

<b>Title:</b> <b>Strengthening families, promoting parental responsibility: the future of child maintenance</b>  <b>Lead department or agency:</b> Department for Work and Pensions  <b>Other departments or agencies:</b> Child Maintenance and Enforcement Commission	<b>Impact Assessment (IA)</b>
	<b>IA No:</b>
	<b>Date:</b> 13/01/2011
	<b>Stage:</b> Consultation
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
<b>Contact for enquiries:</b> strengtheningfamilies.consultation@dpw.gsi.gov.uk	

## 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 this Green Paper 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 for parents to continue co-parenting;
  - b. know where to go for information and support about the issues they face;
  - c. are able to reach collaborative 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 at a greater value for money.

### What policy options have been considered? Please justify preferred option (further details in Evidence Base)

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 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 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 this Green Paper builds on earlier reforms that followed Sir David Henshaw's review of the system. By re-shaping the child maintenance system in tandem with integrating 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 children.

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

It will be reviewed  
 This Green Paper sets out the direction of strategic reform. The 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.
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**Ministerial Sign-off** For consultation stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:  ..... Date: 13 January 2011 .....

# Summary: Analysis and Evidence

# Policy Option 1

## Description:

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

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

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

Detailed cost and benefit figures depend on the final strategy agreed by Ministers. 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 resultant 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 the amount of maintenance they agree on; additional charges will apply where they utilise the calculation only service or statutory scheme.

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

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

Detailed cost and benefit figures depend on the final strategy agreed by Ministers. 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 benefits by 'main affected groups'

Fiscal benefit to Government due to charges for the child maintenance service. 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 parents both 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

Discount rate (%)

Limited knowledge of behavioural effect of parents with respect to the proposed services and responses to charging. Our assumptions are that the policy will result in increased enduring relationships with better co-parenting and greater involvement of both parents in the child's life, improving child and whole family outcomes.

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.

Impact on admin burden (AB) (£m):

Impact on policy cost savings (£m):

In scope

New AB:	AB savings:	Net:	Policy cost savings:	Yes/No
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## Enforcement, Implementation and Wider Impacts

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

## 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.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
<b>Statutory equality duties</b> <sup>1</sup> <a href="#">Statutory Equality Duties Impact Test guidance</a>	No	
<b>Economic impacts</b>		
Competition <a href="#">Competition Assessment Impact Test guidance</a>	No	
Small firms <a href="#">Small Firms Impact Test guidance</a>	No	
<b>Environmental impacts</b>		
Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>	No	
Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>	No	
<b>Social impacts</b>		
Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>	No	
Human rights <a href="#">Human Rights Impact Test guidance</a>	No	
Justice system <a href="#">Justice Impact Test guidance</a>	No	
Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>	No	
<b>Sustainable development</b> <a href="#">Sustainable Development Impact Test guidance</a>	No	

<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 (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

### References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

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/rports2007-2008/rrep503.pdf">http://research.dwp.gov.uk/asd/asd5/rports2007-2008/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). <i>Impact of Family Breakdown on Children's Well-Being: Evidence Review</i> , 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). <i>When couples part: Understanding the consequences for adults and children</i> . One Plus One
13	Desforges, C. and A Abouchaar (2003) <i>The Impact of Parental Involvement, Parental Support and Family Education on Pupil Achievements and Adjustment: A Literature Review</i> , DfES

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## Evidence Base

### Summary Table

	Impact on:			
	Government	Parents	Employers	Others
Integrating available support services	<p>Costs in design, build and implementation of services.</p> <p>Benefits through increased efficiency, reduced running costs.</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>	No direct costs	<p>Potential costs to Third Sector organisations for integration of existing support and higher demand for services though potential offset benefit of improved family relationships reducing long term demand.</p>
Gateway	<p>Fiscal benefit through charging for calculation only service.</p> <p>Costs and benefits dependent on strategic decisions made in the Green Paper on levels of charging, content of gateway, time closing existing cases and behaviour impacts on volumes using the proposed future services.</p>	<p>Cost to engage with the gateway.</p>		<p>Potential decrease in burden on Jobcentre Plus administration of deduction of child maintenance through benefits.</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>		<p>Potential costs to Third Sector organisations for integration of existing support and higher demand for services though potential offset benefit of improved family relationships reducing long term demand.</p>
Charging		<p>Cost through the application charges to the applicant to the service.</p> <p>Costs to both parents through charges if they use the collection service rather than maintenance direct.</p> <p>Costs through charging for enforcement activity to the non-resident parent if they are non-compliant.</p>		<p>Potential costs to Third Sector organisations through changed demand for services though could be offset by the benefit of improved family relationships in the longer term.</p>
Closure of existing CSA cases		<p>Costs through charges for using the new statutory scheme or calculation only service.</p> <p>Costs and benefits to new maintenance arrangements being for a different amount. Details will be provided in consultation later in 2011.</p>	<p>Any costs will be detailed in regulations consultation later in 2011.</p>	<p>Potential costs to Third Sector organisations through changed demand for services though could be offset by the benefit of improved family relationships in the longer term.</p> <p>Potential reduction in burden on Jobcentre Plus administration of deduction of child maintenance through benefits and potential change in numbers</p>

