up the remaining cases from the 1993 and 2003 schemes, including those with long-standing arrears and no recent contact with parents.<sup>4</sup>

<sup>4</sup> Comptroller and Auditor General, *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, National Audit Office, June 2014.

**Figure 1**  
An overview of the 1993 and 2003 case closure process and options for new arrangements



**Notes**

- 1 Parents with continuing maintenance payments receive six months' notice. Parents receive 32 days' notice when they apply to the 2012 scheme and the creation of the 2012 case replaces the 1993 or 2003 scheme case. Parents with arrears-only cases do not have a specified notice period.
- 2 On the 2012 scheme parents can choose between: 'Direct Pay', where maintenance is paid directly between parents; or 'Collect and Pay', where the Department collects from the non-resident parent and gives this to the parent with care of children. The Department encourages parents to use Direct Pay, which incurs no collection charge. The Department charges for Collect and Pay. The non-resident parent is charged a 20% collection fee and parents with care of children have a 4% fee deducted from their maintenance payments.
- 3 If there is no contact with the parent with care on an arrears-only 1993 and 2003 scheme case, the Department will establish an arrears-only 2012 scheme case.
- 4 All 1993 or 2003 maintenance cases where the parent wants to apply to the 2012 scheme are required to go through the Child Maintenance Options service. A 2012 scheme case will not be created without contact with the parent with care of children.

## Part Two

### 1993 and 2003 scheme case closure

**2.1** We reported in 2014 that the closure of 1993 and 2003 scheme cases was one of the biggest risks facing the 2012 scheme.<sup>5</sup> This part looks at:

- the closure of 1993 and 2003 scheme cases; and
- the arrangements made by parents when the Department for Work & Pensions (the Department) closes their case.

#### **The closure of 1993 and 2003 scheme cases**

**2.2** By December 2017, the Department aims to have ended payments on the 799,000 cases on the 1993 and 2003 schemes with continuing maintenance to pay ('active' cases). By September 2016 it had ended payments on two-thirds of active cases. The Department will then close these active cases. It is also closing a further 588,000 cases where continuing maintenance payments are no longer due, but arrears have built up.

**2.3** The Department is taking a staged approach to closing cases, based on the characteristics of the cases. It is leaving until last the cases that pose the greatest risk of causing disruption to children. These include cases where enforcement action is under way.

**2.4** It is taking longer to close cases than the Department planned. By September 2016, the Department had closed 33% of these cases, against an expectation of 50%.

**2.5** From the time the Department tells a parent that their case will close it can take six to 12 months for it to be finally closed. Before the Department closes a case it "cleanses" any arrears on the case. This includes completing any outstanding actions, changes of circumstances and write-offs, and resolving any issues or queries raised by the non-resident parent. It does not include a complete recalculation of the arrears balance built up. The number of cases where the Department needs to check arrears had grown to 163,000 by September 2016 and continues to increase. The Department told us that this was because case closure and case management are taking longer than expected, it transferred 500 staff to Employment and Support Allowance, Universal Credit and Personal Independence Payment, there has been a fall in staff numbers, and it has chosen to focus effort first on ending payments of child maintenance.

<sup>5</sup> Comptroller and Auditor General, *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, National Audit Office, June 2014.

**2.6** The Department has found some parents are unhappy and frustrated about the time taken to close cases. Parents and stakeholders told us that closing cases can be disruptive. We were told that it can lead to doubt about the amount owed and when older arrears might be collected. The Department aims for continuity for parents applying for a new 2012 scheme case but acknowledges that disruption to payments sometimes occurs.

### **Arrangements made by parents when the Department closes their 1993 and 2003 scheme cases**

**2.7** In 2012 the Department published its analysis of the expected impact of closing 1993 and 2003 scheme cases. This included estimates of what percentage of parents would use the new scheme, make family-based arrangements or put no arrangement in place. After 2012 the Department used a ‘pathfinder’ approach to seek to improve its understanding of likely outcomes. In 2016 the Department published a survey it had commissioned of case closure outcomes. This looked at what arrangements parents had in place three months after the Department had closed their case. **Figure 2** compares the Department’s expectation in 2012 with the survey findings in 2016.

**2.8** The research commissioned by the Department concluded that “aspects of the case closure process are not working as intended” and that parents due to have their 1993 and 2003 cases closed “could benefit from improved support to establish new child maintenance arrangements”.

