

<b>Title:</b> Welfare reform bill: child maintenance clauses  <b>Lead department or agency:</b> Department for Work and Pensions  <b>Other departments or agencies:</b> Child Maintenance Enforcement Commission	<b>Impact Assessment (IA)</b>
	<b>IA No:</b>
	<b>Date:</b> 16 February 2011
	<b>Stage:</b> Final Proposal
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
<b>Contact for enquiries:</b>	

## Summary: Intervention and Options

### What is the problem under consideration? Why is government intervention necessary?

The current focus of the child maintenance system is on addressing the consequences arising from a separation. The Coalition Government is committed to supporting families and encouraging collaboration, where appropriate, to reach child maintenance arrangements. The child maintenance system needs to be re-balanced towards supporting parents to work collaboratively rather than entering conflict. The proposed reform outlined in the Green Paper "Strengthening families, promoting parental responsibility: the future of child maintenance", January 2011 is intended to encourage and support families to take responsibility by making their own arrangements for child maintenance wherever possible. The State's involvement through the statutory child maintenance system can then be focussed on families who are not able to come to their own arrangement.

### What are the policy objectives and the intended effects?

- increase the proportion of separating parents who:
  - a. seek early support to enable continued co-parenting;
  - b. know where to go for information and support about the issues they face;
  - c. are able to reach collaborative family solutions to issues such as maintenance;
- encourage more separating parents to recognise ongoing financial responsibility for their children;
- support and empower more parents who can, to make their own family-based child maintenance arrangements, whilst recognising that for some parents collaboration is not possible or appropriate;
- deliver a more efficient statutory child maintenance service for families at a greater value for money for taxpayers.

### What policy options have been considered? Please justify preferred option.

1. Not reforming the child maintenance system was considered and ruled out. As it currently operates, the child maintenance system does not do enough to encourage parents to collaborate to reach agreements which are in the best interests of children and it offers poor value for money for the taxpayer.
2. Launch a new scheme to replace the CSA and gradual closure of CSA cases. This option was rejected on the basis it did not go far enough to promote and enable collaborative arrangements between parents or to promote active decisions by parents before applying to the new scheme. The gateway, calculation only and charging proposals are all additional policies specifically designed to promote these aims
3. The vision for the child maintenance system outlined in "Strengthening families, promoting parental responsibility: the future of child maintenance" builds on earlier reforms that followed Sir David Henshaw's review of the system. By re-shaping the child maintenance system in tandem with improved integration of existing services for separating and separated parents, parents will be supported to take the decisions about child maintenance that are in the best interests of their children.

### When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

Policy will be reviewed over the Spending Review period.

### Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

We will monitor the impact of the statutory caseload through administrative data. We are developing plans to monitor the policy on the wider child maintenance population.

## Summary: Analysis and Evidence

Description:	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low				
High				
Best Estimate				

### Description and scale of key monetised costs by 'main affected groups'

Detailed cost and benefit figures depend on the final strategy for the wider package of child maintenance measures announced in "Strengthening families, promoting parental responsibility: the future of child maintenance". This will give the levels of charging, the content of the gateway, the duration of closure of existing cases and the impact of these on the volumes using the calculation only and statutory service which are unavailable at this time. Further details will be released as decisions are finalised in 2011. There is no cost to Annually Managed Expenditure from these proposals.

### Other key non-monetised costs by 'main affected groups'

The proposals promote the use of family-based arrangements and a much more efficient statutory service for those parents who need to use the statutory scheme. The result on costs to either parent will depend on the nature of the arrangement they choose to make: where they make a family-based arrangement costs will depend on their choices over amounts of child maintenance to be paid; charges will apply where they utilise the calculation only service.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low				
High				
Best Estimate				

### Description and scale of key monetised benefits by 'main affected groups'

Detailed cost and benefit figures depend on the final strategy for the wider package of child maintenance measures announced in "Strengthening families, promoting parental responsibility: the future of child maintenance". This will give the levels of charging, the content of the gateway, the duration of transition and the impact of these on the volumes using the calculation only and statutory service which are unavailable at this time. There is no cost to Annually Managed Expenditure from these proposals.

### Other key non-monetised benefits by 'main affected groups'

There will be a fiscal benefit to the Government due to charges for the child maintenance service which is part of the measures in "Strengthening families, promoting parental responsibility: the future of child maintenance". The welfare reform bill measures may impact on the amount of this fiscal benefit. The proposals promote the use of family-based arrangements rather than statutory arrangements so could result in a benefit to either parent depending on their choices over the type and amount of their child maintenance arrangement. Wider social benefits can result from both parents continuing to be involved in the care of the child, the decreased stress of not entering conflict and overall a better relationship between the parents - along with a number of other factors - leading to greater welfare of the child and better outcomes and life chances for the child and entire family.

