Title: Child maintenance reforms: case closure, charging, supporting family-based arrangements. **IA No:** DWP0031 **Lead department or agency:** DWP: Child Maintenance and Enforcement Commission **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 17/07/2012 **Stage:** Consultation **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries:**

Summary: Intervention and Options

RPC Opinion: AMBER

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£162m	£0.6m	-£0.04m	Yes	OUT

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

Of 2.5 million separated families with children in Great Britain no more than half have effective child maintenance arrangements. The current child maintenance system is failing too many families. Reform is needed to ensure both parents take financial responsibility for their children. The Government is therefore undertaking a radical reshaping of the child maintenance system to encourage and support families to make their own collaborative arrangements and, for those who need the statutory scheme, to deliver a much more efficient and effective service. The current Child Support Agency schemes do not deliver value for money with operational and IT difficulties at the heart of the problem.

What are the policy objectives and the intended effects?

Following the successful introduction of the new gross income statutory scheme with amended collection and enforcement regulations:

- Encourage and support more parents to make family-based arrangements through the provision of better co-ordinated support services for separating and separated families.
- Ensure prospective statutory scheme applicants consider family-based arrangements by requiring them to have a Gateway conversation about child maintenance options before applying to the statutory scheme.
- Introduce application, collection and enforcement charging to encourage parents to consider family-based arrangements as an alternative to the statutory service and to provide value for the taxpayer.
- Enable collection charges to be avoided if statutory maintenance is transferred directly between parents.
- Close all cases on existing schemes to reduce cost, improve efficiency and increase the number of effective arrangements (statutory and family-based).

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Do nothing: introduce new scheme with amended collection and enforcement regulations without further reforms. This is the baseline against which the other options are considered.

2. Option 1 plus: close existing schemes cases.

3. Option 2 plus: better co-ordinated support services and incentives for parents to make family-based arrangements. Introduce new scheme charging - application charges: £20 for all, with an exemption for victims of domestic violence; collection charges: 7% of maintenance liability for the parent with care, 20% for the non-resident parent; enforcement charges to encourage compliance and payment of arrears.

Option 3 is the preferred option. It achieves the policy objectives of supporting and incentivising parents to make family-based arrangements. The £20 application charge is designed to incentivise family-based arrangements while ensuring that the statutory service remains accessible to those who need it. It is also the best option in terms of value for money for the taxpayer.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 01/2016

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**	**Non-traded:**	

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: ....

Summary: Analysis & Evidence

Policy Option 3

Description: £20 application fee; 7% parent with care and 20% non-resident parent collection charges; enforcement charging; case closure; better co-ordinated support services, Gateway conversation and Direct Pay choice.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 20	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £162m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional	17	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£3,300m		£211m	**£2,702m**

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

Commission: CSA case closure: £159m transition; administration of residuary arrears: £128m transition; increase in annual reviews: £130m transition; increase in appeals: £20m transition; support for separating and separated families: £249m transition, £16m annually; the Gateway: £61m transition, £4m annually. **HMCTS:** increase in appeals: £6m transition. **Employers:** increase in new scheme DEOs which require more regular updating: £0.7m transition. **Parents:** application charges: £30m transition, £1.4m annually; collection charges: £2,448m transition, £185m annually; enforcement charges: £68m transition, £5m annually.

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

Parents: Costs to CSA clients in dealing with and understanding communications regarding case closure, evaluating and deciding on child maintenance options, negotiating arrangements with other parent. Costs/benefits to CSA clients from case closure in terms of arrangements made and maintenance received/paid depending on circumstances and decisions made at the time of closure.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional	17	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£3,439m		£257m	**£2,864m**

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

Commission: Fewer new scheme applications: £66m transition, £4m annually; saving on case maintenance costs: £879m transition, £50m annually; fewer annual reviews: £6m transition, £9m annually; fewer appeals: £5 transition, £2.3m annually; application charges: £30m transition, £1.4m annually; collection charges: £2,448m transition, £185m annually; enforcement charges: £68m transition, £5m annually; **HMCTS:** fewer appeals: £1.3m transition, £0.6m annually. **Employers:** fewer DEOs: £1.2m transition, £0.1m annually.

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

Parents: More effective arrangements in place overall. More family-based arrangements made following use of support for separating and separated families, the Gateway and the behavioural influence of charging; those CSA clients who apply to the new statutory scheme will benefit from a quicker, more transparent, efficient service and more will have positive outcomes; those CSA clients who apply to the new scheme will also benefit from a new assessment of maintenance liability, more reflective of their current circumstances.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

Key to the costs and benefits outlined here are the assumptions concerning parents' reactions to case closure, charging and Direct Pay choice. These assumptions have been developed through client insight surveys, analysis of CSA caseload data and expert opinion. However, there still remains a significant range in the possible volume and cost/benefit impacts of the reforms.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			**In scope of OIOO?**	**Measure qualifies as**
Costs: £0.04m	**Benefits:** £0.07m	**Net: -**£0.04m	Yes	OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			Great Britain			
From what date will the policy be implemented?			2012-2013			
Which organisation(s) will enforce the policy?			DWP			
What is the annual change in enforcement cost (£m)?			N/A			
Does enforcement comply with Hampton principles?			Yes			
Does implementation go beyond minimum EU requirements?			N/A			
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A		**Non-traded:** N/A	
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:**	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro**	**< 20**	**Small**	**Medium**	**Large**	
Are any of these organisations exempt?	No	No	No	No	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
Statutory equality duties[1] Statutory Equality Duties Impact Test guidance	No	31
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	Yes	28-31
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	Yes	22
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