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### **Figure 2**

Department’s original expectation of arrangements after case closure compared with survey findings

**Many more parents have no arrangement in place after case closure than the Department expected**

Arrangement in place following closure of 1993 or 2003 case	Estimate in 2012 (percentage of parents) (%)	Survey findings in 2016 (percentage of parents) <sup>1</sup> (%)
2012 scheme	63	18
Family-based arrangement	21	18
In process of setting up	N/A	8
No arrangement in place	16	56

**Note**

<sup>1</sup> The survey is based on cases closed up to April 2016. This research also found that of the parents with care of children who had a new arrangement (2012 scheme or family-based arrangements), 54% had an effective arrangement at three months. An effective arrangement is one where payments are made on time, in full, and perceived by the parent with care of children to be working well. In 2012, the Department estimated that by 2017-18, 68% of existing clients will have effective arrangements after case closure.

Source: National Audit Office analysis of Department for Work & Pensions, *Estimating the impacts of CSA case closure and charging*, August 2012 and Department for Work & Pensions, *Survey of Child Support Agency Case Closure Outcomes*, December 2016

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# Part Three

## Management of arrears

**3.1** This part looks at:

- the size and collectability of the arrears balance; and
- enforcement actions to recover arrears.

### **The size and collectability of the arrears balance**

**3.2** The Department for Work & Pensions (the Department) is managing 1993 and 2003 scheme cases with a total arrears balance of £4 billion at March 2016. It assesses that it will not collect £3 billion of these arrears, as shown in **Figure 3**. It has assessed collectability by classifying the arrears into three categories:

- **Likely to be collected**, for example where a parent has received at least one payment against the arrears in the past six months.
- **Potentially collectable**, for example where there has been contact with the non-resident parent, who has made a commitment to clear the arrears over a specified period.
- **Uncollectable**, where neither of the above apply.

**3.3** The Department's current arrears and compliance strategy does not aim to recover all arrears, and the Department has not allocated sufficient resources to do so. It has not yet set out how it will manage the uncollectable arrears balance. The current strategy prioritises arrears on 1993 and 2003 scheme cases that have moved to the 2012 scheme and have continuing maintenance payments.<sup>6</sup> Around half of 1993 and 2003 scheme cases where there are continuing maintenance payments are in arrears. The Department's focus is on collecting maintenance for children who will benefit from regular continuing payments today, rather than prioritising the pursuit of historic arrears in cases where the children have now grown up. However, all parents who owe maintenance are still expected to pay. The Department plans to publish a new strategy for addressing arrears in 2017.

<sup>6</sup> Department for Work & Pensions, *Preparing for the future, tackling the past, Child Maintenance – Arrears and Compliance Strategy 2012– 2017*, January 2013.

**Figure 3**

The Department's assessment of the collectability of arrears on 1993 and 2003 schemes at March 2016

**Total arrears owed across the 1993 and 2003 schemes is £4 billion, of which around three-quarters is deemed uncollectable**

	1993 scheme (£m)	2003 scheme (£m)	Clerical cases (£m) <sup>1</sup>	Total (£m) <sup>2</sup>
Arrears as at 31 March 2016	1,323	2,306	347	3,976
<b>Of which:</b>				
Uncollectable	1,143	1,681	259	3,083
Potentially collectable	92	381	54	527
Likely to be collected	87	244	34	366

**Notes**

- 1 Clerical cases are administered manually rather than on the 1993 and 2003 scheme IT systems.
- 2 Totals may not add up due to rounding.
- 3 Arrears are taken from the Client Funds Account 2015-16: 1993 and 2003 Child Maintenance Schemes (audited).

Source: National Audit Office analysis of Department data

## Encouraging write-offs during case closure

**3.4** In some limited circumstances legislation allows the Department to write off 1993 and 2003 scheme arrears. For example, where it is not legally possible to collect the arrears because one of the parents has died. The case closure process provides a new opportunity for the Department to write off arrears but this is not among the aims of the process.

**3.5** As part of the case closure process the Department asks parents with care of children whether they want any arrears owed to them written off. It advises parents in a letter that they can make a fresh start by writing off arrears owed to them. Non-resident parents receive a different letter. In these the Department provides information on how to pay but does not suggest that non-resident parents make a fresh start by paying off the arrears they owe. Stakeholders have raised concerns about a lack of neutrality in the information provided to parents by the Department.