				of appeals – details will be provided later in 2011.
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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 is that 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:
  - 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 this Green Paper.
  - 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 Green Paper 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:

- Facilitate the integration of support for making family-based arrangements amongst providers of this support;
- Introduce a gateway to the statutory maintenance scheme to ensure parents consider family-based arrangements first and are directed to support 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 statutory scheme.

### **Costs and Benefits**

12. Detailed cost and benefit figures depend on the final strategy agreed by Ministers and on the levels of charging, the content of the gateway and the duration of closure of cases and the impact of these on the volumes who will use the calculation only and statutory service which are unavailable at this time.

#### *Third sector organisations*

13. The consultation on these proposals 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.
14. Following integration of services leading to more families accessing a range of services they may not otherwise have been aware of, we would anticipate a small increased demand for the services



provided by third sector organisations that provide information and support for separating and separated families. In the long term however, improved family relationships could reduce demand for these services.

#### *CMEC and the Government*

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

### **Integrating available support services**

#### **Policy and Rationale**

16. Families experiencing separation often need information and support on a range of issues. Currently this information and support is provided in a way that can be difficult to navigate and therefore access.
17. This Green Paper is consulting on the best delivery mechanisms to provide the necessary information and support for families. In particular, it considers greater integration of existing provision, which information and support could be further joined-up and consideration of how best to support vulnerable groups.
18. It is envisaged that joining up these services will make it easier for parents to find the support they need, enabling them to work together and reach a family-based arrangement where both parents agree the provision of child maintenance for their child independently of the CSA or courts without needing to use the statutory scheme.

#### **Estimated Impacts**

##### *Impact on Parents*

19. Integration of services should make it easier for parents to come to collaborative family-based arrangements which enables parental responsibility and should act in the interests of enhancing the welfare of children in separating and separated families. There may be economic costs and benefits to the parents compared to current policy depending on the child maintenance arrangement.

##### *Impact on other Government Departments*

20. The proposals will be developed in collaboration with other Government Departments – particularly the Department for Education and the Ministry of Justice. Current proposals focus on the integration of existing services, which could include Department for Education's Sure Start Children's Centres. The Government will also look to draw on the knowledge and judgement of local authorities when considering how best to develop these proposals.

### **Gateway**

#### **Policy and Rationale**

21. 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 family support. Only those who have engaged with the gateway will be allowed to progress to make a full application to the statutory scheme.
22. 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 Individuals*

23. 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 a small cost to an individual for making an additional phone call, particularly if they wouldn't have previously applied to the statutory scheme.
24. 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.
25. 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.
26. 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?
27. 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 and hopefully better outcomes for the child and parents.

### *Impact on Employers*

28. 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*

29. 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.
30. 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**

31. 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 charge for this service which will be smaller than making an application for a full enforceable statutory case.
32. The policy intention is that through 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 they will incur the full costs of the statutory service. Around 60% 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*

33. 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.
34. 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.
35. 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.
36. If a parent would not have had an arrangement, either court or family-based 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.
37. 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.
38. There will be a charge to use the calculation only service which will be levied on the applicant.

### *Impact on Employers*

39. The calculation only 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 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*

40. Under the current policy, when a non-resident parent is on prescribed benefits Jobcentre Plus make deductions directly from benefits and it is passed via CMEC to the parent with care.
41. 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.

## **Charging**

### **Policy and Rationale**

42. The Government is proposing to charge for the child maintenance services, 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.

The following charges are being proposed:

- An upfront application charge of around £100 to be paid by the applicant.