[1] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

References

No.	Legislation or publication
1	Internal analysis using the Labour Force Survey 2011, 2008 Families and Children Study and March 2012 Child Support Agency administrative data
2	Child Support Agency – Quarterly Summary Statistics, March 2012 http://statistics.dwp.gov.uk/asd/index.php?page=csa
3	Child Maintenance and Enforcement Commission Annual Report and Accounts 2010/11 http://webarchive.nationalarchives.gov.uk/20120104120950/http://www.childmaintenance.org/en/pdf/annual-report/report-and-accounts-10-11.pdf
4	Survey of Child Maintenance Options Outcomes March 2012 http://webarchive.nationalarchives.gov.uk/20120504104608/http://www.childmaintenance.org/en/pdf/Survey_of_CM_Options_Outcomes.pdf
5	Sir David Henshaw's report: "Recovering Child Maintenance: Routes to Responsibility", July 2006. http://www.dwp.gov.uk/policy/child-maintenance/sir-david-henshaws-report/
6	White Paper: A new system of child maintenance: http://www.dwp.gov.uk/docs/csa-report.pdf
7	Child Maintenance and Other Payments Act 2008: http://www.opsi.gov.uk/acts/acts2008/ukpga_20080006_en_1
8	Child Maintenance and Other Payments Act 2008 - Regulatory Impact Assessment http://www.dwp.gov.uk/docs/cm-bill-ria1.pdf
9	Green Paper: Strengthening families, promoting parental responsibility: the future of child maintenance, January 2011 – Paper and Impact Assessment: http://www.dwp.gov.uk/consultations/2011/strengthening-families.shtml
10	Government's response to the consultation on Strengthening families, promoting parental responsibility: the future of child maintenance: http://www.dwp.gov.uk/docs/strengthening-families-response.pdf
11	The Child Support Maintenance Calculation Regulations 2012: A technical consultation on the draft regulations http://www.dwp.gov.uk/docs/cmec-maintenance-calculation-regulations-2012-technical-consultation.pdf
12	Final Stage Impact Assessment: The Child Support Maintenance Calculation Regulations 2012: http://webarchive.nationalarchives.gov.uk/20120104120950/http://www.childmaintenance.org/en/pdf/Maintenance-Calculation-Regulations-2012-Impact-Assessment.pdf
13	The Child Support Collection and Enforcement Amendment Regulations 2012: A technical consultation on the draft regulations – http://webarchive.nationalarchives.gov.uk/20120504104608/http://www.childmaintenance.org/en/pdf/cd-child-support-collection-enforcement-regs-2012.pdf
14	Consultation Stage Impact Assessment: The Child Support Collection and Enforcement Amendment Regulations 2012 http://webarchive.nationalarchives.gov.uk/20120504104608/http://www.childmaintenance.org/en/pdf/ia-child-support-collection-enforcement-regs-2012.pdf
15	Relationship Separation and Child Support Study, 2008. DWP Research Report No 503: http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep503.pdf
16	Estimating the impacts of Child Support Agency case closure and charging for the new Child Maintenance Service 2012 – http://www.dwp.gov.uk/docs/estimating-impacts-csa-case-closure-and-charging.pdf
17	Analysis of the British Crime Survey 2009/10 http://www.homeoffice.gov.uk/science-research/reseach-statistics/crime/crime-statistics/british-crime-survey
18	Department for Work and Pensions – Research Report No 529: "Child Support Agency – employers' views on setting up and processing Deduction from Earnings Orders", 2008 http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep529.pdf
19	Department for Work and Pensions – Research Report No 530: "Informing the piloting of Deduction from Earnings Orders as the primary method of collecting child maintenance" http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep530.pdf
20	Estimated cost of enforcement actions 2012 http://www.dwp.gov.uk/docs/csa-enforcement-actions-submission.pdf

Evidence Base

Annual profile of monetised costs and benefits* - (£m) constant prices (IN ATTACHMENT)

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Problem under consideration

1. There are an estimated 2.5 million separated families in Great Britain comprising 1.1 million statutory cases and 1.4 million families outside of the statutory service.[1]
2. Of the 1.4 million separated families not within the statutory scheme an estimated:
   - 600,000 have family-based arrangements of which 500,000 are effective[1]
   - 100,000 have court arrangements the majority of which are effective[2]
   - 600,000 families have no arrangement.[3] [1]
3. The Child Support Agency (CSA), part of the Child Maintenance and Enforcement Commission administers the 1.1 million statutory cases on two separate schemes.[4] The current 2003 scheme operates for cases starting from March 2003 and the old 1993 scheme for cases which started prior to that date. The two schemes are provided for by separate legislation, operate according to different statutory rules and have separate IT systems.
4. As of March 2012, 873,000 CSA cases had a positive child maintenance liability and 80% of these were compliant.[5] There were 900,000 children benefiting from child maintenance collected through the CSA or money arranged through it. [2]
5. In 2011/12 the CSA collected or arranged £1,187m in child maintenance at a cost of £420m. This equates to a cost of 35p for every £1 collected. [3]
6. There are ongoing problems with the CSA computer systems, 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 104,000 of these cases at March 2012 and this figure is growing. [2]
7. Currently the Child Maintenance Options service, an impartial information and support service administered by the Commission, provides information and support to help separated parents make effective decisions about their child maintenance arrangements.
8. There have been almost 900,000 inbound or outbound phone calls with the Child Maintenance Options service since it launched in July 2008 up to March 2012. [4]
9. Up to March 2012 an estimated 14% of all parents who spoke to Child Maintenance Options went on to make or change a family-based arrangement with 140,000 children benefiting. A similar number of parents went on to make applications to the CSA. [4]