**3.6** During 2015-16, the Department wrote off £12 million of the arrears balance after parents with care of children opted to write off arrears, around 8% of arrears on cases closed in 2015-16. The Department does not hold data in a way that allows it to identify how many parents choose to write off the arrears they are owed.

## Dissatisfaction with arrears balance calculated during case closure

**3.7** The Department tells non-resident parents of any outstanding arrears on the closure of their 1993 and 2003 cases. These parents do not always understand the calculations made by the Department. The Department commissioned research on case closure outcomes.<sup>7</sup> This identified the following reasons for dissatisfaction among non-resident parents with how arrears are dealt with:

- **Lack of earlier notification:** The report found “examples of paying parents who received notification of large-scale arrears at the point of case closure who were unaware of any arrears up to that point”.
- **Insufficient information on reasons for arrears transferred to the new scheme:** “Paying parents who sought clarification on how they had accrued arrears or questioned their accuracy expressed frustration that advisers were not able to fully answer their questions, did not have sufficient detail on how the arrears had been accrued, and were slow to follow up on queries raised.”
- **Timescales for resolving issues:** “Paying parents who wanted to resolve issues with arrears expressed frustration that after they received notification that they owed money, they had to wait for further clarification of the process for making payments and what type of payment plan would be put in place. Three months post-case closure, some paying parents had still not received clarification of how to make payments and were unhappy as a result.”

**3.8** The Department’s internal audit reported in January 2017 that a lack of assurance over the robustness of the arrears balance on 1993 and 2003 scheme cases increases the risk that arrears calculated at case closure and transferred to the new scheme will be inaccurate. The report found there are more checks on arrears which the parent with care of children has agreed to write off. These are all reviewed and signed off prior to being actioned.

**3.9** The Comptroller and Auditor General has qualified his opinion on the arrears balance for the 1993 and 2003 schemes since child maintenance schemes began. In 2015-16 he reported that there was material (large) error in the value of arrears recorded and that the arrears balance “does not give a true and fair view of the maintenance arrears outstanding.”<sup>8</sup>

<sup>7</sup> Department for Work & Pensions, *Survey of Child Support Agency Case Closure Outcomes*, December 2016.

<sup>8</sup> Comptroller and Auditor General, *1993 and 2003 Child Maintenance Schemes Report on Account*, National Audit Office, December 2016.



## Enforcement actions to collect arrears

**3.10** The Department has a range of enforcement actions it can use to collect arrears. In doing so it has to balance two competing views. On the one hand, the Department has been criticised by stakeholders for not placing sufficient priority on collecting 1993 and 2003 scheme arrears; and on the other hand, parents have complained to us that enforcement action was disproportionate and did not take ability to pay into account, causing financial hardship.

**3.11** There are around one million cases with arrears. Most parents who owe arrears do not have enforcement action taken against them. The Department will not take enforcement action unless the amount owed in arrears is above £500. Of all cases with arrears in September 2016, 44% fell below this threshold, but accounted for only 2.2% (£77 million) of the total value of arrears. Non-resident parents who owed more than £20,000 in arrears accounted for 3.8% of cases, but 39% (£1.4 billion) of the value of arrears.

**3.12** The Department has reduced its enforcement activities in excess of the reduction in case volumes. **Figure 4** overleaf shows the change in volume across a range of enforcement activities between 2012-13 and 2015-16. For example, liability orders legally recognise debts, allowing the Department to take further action. The number of liability orders granted by courts fell from 15,660 (1.3% of all 1993 and 2003 cases with arrears) to 3,660 (0.3%). Arrears on 1993 and 2003 scheme cases grew from £3,853 in March 2013 to £3,976 in March 2016. The Department does not carry out a full review of the impact and outcomes of its enforcement activities.

**3.13** The Department aims to recover arrears within two years and it can take up to 40% of a parent's salary after tax. Its caseworkers have some flexibility in how this is applied. Paying arrears can cause financial hardship for some non-resident parents. Caseworkers can negotiate the size of repayments and time allowed based on the individual circumstances of non-resident parents. Caseworkers have access to a tool to help them assess and calculate affordable repayments.

