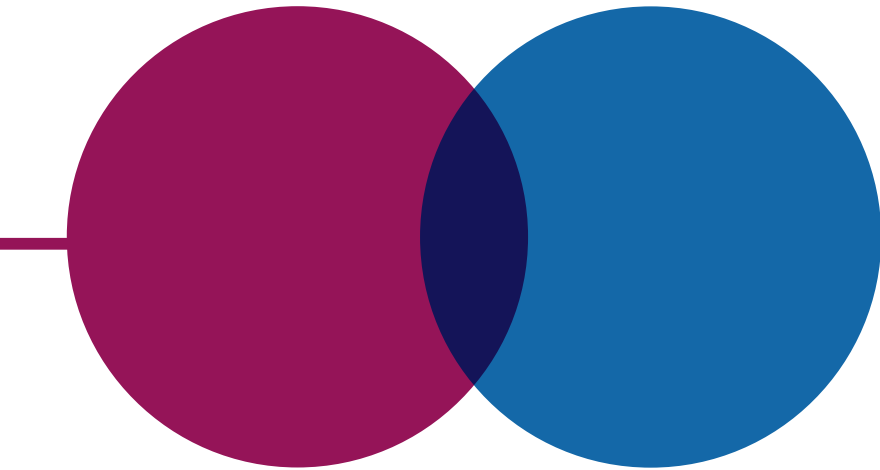




National Audit Office



# Child maintenance

The Department for Work & Pensions

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**REPORT**

**by the Comptroller  
and Auditor General**

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**SESSION 2021-22  
3 MARCH 2022  
HC 1139**

**Key information**

How child maintenance fits into the separated families landscape in Great Britain

**2.4m**

estimated number of separated families in Great Britain comprising 3.6 million children

**1 in 2**

estimated proportion of separated families where at least some child maintenance is received either through a family-based arrangement or statutory scheme (the same as in 2011-12)<sup>1</sup>

**1 in 3**

estimated proportion of separated families with an arrangement that is satisfied in full<sup>1</sup>

**Child maintenance**

Child maintenance is an agreement between parents covering how they support their children when they have separated. Support can take many forms including financial, transactions in kind and shared care arrangements

An estimated £2.3 billion is paid in child maintenance annually

**Arranging child maintenance**

There is no requirement for separated families to have an arrangement and in some cases both parents may want no arrangement

Each separated family may have one of three options:

**The Department for Work & Pensions**

The Department for Work & Pensions (the Department) is responsible for child maintenance policy and operates a statutory Child Maintenance Scheme for those that need it

**No arrangement**

**44%** of separated families have no child maintenance arrangement

No child maintenance is paid

**Family-based arrangements**

**38%** of separated families have a family-based arrangement

Family-based arrangements are private agreements between parents on how to support their children without assistance from the Department

**Statutory arrangements managed by the Department**

**18%** of separated families use a statutory arrangement

The Department currently offers two types of statutory arrangement

The Department charges an application fee of £20, unless the customer is exempt

In statutory arrangements the separated family has a 'paying' and a 'receiving' parent. Paying parents do not have primary care of the children but instead contribute to their welfare

Paying and receiving parents may be part of multiple separated families

**Note**

<sup>1</sup> These calculations are set out in Appendix Four.

The Department's Child Maintenance Service (CMS)

**£1bn**

estimated amount of child maintenance paid under statutory arrangements in 2020-21

**£322m**

net cost of running the Child Maintenance Group (CMG) in 2020-21

**46%**

percentage of customers who said they were satisfied with the service received from the CMG between July and September 2020

**49%**

percentage of paying parents with Collect & Pay arrangements who paid more than 90% of ongoing maintenance due in September 2021

**99.35%**

accuracy of child maintenance calculations in 2020-21

**£1bn**

forecast maintenance arrears on the CMS scheme by March 2031 if unpaid debts continue to increase at the current rate of more than £1 million a week

**62%**

percentage of paying parents with CMS scheme debt who did not earn enough to be charged income tax or who had no income