Policy objectives

10. Following on from Sir David Henshaw's review of child maintenance, the previous Government started the design of a new system based on the Child Maintenance and Other Payments Act 2008. Central to the new design was a new statutory scheme with a gross income maintenance calculation using HM Revenue and Customs (HMRC) tax returns and a new IT system to address issues including the current need for separate costly off-system case handling. [5] [6] [7] [8]
11. The Coalition Government reviewed child maintenance policy in 2010, leading to the Green Paper 'Strengthening families, promoting parental responsibility' which was published in January 2011.

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[1] With effective defined as all or some of the agreed amount of maintenance paid always or usually on time.

[2] Estimates from the Families and Children Study 2008 show 72% of court arrangements are effective. Figures are rounded to nearest 100,000.

[3] Figures do not sum to total due to rounding.

[4] In addition there are approximately 400,000 cases with arrears but no ongoing child maintenance liability.

[5] Cases where the CSA collects money on the parent with care's behalf (collection service cases) are classed as compliant if they have been charged and paid money (either regular maintenance and/or arrears) over the preceding quarter. Cases where the non-resident parent pays the parent with care direct (Maintenance Direct) are classed as compliant.

12. The Green Paper proposed a set of reforms to re-balance child maintenance policy further towards supporting parents to work collaboratively, as well as making the statutory scheme more cost effective. [9] [10]
13. The firm set of child maintenance policies which have emerged following consultation (and the related proposed regulations or legislation as applicable) are:
    a. Introduction of the new annual gross-income based statutory scheme with supporting IT (proposed Child Support Maintenance Calculation Regulations 2012).
    b. Alignment of deduction from earnings orders regulations with the new gross income scheme (part of the proposed Child support (Meaning of Child and New Calculation Rules) (Consequential and Miscellaneous Amendment) Regulations 2012).
    c. Closure of cases on the existing child maintenance schemes (proposed Child Support (Transition to New Calculation Rules) Regulations 2012).
    d. Development of better co-ordinated support services to help separating and separated parents (no new regulation required).
    e. Introduction of mandatory information and support Gateway parents will need to visit before applying to the new statutory service (Welfare Reform Act 2012).
    f. Charging of parents with care (PWCs) and non-resident parents (NRPs) to use the new statutory scheme (proposed Child Support Fees Regulations 2012).
    g. Giving NRPs the choice to pay the PWC directly and thereby avoid collection service charges (Welfare Reform Act 2012).

Related impact assessments, baselines and transition time period used

Impact assessments

14. An outline implementation plan for these policies, together with the corresponding impact assessments, is illustrated in the diagram on page 9.
15. The consultations for two elements of the reforms, with accompanying impact assessments, have already taken place:
    a. The Child Support Maintenance Calculation Regulations 2012 (i.e. element ‘a’ above). [11] [12]
    b. Child Support Collection and Enforcement Amendment Regulations 2012 (these regulations are now part of the regulations in element ‘b’ above). [13] [14]
16. The remainder of the policy reforms will be consulted on together as one package and consequently this impact assessment covers those remaining policy reforms.

Baselines for assessing costs and benefits

17. The baseline for this impact assessment is the position where the new scheme has been introduced together with amendments to collection and enforcement regulations.[6]
18. The structure of the baselines for the three interrelated impact assessments means that the costs and benefits are additive across the three. A picture of the impact of the full set of child maintenance reforms, with the current system representing the baseline, is possible by adding the costs and benefits of the three impact assessments together.

Time period for assessing impacts

19. The costs and benefits scenario for the first two impact assessments is one where there is no systematic closure process for cases on the existing schemes and no charging for use of the new scheme.
20. Without bulk case closure, it would take up to 20 years for the last cases on the current schemes to close. After that time the youngest child remaining on a current scheme case would be too old for

[6] The amendments to the collection and enforcement regulations are necessary due to the switch from net to gross income in the maintenance calculation. Without these amendments the Commission would have to contact an employer for net income information every time a deduction from earnings order is made against an NRP to enforce compliance, with attendant costs to the Commission and employers.

the parent with care to claim child maintenance. Only at that stage would it be possible to shut down the current IT systems, transition be completed, and steady state costs and benefits be realised.

21. In practice a large majority will have closed after 17 years. Therefore the time period for the policy reforms presented in the first two IAs is 20 years: 17 years of transition and 3 years to establish stable annual average costs and benefits in the post transition period. A shorter post transition time period would not allow steady state costs and benefits to be assessed.

22. For consistency across the three related IAs, the 17 year transition and 3 year post-transition time period has also been used for this impact assessment.