**3.14** Parents do not always understand that it is possible to negotiate. The Department told us that it does not promote the option for negotiation, in order to encourage payment of arrears, but organisations such as Citizens Advice provide information on their websites. The Department does not have specific communications for parents alerting them to the possibility of negotiating arrears payments. The Department told us that it has a number of safeguards in place to review the affordability of maintenance payments, such as in cases where a non-resident parent's income has fallen. It can also reduce payments due where there is shared care, or children in previous relationships. However, the Department does not know how many negotiations it carries out with parents.

**Figure 4**Enforcement action on 1993 and 2003 scheme cases  
in 2012-13 and 2015-16

The Department undertook fewer enforcement actions in 2015-16 than in 2012-13

	2012-13	2015-16	Percentage change (%)
<b>Enforcement action and description</b>			
<b>Deduction from earnings orders issued:</b> These allow the Department to take a compulsory deduction of up to 40% of salaries after tax	78,800	24,400	-69
<b>Deduction orders authorised:</b> These allow the Department to deduct money from bank, building society or Post Office accounts <sup>1</sup>	1,385	1,595	+15
<b>Liability orders granted:</b> These allow debt to be recognised by a court. This provides the Department with the power to take further legal action, including the two steps below	15,660	3,660	-77
<b>Bailiff referrals:</b> Allows bailiffs to seize and sell property	13,365	3,630	-73
<b>Prosecutions:</b> The Department uses, or threatens the use of, criminal fines <sup>2</sup>	160	Less than 5	-98
<b>Arrears cases and values</b>			
Cases with arrears <sup>3</sup>	1,227,000	1,174,000	-4
Value of arrears <sup>4</sup>	£3,853m	£3,976m	+3

**Notes**

- 1 Deduction orders include lump sum and regular deduction orders.
- 2 Offences that are prosecuted include: failure to provide information requested; misrepresenting information (fraud); and failure to comply with a deduction from earnings order.
- 3 'Cases with arrears' is the average number of cases in the year. The overall number of cases fell 13% between 2012-13 and 2015-16, from 1,535,750 to 1,340,525 (Child Support Agency Quarterly Statistics).
- 4 Value of arrears is taken from the Client Funds Accounts year end figures.

Source: National Audit Office analysis of Department data

# Appendix One

## Our investigative approach

### Scope

1 We conducted an investigation into 1993 and 2003 scheme child maintenance case closure and arrears management.

### Methods

2 In examining these issues, we drew on a variety of evidence sources:

- We drew on knowledge from our financial audits of the Department for Work & Pensions (the Department's) child maintenance accounts.
- We analysed and used in this report unpublished data from the Department on case closure.
- We analysed and used in this report the most recent published data from the Department on cases, arrears and enforcement actions, including:
  - *Child Support Agency Case Closure Experimental Statistics*, covering the period up to September 2016;
  - *Child Support Agency Quarterly Summary of Statistics for Great Britain*, covering the period up to December 2016; and
  - *Child Maintenance Service 2012 Scheme Experimental Statistics*, covering the period August 2013 to November 2016.

The Department considers that the data presented is accurate and the most appropriate at the time of reporting. The most recent month for which published data is available across all three schemes and for case closure is September 2016.

- We reviewed Department documents including internal audit reports, process maps and evaluation reports.
- We interviewed Department staff to establish: the Department's policy in collecting older arrears; the impact of arrears on parents; and the parent experience of case closure. The people we interviewed included: the Director of Child Maintenance; senior operational, financial and policy staff; and caseworkers and team leaders on a site visit to Birkenhead.
- We interviewed staff at Citizens Advice, Gingerbread and Families Need Fathers.

# Appendix Two

## Child maintenance schemes in summary

1 The Department for Work & Pensions (the Department) is managing 1.5 million child maintenance cases. **Figure 5** shows the case volumes and arrears on the 1993 and 2003 schemes, and on the 2012 child maintenance scheme.