**Statutory arrangements managed by the Department**

**18%** of separated families use a statutory arrangement

The Department currently offers two types of statutory arrangement

The Department charges an application fee of £20, unless the customer is exempt

**Direct Pay**

The Department calculates the maintenance due but parents transfer money between themselves

**Collect & Pay**

The Department arranges the transfer of money between parents  
It charges the paying parent **20%** and the receiving parent **4%** of the amount collected

**Arrears under CMS arrangements**

This is money owed by the paying parent to the receiving parent under the statutory arrangements

**£440 million** owed on Collect & Pay as of October 2021 which the Department is responsible for collecting

There is also **£40 million** known arrears on Direct Pay arrangements

**Historic arrears under the Child Support Agency**

**£310 million** owed by paying parents as at March 2021

**£2.6 billion** reduction in CSA debt owed by paying parents, between December 2018 and March 2021

# Summary

**1** There are an estimated 3.6 million children from 2.4 million families in Great Britain where the parents have separated or were never together. Child maintenance is an arrangement between the parents to cover how the child's living costs will be paid for when one of the parents does not live with them. These can be either a private 'family-based arrangement' between the parents or made through the statutory Child Maintenance Service (CMS) run by the Department for Work & Pensions (the Department). Most parents who contribute child maintenance are men and most parents who receive child maintenance are women. We use the term parents throughout this report to include guardians as well.

**2** Not every separated family has to have a child maintenance arrangement and not all child maintenance arrangements are effective. The Department considers an arrangement to be effective if at least some of the amount due is paid, payments are at least usually on time and the parent surveyed thinks it works well. It considers a family-based arrangement that does not consist of regular payments to still be effective if the parent surveyed thinks it works well.

**3** In 2012 the Government introduced reforms to the child maintenance system, designed to shift the focus away from Government intervention by default, to encourage collaboration between separated parents while providing support to those parents for whom this was not possible, and to reduce costs. In explaining the supporting legislation, the Department stated that the overall objective of the child maintenance reforms was to:

- increase the number of effective maintenance arrangements for children who live apart from one or both of their parents;
- increase the number of separated parents with an effective voluntary maintenance arrangement (a family-based arrangement); and
- reduce dependency on the state through a smaller, more efficient CMS.

The Department retains responsibility for child maintenance policy, which it sees as confined primarily to the operation of the CMS and those parents who choose to use its services.

**4** The reforms introduced the new CMS scheme to support the minority of separated families that seek assistance from government with their child maintenance arrangements. If the separated parents use the CMS, paying child maintenance becomes a legal obligation. However, enforcing these arrangements has always been challenging and historically many parents have not paid maintenance. The Department's Child Maintenance Group (CMG) administers the CMS in Great Britain; Northern Ireland has separate arrangements.

**5** The CMS replaced the 1993 and 2003 Child Support Agency schemes (the CSA schemes), which were widely regarded as having failed to manage child maintenance adequately. The CSA schemes closed for new cases in 2013 and active cases, where parents chose to apply to the new scheme, had been transferred to the CMS by 2018, but CMG continues to attempt to collect outstanding CSA debts from paying parents to send to receiving parents, where the receiving parent has requested the Department continue to do so.

**6** The CMS is demand-led. The Department provides an Options service to provide information to parents on how to set up a family-based arrangement without further government involvement. Where that is not possible, the Options service can refer parents to one of the CMS's two services:

- **Direct Pay**, where the department charges an application fee and calculates the maintenance due but parents transfer money between themselves. Around 510,000 children are covered by Direct Pay arrangements; or
- **Collect & Pay**, where the Department charges an application fee, arranges the transfer of money between parents and charges the paying parent 20% and the receiving parent 4% of the amount collected. Around 270,000 children are covered by Collect & Pay arrangements.

The application fee is waived for victims of domestic abuse and under-19s.

### **Scope of this report**

**7** We examined early progress on the CMS scheme in 2014. We concluded that the Department had simplified its administration of child maintenance but were concerned about early signs that fewer than expected parents who had contacted the Options service intended to choose family-based arrangements. In 2017 we reported on the closure of the old CSA schemes, finding that it was taking longer than expected; that three-quarters of the arrears balance was uncollectable; and that fewer parents were applying to the new CMS scheme than expected.