Operational planning

23. The new scheme is due to open for a pathfinder group of new clients in October 2012 and then extended over time to cover all new applicants seeking a statutory arrangement. In this Phase 1, no charges will apply and while a Gateway conversation will be offered it will not be a requirement before applying to the new scheme.

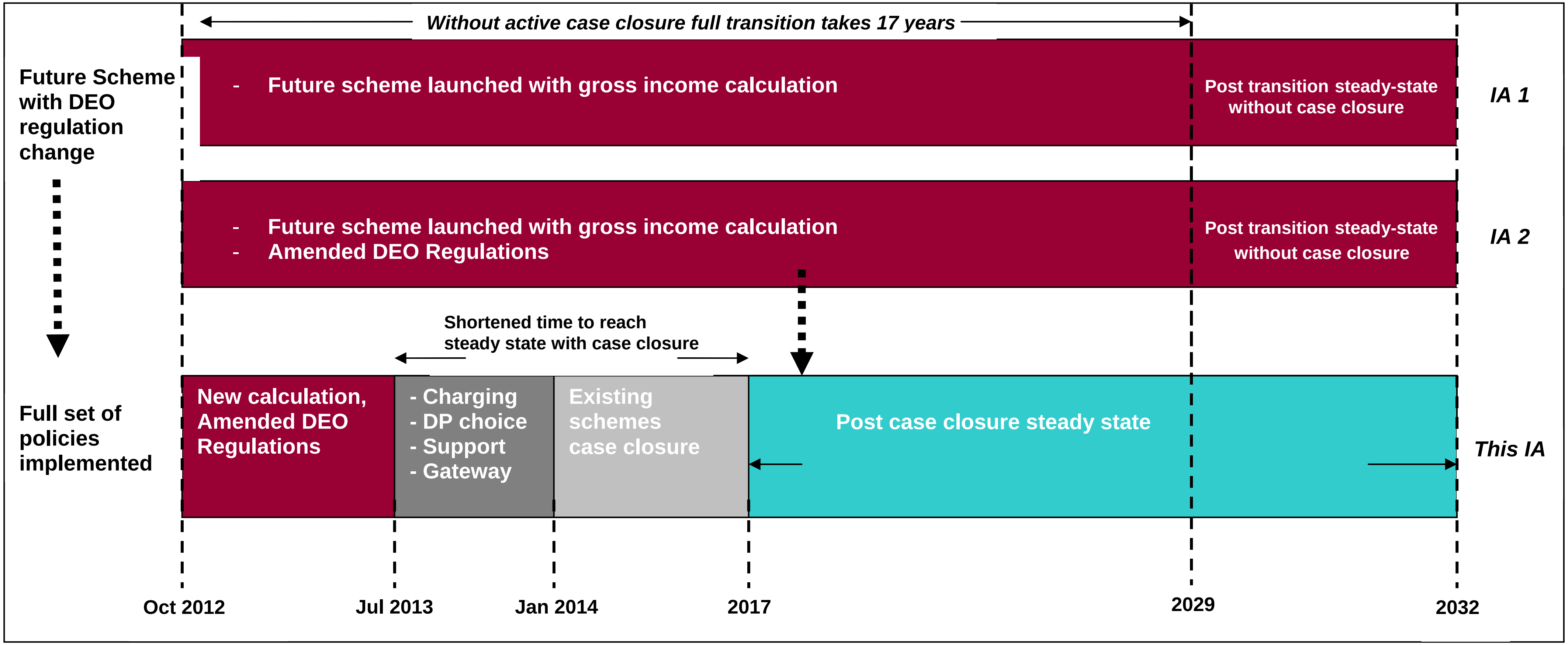
24. Once the new system is seen to be working well Phase 2 will start. In Phase 2 charging for the new scheme will be introduced and the process of closing the existing CSA schemes will begin with the first clients being given six months notice that their cases will be closed. The current plans are for Phase 2 to start in July 2013, but this is dependent on the new system working well at that point. It is then expected to take around three years from January 2014 for all current CSA schemes cases to close. The CSA IT systems will be shut down once all current scheme cases have closed and all outstanding arrears have been moved onto the new system.

25. Development of support for separated and separating families will have begun in time for Phase 1. The other elements of the reforms (the mandatory Gateway, charging, and Direct Pay choice) will begin with Phase 2.

26. The Commission is currently planning for the potential impact of the introduction of Universal Credit on the current and new schemes. It has not been possible to consider the potential impacts in this IA.

27. NOTE: Depending on the Parliamentary process and the timing of debates, it is intended that the Commission will no longer exist from 31 July 2012. The Commission's functions will then be transferred to the Secretary of State for Work and Pensions and Commission staff will move into the Department for Work and Pensions (DWP). It will then be the DWP rather than the Commission, as described in this IA, which will actually implement the policies outlined.

Child Maintenance Policy Reforms – indicative timeline and grouping of Impact Assessments



New Scheme calculation (IA 1)
Regulations to introduce a new child maintenance calculation and supporting IT system.

Amending DEO regulations (IA 2)
to take account change in availability of (net to gross) income data in the new statutory scheme – information needed when requesting employers to operate a DEO.