### Key assumptions/sensitivities/risks

Research shows that where there is child maintenance in payment it is more likely that there is contact between the non-resident parent and their children.

Discount rate

3.5%

Impact on admin burden (AB) (£m):			Impact on policy cost savings		In
New AB:	AB savings:	Net:	Policy cost savings:		

## Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	Great Britain
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<b>From what date will the policy be implemented?</b>			Target – November 2012		
<b>Which organisation(s) will enforce the policy?</b>			CMEC / DWP		
<b>What is the annual change in enforcement cost (£m)?</b>			Nil		
<b>Does enforcement comply with Hampton principles?</b>			Yes		
<b>Does implementation go beyond minimum EU requirements?</b>			No		
<b>What is the CO<sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO<sub>2</sub> equivalent)</b>			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	
<b>Does the proposal have an impact on competition?</b>					
<b>What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?</b>			<b>Costs:</b> 100%	<b>Benefits:</b> 100%	
<b>Annual cost (£m) per organisation (excl. Transition) (Constant Price)</b>	<b>Micro</b>	<b>&lt; 20</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
<b>Are any of these organisations exempt?</b>	N/A	N/A	N/A	N/A	N/A

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

<b>Does your policy option/proposal have an impact on...?</b>	<b>Impact</b>	<b>Page ref within IA</b>
<b>Statutory equality duties<sup>1</sup></b>	<b>Yes</b>	<b>Separate Publication</b>
<b>Economic impacts</b>		
<b>Competition</b>	<b>No</b>	
<b>Small firms</b>	<b>No</b>	
<b>Environmental impacts</b>		
<b>Greenhouse gas assessment</b>	<b>No</b>	
<b>Wider environmental issues</b>	<b>No</b>	
<b>Social impacts</b>		
<b>Health and well-being</b>	<b>No</b>	
<b>Human rights</b>	<b>No</b>	
<b>Justice system</b>	<b>No</b>	
<b>Rural proofing</b>	<b>No</b>	
<b>Sustainable development</b>	<b>No</b>	

<sup>1</sup> Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

# Evidence Base

## References

No.	Legislation or publication
1	White Paper: A new system of child maintenance: <a href="http://www.dwp.gov.uk/docs/csa-report.pdf">http://www.dwp.gov.uk/docs/csa-report.pdf</a>
2	Child Maintenance and Other Payments Act 2008: <a href="http://www.opsi.gov.uk/acts/acts2008/ukpga_20080006_en_1">http://www.opsi.gov.uk/acts/acts2008/ukpga_20080006_en_1</a>
3	Child Maintenance and Other Payments Act 2008 - Regulatory Impact Assessment <a href="http://www.dwp.gov.uk/docs/cm-bill-ria1.pdf">http://www.dwp.gov.uk/docs/cm-bill-ria1.pdf</a>
4	Welfare Reform Act 2009: <a href="http://www.opsi.gov.uk/acts/acts2009/ukpga_20090024_en_1">http://www.opsi.gov.uk/acts/acts2009/ukpga_20090024_en_1</a>
5	Welfare Reform Bill 2009 – Regulatory Impact Assessment <a href="http://www.dwp.gov.uk/docs/welfarereform-bill09-ia-intro.pdf">http://www.dwp.gov.uk/docs/welfarereform-bill09-ia-intro.pdf</a>
6	Sir David Henshaw’s report: “Recovering Child Maintenance: Routes to Responsibility”, July 2006. <a href="http://www.dwp.gov.uk/policy/child-maintenance/sir-david-henshaws-report/">http://www.dwp.gov.uk/policy/child-maintenance/sir-david-henshaws-report/</a>
7	Relationship Separation and Child Support Study, 2008. DWP Research Report No 503: <a href="http://research.dwp.gov.uk/asd/asd5/rreports2007-2008/rrep503.pdf">http://research.dwp.gov.uk/asd/asd5/rreports2007-2008/rrep503.pdf</a>
8	Child Support Agency – Quarterly Summary Statistics, September 2010 <a href="http://www.childmaintenance.org/en/publications/statistics.html">http://www.childmaintenance.org/en/publications/statistics.html</a>
9	Internal Analysis using the DWP families with children population projection, 2008 Families and Children Study and September 2010 Child Support Agency administrative data
10	Mooney, A., Oliver, C. and Smith, M (2009). Impact of Family Breakdown on Children’s Well-Being: Evidence Review, Department for Children, Schools, and Families, Research Report 113
11	Amato, P.R. (2000). The consequences of divorce for adults and children. <i>Journal of Marriage and Family</i> , 62 (4), 1269-1287
12	Coleman, L. and Glenn, F. (2009). When couples part: Understanding the consequences for adults and children. <i>One Plus One</i>
13	Strengthening families, promoting parental responsibility: the future of child maintenance, January 2011 – Green Paper and Impact Assessment: <a href="http://www.dwp.gov.uk/consultations/2011/strengthening-families.shtml">http://www.dwp.gov.uk/consultations/2011/strengthening-families.shtml</a>