**8** In this report we look at whether the Department is achieving value for money in its management of child maintenance. We examine:

- the child maintenance landscape following the 2012 reforms (Part One);
- progress in improving as far as possible the collection of maintenance through the statutory schemes (Part Two); and
- progress in improving the efficiency and quality of the CMS, while cutting costs (Part Three).

**9** We have not looked at government's wider efforts to prevent parental conflict or support separated families. However, we look at the wider child maintenance landscape and the number of effective arrangements across society as part of explaining the impact of reforms to the statutory child maintenance system. Our audit approach is set out in Appendix One, and the evidence we drew on is set out in Appendix Two.

**10** We receive more correspondence on child maintenance than any other single issue. This partly reflects the inherent conflict when parents cannot agree their child maintenance arrangements. Parents tell us about problems with the collection of maintenance and the impact on paying parents being chased for money which they consider they cannot or should not pay; as well as poor customer service they have experienced from the Department.

**11** Throughout this report, we illustrate how users say they have experienced the issues we found in our wider audit, using quotations from the online consultation we ran in summer 2021 to inform our work for this study. We collected 3,521 complete responses from individuals and representative organisations wishing to share their experiences of CMS and CSA. The respondents were self-selecting. By the nature of the consultation, responses were more likely to be from those with an issue to raise about either CMS or the CSA. We have not sought to verify the facts of each case that our respondents present. It is possible that a reasonable observer reviewing a case cited might come to a different view of the facts from that expressed by the respondent. We have avoided using examples that reveal personal details or particularly upsetting personal circumstances. We summarise all the responses in Appendix Three.

## Key findings

Changes in the child maintenance landscape since the 2012 reforms

**12 Since the 2012 reforms, there has been no clear change in the number of effective arrangements overall.** We estimate:

- **half of separated families in Great Britain have an arrangement where at least some maintenance is received.** This is broadly unchanged since 2011-12. It includes separated families where at least some child maintenance is received through either a family-based arrangement or a statutory scheme; and
- **around one third of separated families have an agreed arrangement that is satisfied in full** (paragraph 1.12, Figure 2 and Appendix Four).

**13 Parents are now relying less on the state to help them make child maintenance arrangements – the number of people making a family-based arrangement has increased as intended and take-up of the statutory scheme has reduced – but there has also been an increase in those with no arrangement.** The Department wanted to reduce the proportion of separated families using its statutory scheme and to increase the proportion using family-based arrangements. It had hoped in 2012 that take-up of family-based arrangements would rise from 29% to 35% of separated families. It estimates that by 2019-20 it had risen more than expected to 38%. The Department aimed for a corresponding fall in the take up of the statutory scheme from 46% in 2011-12 to 33% by 2019. The actual proportion reduced by much more: an estimated 18% of separated families used the CMS scheme in 2019-20. Meanwhile, the estimated proportion of separated families without any arrangement increased from 25% in 2011-12 to 44% in 2019-20 (paragraphs 1.4, 1.6, 1.11 and Figure 2).

**14 The Department’s 2012 reforms depended on a wider cross-government set of policy agendas on separated families.** The Department’s 2011 green paper *‘Strengthening families, promoting parental responsibility: the future of child maintenance’* set out the need to better integrate support provided to families to help them make family-based arrangements with other services such as those provided to parents going through separation, the family justice system and the then Sure Start system. The aim of increasing the number of effective arrangements overall across society was based on this wider set of reforms, but the Department told us that this broader set of cross-government actions had yet to emerge in the way envisioned by the green paper. The Department, working with other government departments, has trialled initiatives to encourage families that do not contact its Options service to set up arrangements, and continues to do so. We have not, within this study, reviewed these wider policy agendas or the roles of other departments. However, given that the overall number of effective child maintenance arrangements across society has not clearly changed since 2012, this wider cross-government effort has yet to have the intended effect (paragraphs 1.8 to 1.12 and Figure 1).