Charging PWCs and NRPs to use the new statutory scheme (application, collection and enforcement charges).
Direct Pay (DP) choice Giving non-resident parents freedom of choice with regards to use of Direct Pay to compliment charging regime.
Co-ordinated family support services for separated and separating families from a range of providers with an emphasis on cooperative parenting and family-based arrangements.
Gateway A mandatory information and support gateway designed to encourage family-based arrangements. Parents will need to visit before applying to the statutory service.

Case closure
All existing schemes cases will be closed over a three year period, with support and guidance provided to parents on their future options, to allow them to decide if they want to make an application to the new statutory service.

Policy Option 1 (Do nothing baseline): Introduce new scheme with amended collection and enforcement regulations but without further reforms

28. Under this policy option the new HMRC gross income calculation and supporting IT system is introduced and amendments to deduction from earnings orders (DEOs) regulations are made.[1] The current schemes will remain open until all cases have closed naturally, which could take up to 20 years.

29. Using gross income data from HMRC leads to simpler, more transparent and timely assessments enabling money to flow quicker to parents with care. Annual reviews of maintenance liability ensure that the calculation is much more up to date compared to the current schemes.

30. The new IT system enables many process improvements to be implemented for the benefit of the Commission, clients and employers who deal with DEOs. The new IT system enables a direct link to HMRC income data, reducing the need for contact with employers regarding non-resident parent income information. Substantial automation of calculations and a 25% change in income threshold for in-year re-calculations of maintenance liability reduces application and on-going maintenance costs.

31. The full costs and benefits of this option compared to continuing with the current child maintenance schemes are outlined in the draft Child Maintenance Calculation Regulations 2012 impact assessment. [12]

32. While introducing the new calculation with supporting IT without further reforms, is beneficial for the reasons outlined, it does not fully meet the policy objectives as outlined in the Green Paper 'Strengthening families, promoting parental responsibility'. It does not provide any means of encouraging separated parents to collaborate and make more family-based arrangements. From a financial point of view it would not enable the Commission to operate within the constraints of the Spending Review 2010 settlement. Allowing the current schemes to remain open means that new scheme case maintenance cost efficiencies are not maximised.

33. For the purposes of this impact assessment, introducing the new calculation with supporting IT and amended collection and enforcement regulations represents the baseline against which the costs and benefits of the further policy reforms are judged.

Policy Option 2: Introduce new scheme, amend collection and enforcement regulations and close existing schemes cases

34. This option was considered early on in the policy development process leading up to the Green Paper. Introducing the new scheme and systematically closing existing schemes cases over a defined period of time would enable the full cost efficiencies associated with the gross income calculation and new IT system to be realised, including decommissioning of the current IT systems.

35. However, like Option 1, this policy option would not address the fundamental issue of encouraging collaboration and incentivising parents to make more family-based arrangements. From a Commission cost point of view it would be much more expensive than Option 3 with more cases in the statutory scheme and without the revenue from charging.

36. Without support for separating and separated families, parents will not have the additional help they need to make more family-based arrangements, which are flexible compared to other types of arrangements and encourage collaboration between parents. [9] A majority of CSA parents with

[1] DEOs impose a legal obligation on employers to deduct maintenance from a non-resident parent's wages while ensuring a certain protected proportion of net earnings are retained. With the use of HMRC gross annual income data for the maintenance calculation, the Commission will no longer hold the net income information necessary to inform the employer of the protected net earnings proportion (expressed as a monetary amount) or to instruct an employer on the frequency of deductions. These amendment regulations provide the means for the Commission to avoid the need to contact employers for net income and payment frequency information when issuing new scheme DEOs. For new scheme DEOs the protected earnings proportion will be stated as a percentage and deductions stated in a range of pay frequencies. The current format will be retained for DEOs issued on cases remaining on current schemes.

care and non-resident parents (51% and 74%) said they would be likely or very likely to make family-based arrangements if they were to receive help from a trained impartial advisor. [15] Without the Gateway and application charging, a reflection point will not be in place to ensure that parents have considered family-based arrangements before applying to the new statutory scheme.

37. Without the Gateway and charging the size of the statutory caseload will be larger than in Option 3, increasing Commission costs. In addition, without collection charging, an incentive will not be in place to encourage parents to cooperate and the non-resident parent to pay the parent with care directly using the ‘Direct Pay’ facility. Direct Pay is the new name for what is known as Maintenance Direct in the CSA schemes. Fewer Direct Pay cases means higher costs to the Commission through maintaining cases on the collection service (where the Commission collects the maintenance from the non-resident parent and then passes on the payment to the parent with care).

38. The combination of a higher statutory scheme caseload and the absence of the charging revenue mean that Option 2, from a Commission cost point of view would not be workable under the Spending Review 2010 settlement.

Policy Option 3: Introduce new scheme, amend collection and enforcement regulations and close existing schemes cases. In addition, develop an integrated system of support and incentive (including a Gateway and charging) for parents to make family-based arrangements

39. Following the introduction of the new scheme, this option involves:
    a. Closing cases using the proposed Child Support (Transition to New Calculation Rules) Regulations 2012.
    b. Encouraging and supporting more parents to make family-based arrangements through the provision of an integrated support service for separating families.
    c. Requiring prospective new statutory scheme applicants to have a Gateway conversation on their maintenance options, ensuring that they have at least considered making a family-based arrangement before making an application – using powers in the Welfare Reform Act 2012.
    d. Implementing application, collection and enforcement charging using the proposed Child Support Fees Regulations 2012.
    e. Enabling NRPs to avoid collection charges by giving them the option of paying the PWC directly rather than paying through the statutory scheme collection service (this choice will not be available if the Commission has reason to believe that the NRP will not be compliant) – using powers in the Welfare Reform Act 2012.