# Evidence Base

## Summary Table

	<b>Impact on:</b>			
	<b>Government</b>	<b>Parents</b>	<b>Employers</b>	<b>Others</b>
Gateway	<p>Costs in design, build and implementation of services.</p> <p>Benefits through reduced running costs.</p> <p>Fiscal benefit through charging for calculation only service though charging is not a policy in this Bill.</p> <p>Costs and benefits dependent on strategic decisions made on levels of charging, content of gateway, time closing existing cases and behaviour impacts on volumes using the proposed future services.</p>	<p>Benefits of increased knowledge through separation. Increased ability to use family-based arrangements.</p> <p>Potential costs and benefits to both parents of different levels of maintenance arrangement after using the Gateway.</p> <p>Cost, in terms of time and, if phone calls are required, call costs to engage with the gateway.</p>	No direct costs	<p>Potential decrease in burden on Jobcentre Plus administration of deduction of child maintenance through benefits.</p> <p>Potential costs to Third Sector organisations through higher demand for services though potential offset benefit of improved family relationships reducing long term demand.</p>
Calculation only service		<p>Benefits from new service giving a maintenance calculation only and ability to negotiate these without subsequent state intervention</p> <p>Cost through charge for the service.</p> <p>Potential costs and benefits to both parents of different levels of maintenance arrangement after using the service</p>	No direct costs	
Compulsion to accept a maintenance direct arrangement		<p>Potential small cost to parents with care if the maintenance direct agreement does not work out.</p> <p>No cost through the collection charge to either parent which would be the same as the current policy.</p>	No direct costs	None

There will be no costs to Annually Managed Expenditure of these measures.

## Context

1. There are an estimated 2.5 million separated families in Great Britain comprising 1.2 million live and assessed statutory cases and 1.3 million families outside of the statutory service.
2. Of the 1.3 million families [9] who are not within the statutory scheme an estimated:
  - a. 720,000 families have no arrangement;
  - b. 550,000 have a family-based arrangement of which 520,000 are likely to be receiving some maintenance payments;
  - c. 110,000 have a court arrangement of which 90,000 are likely to be receiving some maintenance.
3. As of September 2010 the Child Support Agency (CSA), part of the Child Maintenance and Enforcement Commission (CMEC), administered around 1,200,000 cases of which 850,000 had a positive child maintenance liability and 77% of these were compliant. There were 850,000 children benefiting from child maintenance collected through the Child Support Agency or money arranged through it [8].
4. The behaviour of the current caseload is diverse. The Government expects that, with the right support, a sizeable proportion of cases currently with the CSA will be able to make a family-based maintenance arrangement in the future. For example:-
  - Around 20% of clients on the newer of the two current schemes, who have been positively assessed and are being asked by the CSA for payments, do so by maintenance direct which is a direct payment between the parents. Given the lack of State involvement in facilitating the transfer of money between these parents, they would potentially be able to make a functioning family-based maintenance arrangement.
  - Estimates show that around a further 10% of the current CSA caseload paid everything expected of them in the year leading up to September 2010 without being compelled through deductions from earnings or deduction from benefits order.
5. It currently costs around £460million to run the existing schemes in the CSA. In 2009/10 the cost for every £1 collected was 44p.
6. There are ongoing problems with the current CSA computer system, not least the creation of cases that the computer system is unable to process which then need costly clerical handling either on an alternative IT system or manually. There were around 150,000 of these cases at September 2010 and this figure is growing.
7. Currently the Child Maintenance Options Service, an impartial information and support service administered by CMEC, provides information and support to help separated parents make effective decisions about their child maintenance arrangements.
  - There have been almost 600,000 inbound or outbound phone calls with the Options Service since it launched in July 2008 up to November 2010.
  - Up to March 2010 an estimated 13% of all parents who called Options went on to make or change a family-based arrangement with 60,000 children benefiting. A similar percentage of parents went on to make CSA arrangements.