## The Department's statutory child maintenance services

### **The wind down of the CSA debt**

#### **15 The Department reduced the CSA debt relating to unpaid maintenance by £2.6 billion between December 2018 and March 2021, largely by writing it off.**

We have for many years reported the inaccurate recording of CSA debts owed to receiving parents and raised concerns about whether this debt was collectable. The Department estimated that, due to the difficulties in tracing parents, correcting historical inaccuracies, and, for some, the affordability of repayments, it could only collect up to one sixth of the debt outstanding and this would cost the taxpayer at least 2.5 times the amount collected. After a public consultation, the Department received powers from Parliament in December 2018 to write off CSA debt owed to receiving parents under specific personal circumstances. Since then it has written off £2 billion of CSA debt (£855 million owed to the taxpayer and £1,194 million owed to parents) and adjusted £0.5 billion of inaccurate balances, reducing the debt to £310 million as at March 2021. However, only half of this remaining £310 million debt is being repaid and collecting it all may take decades. Some parents told us through our online consultation that allowing these debts to accumulate and then writing them off can have an emotional impact on them. Equally others told us of the emotional impact of being pursued for debts which they believe have been calculated inaccurately. However, only 15% of receiving parents contacted by the Department about the write-off asked it to make a final attempt at collection and the Department received far fewer official complaints about the write-off process than it expected (paragraphs 1.14 to 1.18 and Figures 3 to 5).

### **The collection of maintenance through the child maintenance service**

**16 The Department's research does not fully explain why take-up of the CMS is lower than it expected.** Its research indicates that some parents may not want an arrangement, while others do want an arrangement, but are not fully aware of the services available through the CMS scheme or do not believe the service would be effective for them. 35% of surveyed parents with care but without an arrangement responded that they wanted to change this, suggesting there may be around 350,000 parents with care who do not have an arrangement who would like one. The Department has also found that the lowest income households are least likely to be covered by any type of child maintenance arrangement. Some 39% of separated parents who were either not working or were economically inactive had no child maintenance arrangements in place, compared with only 21% of those who were working. Some ethnic groups, including Black parents, also appear less likely to use the statutory scheme. However, the Department has not conducted research into why this might be. The Department reviewed the impact of fees and charges on take-up of CMS in 2017 and found that some parents, especially those on low incomes, found the application fee difficult to afford, but other factors were more likely to be a significant factor. Only around two in five applicants pay the application fee (paragraphs 1.21 to 1.25).



**17 The Department has improved the accuracy of its maintenance calculations.**

Some respondents to our consultation said they did not understand how calculations had been determined and thought the Department's calculation was inaccurate. We found the Department has reduced its errors in assessing the maintenance due, from 2.17% of the monetary value of assessed payments in 2015-16 to a record low of 0.65% in 2020-21. It achieved this by automating processes and applying a targeted quality-checking regime. A growing minority of paying parents have more complex earnings, such as unearned income, which may make further reductions in errors challenging (paragraphs 2.4 and 2.5).

**18 The Department designed CMS to limit customer fraud and error but has not estimated how many calculations are incorrect due to fraud and error.**

In 91% of cases it can legally rely on data from HM Revenue & Customs (HMRC) and its own benefits data to assess people's earned income and benefit status, which are key parts of the maintenance calculation. This makes it difficult for most parents to misstate their income. Nonetheless, child maintenance is still vulnerable to certain forms of fraud and error. For example, either parent could misstate their personal circumstances, such as the number of other children for whom they are responsible for. The receiving parent can also ask the Department to consider the paying parent's more complex earnings, such as unearned income, which are more vulnerable to fraud and error. Through its investigation of cases the Department detected £10.9 million of fraud on around 1,400 cases in 2020-21. It has not assessed the risk or level of actual fraud and error in line with best practice, and as would be required if child maintenance were public expenditure and not a client account (money managed on behalf of the parents). It therefore has no way of assessing whether its controls over fraud and error are cost-effective (paragraphs 2.6 to 2.8 and Figure 7).