Case closure

Phase 1

40. During Phase 1 of implementation the new scheme will be operational and the implementation of enhanced support for separated and separating families will have begun. None of the other elements of the reforms will be in place. During this time the Commission will only move existing schemes cases to the new scheme if there is a link to a new scheme application by virtue of a common non-resident parent. These ‘reactive’ case closure cases will have an automatic calculation under new scheme rules within 9 days.

Phase 2

41. Once it has been determined that the new scheme is working well (expected to take around nine months following the go-live of Phase 1), the process of systematic closure of existing CSA cases will begin using powers within Schedule 5 of the Child Maintenance and Other Payments Act 2008.

42. In Phase 2, this systematic case closure process will involve selecting cases for closure in tranches. PWCs and NRPs will be contacted 6 months in advance of closure to allow them the opportunity to access the Gateway and consider their future child maintenance arrangements. They will receive a

reminder one month before the closure date and then, following closure, a confirmation that the statutory child maintenance liability on the case has ended.

43. Clients whose cases close in systematic tranches must access the Gateway in order to open a new scheme case. If they choose to apply to have a case on the new scheme they will be subject to the relevant charges, unless a domestic violence exemption to the application charge applies.

44. Cases will continue to close 'reactively' in Phase 2 if there is a link to a new scheme case. However the client journey from notification of impending closure to commencement of new scheme liability in this phase will be 30 days. This balances the need for maintenance to flow quickly to the new PWC who has applied to the new scheme and for the existing PWC(s) to make a decision regarding their future maintenance arrangements. Phase 2 'reactively' closing cases will also be required to access the Gateway and pay charges if they decide to apply for a new scheme case.

45. In both Phase 1 and Phase 2, a 13 week linking rule will apply. If a person decides to close their existing scheme case outside the systematic case closure process they will have to wait 13 weeks before they can then make an application to the new scheme. It is anticipated that volumes of such cases will be low as most people with existing scheme cases where maintenance is flowing will not want to lose out on 3 months worth of maintenance just to get into the new scheme.

46. The Commission will close cases in the following order:

    a. *Clerical cases which are currently being managed off the main systems.* These are the most expensive to maintain. In addition, these clients are likely to have received a lower level of service due to technical problems with the current IT systems which caused them to be managed off the system.

    b. *Cases being administered on the main systems.* These will be closed working from the oldest to youngest cases. Older cases will generally have the least amount of time left to run and their assessments are likely to be the most out of date. Therefore, early closure will give them the maximum amount of time to benefit from an up to date assessment on the new scheme.

47. On-system cases where the youngest qualifying child will reach the age 20 before the end of the three year case closure period will be retained on existing schemes until they close naturally.[2] The rationale for this is that these cases would be disproportionately impacted by charging and the closure process. However, PWCs in these cases will also have the option to close their case at any time and apply to the new scheme under the 13 week linking rule should they choose to do so.

48. The detailed development of tranches and the timings of these will be specified in an accompanying schedule rather than in the case closure regulations themselves. As a general principle, the Commission will have flexibility to select cases for closure to accommodate variations in case frequency and volumes.

Case clean up and treatment of arrears

49. As part of case closure a number of activities will need to take place, which may include ensuring that the case is fully up to date and that any relevant outstanding tasks (such as changes of circumstances) have been completed. Around 70% of cases subject to case closure are expected to have arrears. In many of these cases the arrears balance will be very old and is unlikely to have been reviewed for some time.

50. All PWCs will be asked how they wish to proceed with regards to arrears owed to them. PWCs will be offered the choice of writing the arrears off, negotiating a part payment with the NRP in full satisfaction of the outstanding balance (subject to the appropriate powers being introduced) or for the balance to remain outstanding after the case has closed.

Co-ordination of support services for separated and separating families

51. The Government is coordinating existing support services that can help parents work together after separation in the best interests of their children. The Government will act as an enabler in providing the necessary infrastructure, rather than providing services directly. The infrastructure will harness the support that works for parents. An expert steering group comprised of voluntary and community

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[2] The maximum age for a qualifying child is currently 19. The new maximum age of qualifying children of 20 will be commenced across all schemes when the new scheme is launched.

sector experts as well as academics have outlined the delivery architecture that will help coordinate existing support services. The steering group has outlined that parents will primarily access services online, with a coordinated telephone network to support those who cannot access the internet or require more intensive support. Existing support services on the ground will be better coordinated to help create coordinated local networks that provide face to face help and advice to parents.

52. The Government will establish an innovation fund, Support for Separated Families, that will primarily fund voluntary and community sector organisations to test and evaluate innovative ideas that help parents to work in the best interest of their children.

53. Improving the coordination of support services to separating and separated parents is a cross-government initiative. The Commission is working closely with the Department for Education and the Ministry of Justice in developing proposals. The web service will meet the requirements outlined in Family Justice Review for an 'online hub' that provides information and support for couples to resolve issues following both divorce and separation outside courts.