## Policy and Rationale Summary

8. The Government believes parents have responsibilities to their children whether they live with them or not. The key principle which follows from this is that ideally a child should have access to the same resources, principally money and time, when parents separate or do not live together as the child would have if they lived together. The reforms outlined are aimed to increase the proportion of parents who use family support services and then go on to make family-based arrangements.
9. Child maintenance focuses on the financial element of these responsibilities and virtually all jurisdictions across the world recognise the need for some degree of State intervention to ensure that non-resident parents meet this responsibility whether voluntarily or through enforcement.
10. Consequently, the basis for State intervention in Great Britain is twofold:-

- First, to provide information and support to help separated parents in reaching their own family-based financial arrangement. Rebalancing the system to increase the Government's activities in this area is a key focus of the recently published "Strengthening families, promoting parental responsibility: the future of child maintenance" [14].
- Until 1993 this element was provided through the courts, but from 1993 onwards the UK Government chose to provide an administrative, rather than court-based, statutory maintenance service.

11. The consultation "Strengthening families, promoting parental responsibility: the future of child maintenance" proposes reforms to the State's interventions in child maintenance:

- to encourage more separating parents to recognise the ongoing financial responsibility for their children;
- to work with other Government Departments and voluntary and community services to support and empower more of those parents who can make their own family-based child maintenance arrangements to do so, while recognising that for some parents collaboration is not possible or appropriate, and
- to deliver a more efficient statutory child maintenance service for those who need it and to provide greater value for money for the taxpayer.

To achieve this the Government propose reforms to:

- Integrate support supplied by existing providers to enable parents to make family-based arrangements more easily;
- Introduce a gateway to the statutory maintenance scheme to ensure parents consider family-based arrangements first and are directed to support if needed before they resort to the statutory maintenance system or the calculation only service;
- Implement a package of support for parents to make their own maintenance arrangements. This includes the calculation-only service on the amount of maintenance to be provided based on information from HM Revenue and Customs;
- Implement charges for the statutory child maintenance services under the new child maintenance system; and
- Introduce a more efficient IT system and close existing Child Support Agency cases to enable them to go through the gateway and apply to the new streamlined statutory scheme.

12. The Welfare Reform Bill introduces legislation to enable the Government to introduce the gateway to the statutory maintenance scheme, set up a calculation only service and give non-resident parents the choice of paying by maintenance direct, i.e. to pay child maintenance to the other parent directly so they are not faced with a charge for collection.

## Costs and Benefits

13. Detailed cost and benefit figures depend on the final strategy of the overall measures set out in "Strengthening families, promoting parental responsibility: the future of child maintenance". This will give the levels of charging, the content of the gateway and the duration of closure of existing CSA cases all of which impact on the volumes who will use the gateway, calculation only and statutory service which are unavailable at this time.

14. The clauses in the Welfare Reform Bill considered here are:

- a. Gateway
- b. Calculation only service
- c. Compulsion for a parent with care to have a maintenance direct payment method where a non-resident parent requests it.

## Third sector organisations

15. The consultation "Strengthening families, promoting parental responsibility: the future of child maintenance" will look to draw on the knowledge and expertise of third sector organisations that

have a track record in supporting separating and separated families. The focus is on how existing information and support, including that provided by third sector organisations could be joined-up to make it easier for family members to navigate the range of information and support they need.

16. Specifically for the Welfare Reform Bill clauses, the implementation of the gateway service may lead to a small increase in the demand for the services provided by Third Sector organisations that provide information and support for separating and separated families. In the long term, however the improved relationships as a result of the full measures of integration of existing support services may reduce demand for these services.

## **CMEC and the Government**

17. There will be overall design dependent costs and benefits to CMEC and the Government in delivering these reforms. Overall through the spending review period these costs will be outweighed by overall benefits.

## **Gateway**

### **Policy and Rationale**

18. A gateway will be introduced for all clients who wish to apply to the statutory scheme, the purpose of which is to ensure parents have considered the range of maintenance options and, where necessary to direct them to advice and information and family support services. Only those who have engaged with the gateway would be allowed to progress to make a full application to the statutory scheme. Those belonging to vulnerable groups, for example, domestic violence, will be fast tracked straight to the statutory scheme.
19. There is no assumption on what type of organisation should deliver the gateway. This could be completely independent of the statutory scheme organisation and family support services or could be interlinked.