**19 Ninety per cent of separated families using CMS start with Direct Pay.**

The Department designed Direct Pay as a lighter touch government intervention for those parents who cannot make their own arrangements. Under child maintenance legislation both parents must agree to a Collect & Pay arrangement to start on one without first trying Direct Pay, or there must be clear evidence that the paying parent is unlikely to pay voluntarily. The Department also encourages parents to try to make Direct Pay arrangements work by charging for using Collect & Pay. As a result the Department assigns 90% of families joining CMS to start on Direct Pay (paragraphs 2.9 and 2.10).

**20 Around half of new Direct Pay arrangements are either not sustained or are not effective.** Only 58% of parents responding to a Department survey 13 months after their Direct Pay calculation were on Direct Pay, 16% were on or moving to Collect & Pay and 19% had left the CMS and had no form of maintenance arrangement in place at all. Some 16% of those still on Direct Pay after 13 months said that they do not receive the full amount and 20% said their payment is not usually on time. The Department informs parents that they should report if their Direct Pay arrangement fails but some do not, for example because they are concerned about causing an issue with the other parent. The Department does not monitor whether payments are made, but does send reminders to the receiving parent, three months after they start (by text) and at each annual review, to prompt them to contact the Department if their Direct Pay arrangement is not working. Meanwhile, unpaid maintenance arrears build up. On average, paying parents moving onto Collect & Pay in the quarter ending September 2021 from Direct Pay owed £1,100, around five months' worth of maintenance (paragraphs 2.11 to 2.13 and Figures 8 and 9).

**21 The Department has improved Collect & Pay compliance, but at least half of paying parents on Collect & Pay still do not pay, pay less than they should, or pay late.** The Department collected a record high £54 million on Collect & Pay arrangements in the quarter ending September 2021. The percentage of paying parents contributing more than 90% of ongoing maintenance due in a quarter increased from under one-third (31%) in March 2016 to around half (49%) in September 2021. But many paying parents do not pay everything they owe or pay late. In the quarter to September 2021, 39% of children under Collect & Pay arrangements received no ongoing maintenance or arrears. Some payments are made late within the quarter. As at September 2021, 38,000 paying parents (around one in four) with an ongoing arrangement had not paid any maintenance on their Collect & Pay arrangement for more than three months, and 22,000 (around one in seven) had not paid for more than six months (paragraphs 2.15 to 2.16 and Figures 10 to 12).

**22 The Department has improved its enforcement but there is scope to go further.**

The Department has improved its collection and enforcement activities and the amount it collects through Collect & Pay enforcing payments has increased. However:

- **it can take years before payments are made to receiving parents if the paying parent refuses to comply.** The Department has got faster at completing many of its internal processes designed to enforce compliance. However, it does not have data on how long each stage in the collection and enforcement process takes from the customer's perspective and these often require action by bodies such as employers, courts, bailiffs or banks, as well as the Department. The Department can also be slow to move to civil enforcement action where other enforcement methods have not worked;
- **enforcement of arrears does not always ensure ongoing compliance.** The Department's civil enforcement powers (used after other methods of collection have been unsuccessful) are restricted to enforcing the collection of the arrears balance at the time the liability order is granted by the courts and cannot be used to enforce ongoing maintenance. Meanwhile, more maintenance arrears can build up, so on average parents had £2,200 of arrears due before being dealt with by the Department's enforcement business area and £2,600 afterwards; and
- **enforcement has not been properly built into the Universal Credit system.** Of paying parents on Collect & Pay with an ongoing arrangement, 69,000 (44%) are on Universal Credit. The Department has legislative authority to deduct a full £7 flat rate of child maintenance (plus the 20% charge) from a paying parent's Universal Credit award. An unintended consequence of the supporting legislation, however, is that the Department cannot process partial deductions of child maintenance payments (as they are less than the full flat rate amount). This causes problems in its interaction with the deductions cap. The Department has also not yet automated deductions from Universal Credit where the paying parent has earnings. It told us that competing priorities had prevented it from introducing this functionality into the Universal Credit IT system (paragraphs 2.15 to 2.22).