### Figure 5

Case volumes and arrears on child maintenance schemes

	1993 and 2003 schemes	2012 scheme	Total <sup>1</sup>
<b>Number of cases</b>			
Total cases in September 2016 <sup>2</sup>	1,141,900	360,000 <sup>3</sup>	1,509,000
Of which, cases where continuing maintenance is due	272,500	211,200	483,700
<b>Arrears</b>			
Value of arrears, September 2016 (£m) <sup>4</sup>	3,476	82	3,558
Number of cases with arrears, September 2016	1,015,600	96,800	1,112,400
Average (mean) arrears per case (£)	3,422	851	3,199

#### Notes

- 1 Figures may not add up due to rounding.
- 2 Quarter ending September 2016.
- 3 Total cases on the 2012 scheme include 95,100 former 1993 and 2003 arrears-only cases after case closure. These cases are not included in the 96,800 2012 scheme cases with arrears shown here.
- 4 The value of arrears is taken from Child Support Agency Quarterly Statistics and Child Maintenance Service Experimental Statistics that are not subject to audit.

Source: National Audit Office analysis of Department data

**2** The 2012 scheme changes how the Department administers child maintenance. It requires parents to contact its Options service before choosing the most suitable child maintenance arrangements. Parents who have their payments managed by the Department are charged for this. The 2012 scheme is simpler than the 1993 and 2003 schemes, requiring, for example, fewer clerical processes. **Figure 6** outlines the 2012 scheme and describes how it differs from the 1993 and 2003 schemes.

### Figure 6

#### The 2012 scheme and how it differs from the 1993 and 2003 schemes

##### The Department has changed how parents apply and how the scheme is administered

Steps	Description of 2012 scheme	How this differs from the 1993 and 2003 schemes
Child Maintenance Options service	Parents are presented with options. Parents decide to apply to the 2012 scheme or make family-based or other arrangements.	Mandatory discussion of options. Information on the benefits of family-based arrangements.
Application	Either parent applies to the scheme.	There is an application fee of £20. <sup>1</sup>
Assessment	The Department assesses the level of maintenance payments.	New assessment formula, using fewer pieces of information and now based on gross rather than net income.  Information from HM Revenue & Customs and jobcentre systems is used as well as information from parents.
Collection	'Direct Pay', where maintenance is paid directly between parents; or  'Collect and Pay' service, where the Department collects from non-resident parent and gives this to the parent with care of children.	There is no charging on the 1993 and 2003 schemes.  'Direct Pay' incurs no collection charge and parents are encouraged to use this.  The 'Collect and Pay' service charges non-resident parents a 20% collection fee, and parents with care of children pay a 4% fee.
Changes in non-resident parents' circumstances	The Department does not process changes in income of less than 25% during the year.	The Department previously processed changes in income of 5% or more when notified.
Annual review	All cases are subject to an annual review where changes in income are considered.	Cases were reviewed only when a parent notified a change of circumstance.
Enforcement	Department enforces payments.	Non-resident parents are charged fees of £50 to £300 for enforcement action taken against them.

#### Note

<sup>1</sup> Around one-third of applicants are exempted from the application fee because they have suffered domestic violence or are aged 19 or under.

Source: National Audit Office analysis of published Department for Work & Pensions documents

# Appendix Three

## Issues raised by parents and stakeholders

1 During 2016 we received correspondence from parents about issues relating to child maintenance. We also spoke to stakeholder bodies about their concerns. **Figure 7** outlines findings from this report and a summary of the issues that have been raised with us.

### Figure 7

Our findings and issues raised with us by parents and stakeholders

Report finding	Summary of issues raised with us
The Department has not managed 1993 and 2003 child maintenance cases with enough accuracy.	Arrears calculations are incorrect, with contradictory information provided to parents.
It is taking the Department longer than expected to close 1993 and 2003 scheme cases.	Unhappiness and frustration about the length of time taken to close cases. Uncertainty about the amount owed and when older arrears might be collected.
The Department actively promotes a choice to write off older arrears.	Concern that the Department is not providing neutral information to parents.
Parents do not always understand how and why the Department has calculated arrears when it closes 1993 and 2003 scheme cases.	Delayed or inadequate responses when arrears are challenged or further information is requested.
Since 2012 the Department has reduced its overall enforcement actions to recover arrears on the 1993 and 2003 schemes.	Delays in collecting arrears, resulting in families missing out on money due to them. Excessive use of enforcement action, causing distress.
The Department does not tell non-resident parents that it will consider lowering repayments if they cause financial hardship.	Unaffordability of repayments. Not adequately taking into account factors such as the cost of other children, rent, variations in income and bills.

Source: National Audit Office

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