The Gateway

54. From the beginning of Phase 1 all potential applicants to the new scheme will be directed to a Gateway service. From the beginning of Phase 2, a conversation with a Gateway service agent will be a requirement prior to application to the new scheme. Following the Gateway conversation, the agent will give the client a unique reference number to use as part of the new scheme application.

55. No one will be prevented from applying to the new scheme as long as they have held a conversation with a Gateway call agent and are therefore at least aware of the range of child maintenance options. This conversation will be tailored to individual circumstances. For example, if the potential applicant has suffered domestic violence they will be fast tracked through the process.

56. An external supplier will be commissioned to provide the Gateway service on the expiry of the current Child Maintenance Options contract in May 2013.

Charging

57. Charging will be applied from the beginning of Phase 2:
    a. An application charge of £20 for all applicants irrespective of benefit status with an exemption for applicants who declare themselves to be victims of domestic violence.
    b. Collection charges 7% for PWCs and 20% for NRPs of the maintenance liability where the case is in the collection service.
    c. Where payment of maintenance is made directly by the NRP to the PWC through the Direct Pay facility then no collection charges will be payable.
    d. The NRP will be charged when certain enforcement measures (for example, a liability order) are required.

58. The primary purpose of charging is to create a financial incentive to encourage parents to consider family-based arrangements. Charging will also ensure that those who apply to the new scheme make a reasonable contribution towards the costs of what will still be a highly subsidised service, while reducing the burden on the taxpayer.

59. The application fee will apply to all clients including those who have had their CSA case closed as part of the case closure programme. The only exemption will be for those who have suffered domestic violence.

60. Collection and enforcement charges will apply to all new scheme clients from the start of Phase 2 including those that applied during Phase 1.

Domestic violence exemption

61. There is particular concern for the circumstances of very vulnerable families such as those who have experienced domestic violence. Therefore, any applicant who declares that they have reported domestic violence to one of a prescribed list of organisations will be exempt from the application charge and fast tracked through the Gateway.

62. Applicants 18 years of age and under will also be exempt from the application charge.

Collection charges

63. Where maintenance is paid through the collection service (i.e. where money is collected from the NRP and then paid to the PWC by the new scheme collection service), charges will be payable by both parents. Charges are set at 7% of the maintenance assessment amount for the PWC and 20% for the NRP.

64. The NRP will be required to pay the 20% charge in addition to the maintenance assessment amount i.e. the charge made against the NRP will be for 120% of the assessment amount. The collection charges payable by the PWC will be deducted from maintenance payments as they are received so that the PWC will receive 93% of the maintenance assessment amount.

65. The following example illustrates how this will work. A maintenance liability is calculated as £100 per month. The PWC collection charge is £7 per month and the NRP collection charge is £20 per month. The NRP's payment schedule is then set up as £120 per month. When the monthly payment of £120 is received, £20 is allocated to the NRP collection charge, £100 to maintenance paid. £7 is then allocated to the PWC collection charge and £93 is passed to the PWC.

Direct Pay choice

66. NRPs will have the choice to pay maintenance directly to the PWC and in such circumstances collection charges will not be payable by either parent. This facility is known as 'Maintenance Direct' in the current CSA schemes and will be known as 'Direct Pay' in the new scheme. To safeguard PWCs who do not wish their details to be known to the NRP, a payment service will be available which enables payments to be made between parents without the need for any contact or personal information to be divulged.[3]

67. If the Commission has good reason to believe that the NRP is unlikely to pay, then the NRP will not be allowed to use Direct Pay. Previous compliance in a CSA case will not be used by the Commission as evidence that the NRP is unlikely to pay. This is based on the principle that all parents should have the opportunity to have a fresh start in the new service.

68. A case can also be brought into the collection service at any point if the NRP does not pay in full and on time. Once the PWC has told the Commission that a payment has been missed, the onus will be on the NRP to show that payment has been made. Subsequently, if the NRP requests to move back onto Direct Pay the Commission will have to again consider whether the NRP is unlikely to pay outside of the collection service. If deemed 'unlikely to pay' the non-resident parent will be prevented from choosing Direct Pay.

69. Where an application is made in Phase 1, the NRP will be advised that compliance behaviour in Phase 1 will be taken into account when assessing eligibility for Direct Pay in Phase 2.

Enforcement charges

70. Where enforcement action is required the Commission will impose appropriate charges on the NRP with a primary aim of driving behavioural change rather than generating revenue (which is a secondary aim of the policy). Therefore charging levels will increase in line with the severity of the action taken rather than the actual costs of the action. The final level of charges to be applied will be decided following consultation. The following table shows the proposed charging levels which have been used in this impact assessment together with the estimated costs of each action [20]:

Table: Estimated costs of enforcement actions and proposed charges

	Estimated cost per action	**Planned charge**
Deduction from Earnings Order	£175	£50
Regular deduction order	£1,200	£50
Lump sum deduction order	£1,200	£200
Liability order	£500	£300

[3] This service will be available to anyone who chooses to use it, not just domestic violence cases.