**23 Affordability considerations limit the Department's ability to collect**

**payments from parents on low incomes and on benefits.** Departmental surveys have highlighted that parents consider affordability of payments to be a barrier to compliance. Low-income paying parents are more likely to build up arrears on Collect & Pay than the higher paid: 46% of paying parents using the CMS do not earn enough to pay income tax (£12,570 in 2021-22), but these parents represented 62% of those with arrears as at March 2021. There are legislative safeguards designed to prevent debt collection from causing hardship to the paying parent, including the 25% cap on deductions for certain debt repayments from the Universal Credit standard allowance (paragraphs 2.23 to 2.25 and Figure 13).

**24 Child maintenance calculation rules have not been updated and do not align with the Department's broader aims on employment and in-work progression.**

The statutory method used to calculate child maintenance was designed before Universal Credit was introduced. It creates the equivalent of a high 'effective marginal tax' rate of up to 100%, for those seeking work. Furthermore, the earning bands have not been updated since 1998, so that inflation has increased the amount that paying parents pay above Parliament's original intention. Both the calculation method and the bands are set out in primary legislation and would require new legislation to change (paragraph 2.24).

**25 Unless the Department writes off more CMS debt, outstanding arrears will grow indefinitely and are forecast to reach £1 billion by March 2031 at current rates.**

The amount of unpaid maintenance owed to parents on Collect & Pay increased by more than £1 million per week to a total of £440 million as at October 2021. No payment was made against around four-fifths (79%) of this debt in September 2021 and more than a quarter (28%) of debt being repaid will take over a decade to be collected at current rates of repayment. The Department has no means to stop the balance growing; even if its plans to improve compliance succeed, it will only delay the date the level of unpaid maintenance reaches £1 billion to 2034. The Department is in the process of identifying cases where the money owed is "potentially uncollectable", but it cannot legally write these off and has not decided what to do about them. Its experience of writing off CSA debt shows how parents have strong views both for and against writing off the debt. But in the long run leaving the debt balance to rise may also lead to disappointment and anger by giving the hope of money that never arrives and continuing to chase debt that is not going to be paid (paragraphs 2.26 to 2.29 and Figure 14).

## Improving efficiency and customer service within the CMS

**26 The Department has reduced the cost of administering child maintenance, in line with its smaller caseload and new income from charging.** It reduced the gross annual cost to the taxpayer of administering child maintenance by £132 million (27%) from £497 million in 2011-12 to £365 million in 2020-21; a £242 million (40%) reduction in real terms using 2020-21 prices. This is broadly in line with the 47% fall in caseload over the same period. It reduced its net funding requirement by £172 million (from £494 million to £322 million) across the same period. This is £40 million more than the reduction in gross costs because of the introduction of charging to use the service. However, this net funding requirement remains higher than the £234 million the Department estimated it would be by now in its 2013 business case. The Department can identify specific operational efficiencies it has made, such as greater use of automation. However, there has not been a reduction in the cost per £1 collected and arranged; it expected that the 'cost per £1 maintenance collected and arranged' through CMS would improve from 35p per £1 in 2011-12 to 25p per £1 by 2018-19 (before investment costs and income). However, by 2020-21 the cost per £1 had risen to 36p. The Department told us this is due to larger than expected digital and estates cost (the majority of which the Department apportions centrally) and because its customer base is now more concentrated on those with a greater level of need than under the old CSA (paragraphs 3.2 to 3.4 and Figure 15).

**27 The Department's ongoing efforts to improve its customer service have not yet led to sustained improvements in customers' perceptions of the CMS.** The Department told us that achieving customer satisfaction is challenging because its customers are separated parents who often have high levels of conflict and who have been unable to arrange maintenance themselves. The Department introduced improvement plans against four key areas of its customer charter ('ease of service access'; 'getting it right'; 'keeping you informed'; and 'right treatment'), but this has not led to any significant change in how these aspects of its service are perceived. Its surveys show an overall customer satisfaction rate of 46% in the quarter ending September 2020. The Department receives more complaints on child maintenance than any other subject. It upholds a lower proportion of these than for other services (around one in three). However, the high volume of complaints meant it upheld 1.15 complaints for every 1,000 customers in the year to 30 September 2021, the highest per customer for any topic (paragraphs 3.5 to 3.12 and Figures 16, 17 and 18).

