



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Work & Pensions

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

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).