## **Estimated Impacts**

### **Impact on Parents**

20. All clients who wish to make an application to the statutory scheme must have a conversation with the gateway service which will take the client through their available maintenance arrangements. There may be an economic cost to an individual for making an additional phone call, particularly if they would not have previously applied to the statutory scheme.
21. By delivering extra information and support to parents, the gateway is intended to encourage parents to make collaborative family-based arrangements rather than statutory arrangements under the current policy.
22. Analysis of the CSA caseload suggests that around 20% of clients on the newer of the current schemes, who have been positively assessed and are being asked by the CSA for payments, do so by maintenance direct, i.e. the non-resident parent pays the other parent directly. Around a further one in ten are regularly fully compliant with their payments, without deductions being made from their earnings or benefits. This suggests there may be significant groups of clients who could make family-based arrangements through the gateway rather than statutory arrangements alone.
23. There is no evidence at present to determine whether a parent with care who would choose a family-based arrangement through the gateway instead of using the statutory scheme under the current policy would receive more or less child maintenance. This would depend on the level of the child maintenance liability and the success of the arrangement, i.e. does money actually flow from one parent to the other?
24. Both parents and the child will benefit from a clearer system with less stressful arrangements and greater collaboration between the parents. Parents using the statutory system will benefit from an improved, streamlined system (future scheme); and parents making family arrangements will benefit from more collaborative arrangements, hopefully leading to better outcomes for the child and parents.



## **Impact on Employers**

25. The gateway service will not impact directly on employers. The primary activity of employers is administering deductions from a parent's earnings; this is dependent on volumes and characteristics of the statutory scheme clients. The gateway will aim to reduce the volumes using the statutory scheme.

## **Impact on other Government Departments: Jobcentre Plus**

26. Under the current policy, when a non-resident parent is on prescribed benefits Jobcentre Plus have to make deductions directly from benefits and it is passed via CMEC to the parent with care.
27. Under the proposal some of these non-resident parents could make family-based arrangements where under the current proposal they would have statutory arrangements. It has potential to reduce the burden on Jobcentre Plus administration and cannot be quantified until final strategy decisions are made.

## **Calculation only service**

### **Policy and Rationale**

28. This reform will allow parents to apply to the statutory system for an indicative maintenance figure based on the statutory calculation rules. The figure would not become a statutory liability enforced by the statutory scheme. This calculation service will be available through the gateway. There will be a small charge for this service which will be less than making an application for a full enforceable statutory case.
29. The policy intention is that over time, parents will be able to negotiate the amount and payments with each other outside of the rigid State rules and this should lead to a greater number of family-based arrangements. If parents face problems with payment or receipt of their liabilities through this service they have the option to use the statutory service for which there will be a charge imposed. Around 60 per cent of CSA clients believe that having someone to help work out how much should be paid or received would facilitate making family-based arrangements [7]. The calculation only service is aimed at these types of client.

## **Estimated Impacts**

### **Impact on Parents**

30. The economic costs and benefits of the policy option to parents with care and non-resident parents are not monetised since there is little evidence to determine the behaviour of parents given this service but it is hoped that the calculation only service will facilitate the making of family-based arrangements.
31. A parent who chooses to use the calculation service in the future could, under the current policy, have used the statutory scheme or have no arrangement, family-based or court arrangements. The assumption is that most would have used the statutory scheme.
32. Parents will receive the same calculation from the calculation only service as if they had used the full statutory scheme but will need to return to the service in order to obtain any further calculations. They could negotiate their own changes. They would need to pay a charge for each calculation.
33. If a parent would not have had either a court arrangement or a family-based arrangement and was attracted to the calculation only service, then it is possible the calculation they will be given will result in a change to the amount they will be paying.
34. Parents have the flexibility to adjust the liability to reflect changes in their situation. It is possible, though there is no evidence, that parents may negotiate higher or lower maintenance liabilities than the calculation provided through the calculation only service. Alternatively, parents may choose not to implement a liability.
35. There will be a charge to use the calculation only service which will be levied on the applicant.

## **Impact on Employers**

36. The calculation only service is not expected to impact directly on employers. The primary activity of employers is administering deductions from a parent's earnings; this is dependent on volumes and characteristics of the statutory scheme clients. The calculation only service will aim to reduce the volumes using the statutory scheme but in the absence of detailed regulations there is no evidence to suggest there will be an impact on employers.