**28 The Department maintained essential services during the COVID-19 pandemic while accelerating plans to increase its online interactions and digitalise the service.**

At the start of the pandemic, the Department moved around one-quarter of staff out of CMG, mainly to process Universal Credit claims. A further half of CMG staff were either working from home, awaiting equipment or were unable to work, leaving just over one-quarter of staff working on child maintenance. The Department put in place a minimum operating model, focusing on activities that kept child maintenance flowing. For example, it processed amendments which changed the amount due, but stopped new enforcement activity. It also managed to accelerate its plans to move more customer interactions online, using its 'My Child Maintenance Case' portal. The Department reduced its telephone service during the pandemic. Some respondents to our online consultation told us that they found it difficult to get in touch with CMS as a result. The Department has since partly reinstated its previous telephone service hours (paragraphs 3.13 to 3.19 and Figure 19).

**29 Our assessment of CMS's operational management suggests three main opportunities for improvement it could build into its transformation plans.**

We reviewed CMG against our operational management maturity analytic. We found that CMG was stronger than most organisations we audit at explaining its goals and priorities to its staff, effective working across teams, and in its leadership of change. It also already has plans in place for some transformation and to better use digital technologies. We found it was weaker against best practice in its management of its specific operations in ways that are common across the government operations we audit. This was due to a combination of factors: how the operations have evolved over time; the existing digital systems; and the legislative framework within which the service operates. This work suggested three priorities for the Department to build into its transformation:

- **Improve its differentiation and segmentation of customers.** The Department would like to be able to prioritise what actions to take on a case based on its assessment of what would most likely work. This will require it to develop a better understanding of its customers' needs and what actions to take in what circumstances. However, the current legislation requires it to broadly take a 'one size fits all' approach and to follow a linear process.
- **Improve the end-to-end customer journey.** The Department has to date focused on improving the efficiency of its internal processes. But the end-to-end journey for a customer can involve interaction with various agencies and multiple interventions by CMS. For example, some non-compliant customers can be subject to multiple or parallel enforcement actions, while arrears continue to build. The Department could not easily set out how customers proceeded through its processes or what impact each had.

- **Develop the management information it uses for service improvement.**

The Department's systems produce a lot of management information. It generally has measures that report after the event (lag measures) rather than those that allow it to anticipate problems (lead measures). It does not have cost-effectiveness metrics that show the return on spend on each of its interventions, or whether its initiatives to improve the efficiency of its processes have been effective. It also has lots of information on various aspects of its service but has not identified the suite of measures to monitor that would enable it to improve how its customer service is perceived (paragraph 3.20).

### **Conclusion on value for money**

**30** In 2012 the Government introduced reforms to the child maintenance system designed to reduce government spending on administering child support and maximise the number of effective maintenance arrangements made without state involvement. These reforms have reduced government's involvement in child maintenance and reduced costs to the taxpayer. However, the reforms relied on a wider set of integrated, cross-government interventions on separated families and have not, so far, increased the number of effective child maintenance arrangements across society.

**31** The Department's main focus has been improving its statutory child maintenance service. It has improved value for money in its management of the service and has significantly improved its accuracy and collection rates. The Department acknowledges, however, that there remains much more it can do to improve the service. It does not yet fully understand why those without an effective arrangement do not use its service. It could do more to help prevent around half of Direct Pay arrangements failing, leaving maintenance unpaid. It has improved Collect & Pay collection so that half pay the maintenance due, but its enforcement of the remainder can be too slow to be effective. Furthermore, it still has significant problems with its customer service, both real and perceived, that undermine trust in the service. Meanwhile, the Department has the challenge of what to do with the growing balance of unpaid debts on the statutory schemes, which is giving parents hope that they will receive money that will likely never be paid.