- A total application charge for parents on benefits in the range of £50 with £20 of this paid upfront and the remainder paid in instalments. The instalments for the application only become payable where maintenance is in payment. Therefore a parent on benefit who applies will never pay more than the upfront charge if no maintenance is received from the application.
  - A charge of £20-25 for the calculation only service to be paid by the applicant.
  - A collection surcharge (on top of maintenance to be paid) of between 15% and 20% to be paid by the non-resident parent.
  - A collection deduction charge (retained from maintenance collected for the parent with care) of between 7% and 12%.
  - A charge on the non-resident parent when enforcement measures (e.g. an order of sale for property) need to be used because of non-compliance.
  - An application charge for the calculation only service.
43. An exemption from the application charge will be made for the victims of domestic violence.
44. 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. 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 the Government*

45. There will be a fiscal benefit to the Government due to the charges being implemented and this will be quantified in the regulations packages later in 2011.

### *Impact on Parents*

46. The applicant, normally the parent with care, will have an economic cost through the application charge, likely to be around £100 or £50 for an applicant on welfare benefits for the full statutory system and lower for the calculation only service. The full cost of an application is likely to be around £200.
47. There will be an ongoing economic cost to both parents who will be required to pay an additional percentage on top of the maintenance liability. There will be an enforcement charge for a parent that does not comply with their maintenance payments.
48. The impact of charging on clients of the service will be quantified along with the regulations packages later in 2011.
49. 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.
50. 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.
51. 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 which may be around a months worth of liability.

#### *Impact on Employers*

52. There are no known direct costs to employers.

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

53. Charging is intended to reduce the volume of cases on the statutory system and could reduce the burden on Jobcentre Plus administration, though cannot be quantified until final strategy decisions are made.

### **Closure of existing Child Support Agency cases**

#### **Policy and Rationale**

54. A new child maintenance scheme to replace the CSA is being designed to deliver meaningful and obvious improvements for clients and deliver significantly better value for money for taxpayers. The scheme will deliver:
- a. A new IT system with links to HM Revenue and Customs tax systems to determine a non-resident parent's latest income information;
  - b. Annual reviews of cases to ensure they are kept up to date;
  - c. Online services so parents can manage and update their case details and payments,
55. CMEC will consult on a package of regulations for the future scheme calculation in 2011. This will detail impacts of regulations on the State, employers and individuals using the services.
56. The Government wishes the new policy framework to build stronger stable family relationships at a reduced cost to the taxpayer. Currently there are around 1.2 million cases being administered by the CSA. Some of these were compelled to use the statutory scheme and some chose to use these schemes.
57. The policy proposal is to close all existing Child Support Agency cases in tranches over a minimum of a two year period, offer choice to these parents so those who can collaborate will be helped to do so and allow those who cannot collaborate to apply to the new statutory service.
58. Since the application to the new service will incorporate a fee this will offer encouragement to parents to consider a family-based arrangement where possible.
59. CMEC will consult on the detail of the closure process and order in which cases are selected for closure in summer 2011. At that point more detail about the impacts on the State, clients and employers will be provided and in this assessment non-quantified costs are presented.

#### **Estimated Impacts**

##### *Impact on Individuals*

60. There may be economic costs or benefits as a result of the different behaviours of our clients following closure of their Child Support Agency case. Clients may feel they are able to agree a family-based arrangement but there will be clients who are not able to make an arrangement who will incur charges for the new statutory service. These will be detailed further in the consultation in summer 2011.

##### *Impact on Employers*

61. Any costs to employers will be provided in the consultation on the closure process when greater policy detail is known in summer 2011.

*Impact on other Government Departments: The Tribunal Service*

62. Closure of cases may impact on the volumes of appeals and this will be quantified when details of the regulations are produced in 2011.

*Impact on other Government Departments: Jobcentre Plus*

63. Closure of cases, along with all the other measures in the Green Paper, is intended to reduce the volume of cases on the statutory system and could change the burden on Jobcentre Plus administration. This cannot be quantified until final strategy decisions are made.

## **Notes**

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

64. 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.
65. 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**

66. 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 Child Support Agency scheme.

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

67. 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.

# Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

## 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.

<p><b>Basis of the review:</b> [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review]; Further details of the post implementation review plan will be provided in the impact assessment which will accompany the detailed policy regulations in 2011.</p>
<p><b>Review objective:</b> [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p>
<p><b>Review approach and rationale:</b> [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p>
<p><b>Baseline:</b> [The current (baseline) position against which the change introduced by the legislation can be measured]</p>
<p><b>Success criteria:</b> [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p>
<p><b>Monitoring information arrangements:</b> [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]</p>
<p><b>Reasons for not planning a PIR:</b> [If there is no plan to do a PIR please provide reasons here]</p>