## **Impact on other Government Departments: Jobcentre Plus**

37. Under the current policy, when a non-resident parent is on prescribed benefits Jobcentre Plus have to make deductions directly from benefits and it is passed via CMEC to the parent with care.
38. Under the proposal some of these non-resident parents could make family-based arrangements where under the current proposal they would have statutory arrangements. This would change the burden on Jobcentre Plus administration and cannot be quantified until final strategy decisions are made.

## **Compulsion for a parent with care to accept a maintenance direct agreement**

### **Policy and Rationale**

39. The Government is proposing to charge for the child maintenance services, as announced in the "Strengthening families, promoting parental responsibility: the future of child maintenance", [14], in order to:
- Encourage parents to take responsibility through consideration of family-based arrangements as an option.
  - Provide a balance of responsibilities in the mechanism for ongoing charges that are shared between both parents.
  - Provide a balance in the cost of the statutory system between the taxpayer and the client.
40. One of the proposed charging schemes will be a collection surcharge of around 15% to 20% which will be levied on the non-resident parent. For parents who feel they are able to make a maintenance direct agreement between themselves, where the non-resident parent pays the parent with care directly, there will not be a collection charge imposed.
41. Under the current policy both parents need to agree to use maintenance direct. However in the Welfare Reform Bill the Government will seek to change primary legislation to allow the non-resident parent to choose to take the case to maintenance direct and not pay the collection charge. They will have to be prepared to pay on time and in full otherwise CMEC will swiftly bring the case back to the collection service and take necessary enforcement action to ensure payments are made and the collection charge will apply.

## **Estimated Impacts**

### **Impact on Individuals**

42. Under the current policy it is the parent with care along with the non-resident parent who chooses whether the case is maintenance direct, that is, whether the non-resident parent pays the maintenance directly to the parent with care. Under the proposal there will be some non-resident parents who will choose to pay by maintenance direct where the parent with care does not wish this to happen.
43. If direct payment is made on time and in full then there will not be a collection charge and there will be no economic cost to either parent of this policy. This may in turn lead to increased trust between the parents and enable them to make family-based arrangements. As with any family-based arrangement there may be a difference between the maintenance liability agreed privately and that if the arrangement was through the statutory scheme, the costs and benefits could be for either parent.
44. If the non-resident parent does not make their child maintenance payments on time and for the full amount the parent with care will be able to return to the Collection Service where CMEC will collect payments from the non-resident parent using enforcement measures as appropriate. This

might lead to a small cost to the parent with care for the period in which the maintenance direct payment was attempted if she has no evidence of the non-payment, which may be around a months worth of liability. If the parent with care has evidence of the non-payment then CMEC will pursue the arrears as they would at present and there would be no cost to the parent with care.

## **Impact on Employers**

45. There are no costs to employers.

## **Notes**

### **Economic costs and benefits to parents**

46. Throughout this impact assessment there are references to economic costs and benefits to parents with care and non-resident parents where child maintenance transfers from one parent to the other.
47. There is insufficient robust evidence about the household income of parents with care and non-resident parents currently using the statutory scheme to re-weight these costs and benefits using marginal utility. Therefore £1 to a parent with care equates to the same as £1 to a non-resident parent.

### **The current policy scenario**

48. The current policy scenario referred to in this impact assessment is the current secondary legislation. This would mean continuing to assess cases as per the current CSA scheme.

### **Child maintenance and Annually Managed Expenditure costs and savings**

49. Since April 2010 there has been a full child maintenance disregard within Income Support and Income-Based Jobseeker's Allowance allowing any child maintenance to go to a parent with care without impacting on the amount of benefits received. The full disregard applied to Housing Benefit from October 2008 and child maintenance is not counted as income in the tax credits calculation. Therefore, moving forwards, any differences in levels of child maintenance payments flowing from one parent to another will not impact on Annually Managed Expenditure.

## Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<b>Basis of the review:</b> Further details of the post implementation review plan will be provided in impact assessments which will accompany the detailed policy regulations for the measures set out in "Strengthening families, promoting parental responsibility: the future of child maintenance" in 2011.
<b>Review objective:</b>
<b>Review approach and rationale:</b>
<b>Baseline:</b>
<b>Success criteria:</b>
<b>Monitoring information arrangements:</b>
<b>Reasons for not planning a PIR:</b>