## Recommendations

**32** Significantly increasing the overall number of effective child maintenance arrangements beyond the statutory schemes relies on a coordinated, cross-government approach that is beyond the scope of this study. However, the CMS is a key part of making the overall system as effective as possible. The Department plans further improvement of the CMS systems and processes as part of a wider digital transformation. Our recommendations are designed to help the Department make the most of this. The Department should:

- a investigate why fewer people are taking-up CMS than expected and tackle any inappropriate barriers that prevent families using its services.** In particular, it should:
- research ways in which more people who do not have effective arrangements and for whom a CMS arrangement may be appropriate can be encouraged to use its services;
  - use surveys to monitor the number of effective arrangements across society, and the characteristics of the families that make family-based arrangements or use its services; and
  - apply this research and monitoring to test approaches to improving the accessibility of its services;
- b assess the affordability and interaction of child maintenance with the welfare system.** The rates used to calculate maintenance have not been changed since 1998 and can conflict with the wider aims of the welfare system. Changing this methodology and the bands used would require primary legislation. In particular, the Department should:
- review the child maintenance calculation rates to assess the extent to which they conflict with the aims of Universal Credit of supporting people into work and otherwise meet the Department's objectives;
  - report to Parliament on whether it believes new legislation is necessary; and
  - make modifications to the Universal Credit system to enable automation and partial deductions from benefits for child maintenance;



- c improve the effectiveness of Direct Pay arrangements.** Direct Pay is designed to be a lighter touch approach and the Department does not monitor every payment. However, it can improve its understanding of the effectiveness of these arrangements and its interaction with these customers to help improve the way the arrangements work or, where they do not work, suggest alternatives. In particular, it should:
- continue to regularly survey separated families with Direct Pay arrangements and publish a regular estimate of the effectiveness of the arrangements and whether the arrangements continue; and
  - set out how, as part of its digitalisation and modernisation plans, it will continuously improve its communication with Direct Pay customers to help them report missed payments, help prevent Direct Pay arrangements from failing, or, where this is not possible, to promote faster transfers to Collect & Pay arrangements where appropriate;
- d continue to improve the effectiveness of Collect & Pay collection and enforcements.** The Department has already reduced its processing times and identified further ways it can improve its collection and enforcement. It should continue these and also:
- map the full extent of the ‘customer journey’ for each of its enforcement actions including the steps where others need to take action to identify the full time between starting a process and payment, and identify where, by working with others and suggesting legislative changes, it can reduce the overall time to getting payments;
  - monitoring the cost-effectiveness of each of its enforcement activities and what happens to each case after an enforcement action is applied so that this can be used for continuous improvement;
- e review its write-off strategy for the Collect & Pay service child maintenance arrears.** No child maintenance debt strategy will be without problems. The current approach will inevitably mean ever-increasing debts being recorded for unpaid maintenance that parents will never receive. The alternative of asking to write this off can cause distress to the receiving parent and potentially lead to recoverable amounts being written off. The Department should consult on and assess options, before seeking Parliamentary authority, on whether it should (after improving collection and enforcement):
- allow the arrears to build and only write them off when there is no legal recourse to the debt (the current approach);
  - write off arrears when they are deemed to be unlikely to be collected; or
  - conduct periodic debt write-off exercises similar to that carried out on the CSA debt;

- f develop its counter-fraud and error strategy.** Child maintenance payments are between parents and not public money. The risk of customer fraud and error is limited by the controls the Department already has in place. Nonetheless the Department can learn from its own best practice to manage fraud and error in a way that is proportionate to the risk, and its role in managing child maintenance. This would require it to:
- adopt the overall aim of demonstrating cost-effective controls over child maintenance fraud and error;
  - commit to undertake an annual assessment of the principal fraud risks; and
  - commit to publish annually, where considered material, its estimate of child maintenance fraud and the amount detected (this could be done as a short disclosure in the accounts);
- g develop its approach to managing the quality of the statutory service to support its planned transformation.** Our review of the CMS's operational management suggested that Department should:
- develop its understanding of customers' needs and what actions are most effective in what circumstances;
  - improve its data on the end-to-end customer journey to better understand how customers proceed through its processes and what impact each has; and
  - develop the management information it uses for service improvement. Particularly: develop performance indicators that allow it to anticipate problems (lead measures); cost-effectiveness metrics that show the return on spend on each of its interventions; and build a new set of performance measures to monitor how its customer service is perceived.