COSTS AND BENEFITS OPTION 3

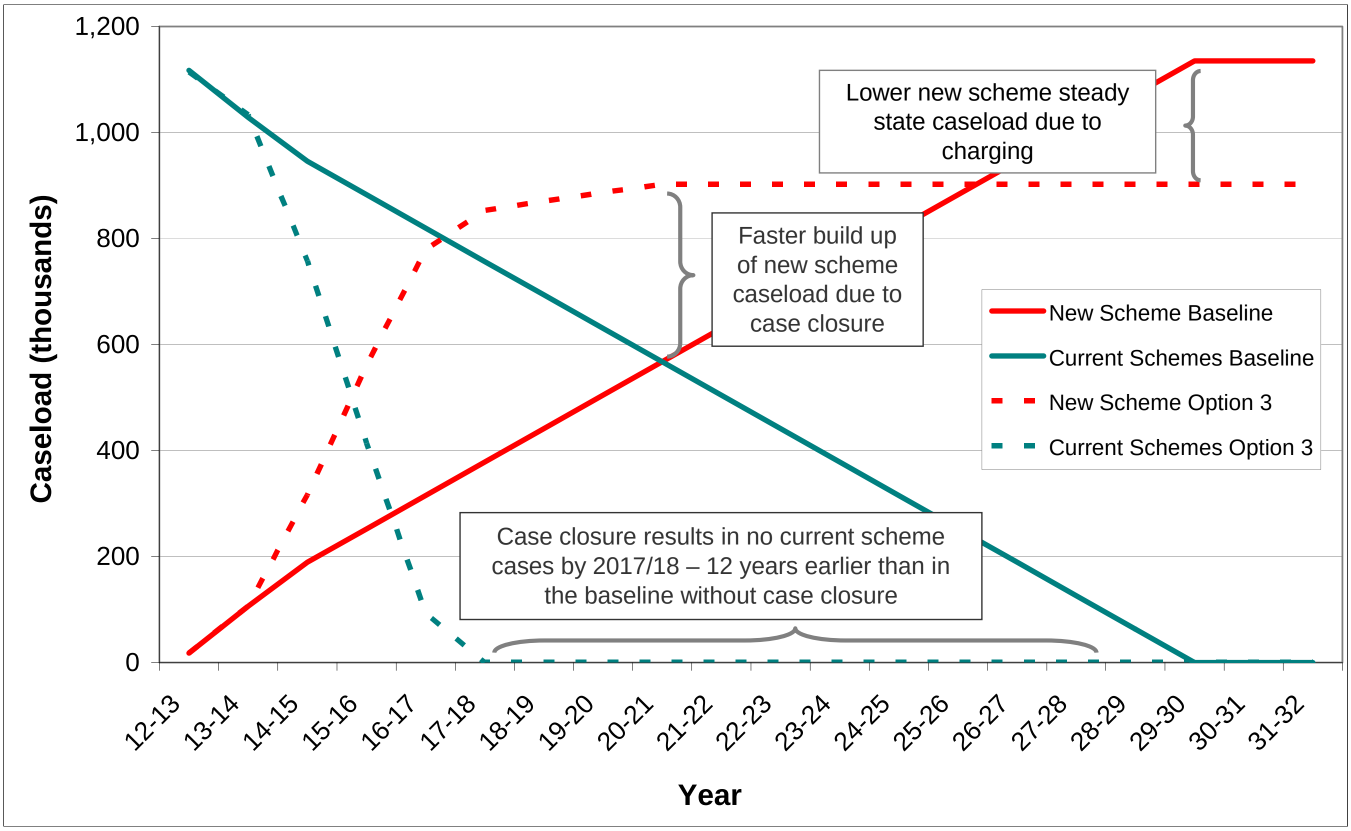
Annual and transition costs and benefits

71. The cost and benefits of Option 3 as outlined here represent the extra costs and benefits compared to the 'do nothing' Option 1 baseline.

72. With Option 1, the new scheme is launched but without a systematic CSA case closure process. This means that, as outlined in paragraphs 14-22, it will take 17 years for a post transition steady state to be reached where all cases are on the new scheme and annual costs and benefits are fully realised.

73. Therefore, even though case closure speeds up the transition to a steady state, the costs and benefits for Option 3 need to be compared against the much longer transition period for Option 1 after which the annual costs and benefits for the two options are both in a steady state.

Chart 1: Comparing the build up of new scheme caseload in the 'do nothing' baseline Option 1 and Option 3



Costs and benefits summary table

74. Annual costs and benefits stated in the following summary table relate to the post transition steady state where all the policy reforms outlined have been implemented. The transition costs and benefits are the totals over 17 years.

75. For consistency with the related two child maintenance impact assessments they are stated in 2011/12 constant prices.

Summary of Option 3

Policy	Government – Commission	Government – HMCTS[4]	Parents	Employers
Closure of cases on existing child maintenance schemes	*Costs:* 1. Direct costs of closing cases – preparing cases, communicating with clients, managing cases choosing to apply to new scheme **£159m transition** 2. Managing residuary arrears **£128m transition** 3. Increase in appeals in transition through case closure process and subsequent increase in new scheme caseload **£20m transition** 4. Closed cases applying to new scheme leads to more annual reviews in transition **£130m transition** *Benefits:* 1. Quicker build-up of caseload on new scheme (following CSA case closure programme) where case maintenance costs are significantly lower; fewer statutory cases overall (partly due to charging) **£879m transition, £50m annually** 2. Smaller steady state caseload means fewer annual reviews in long run **£6m transition, £9m annually** 3. Smaller steady state caseload means fewer appeals in long run **£5m transition, £2m annually**	*Costs:* Increase in appeals through case closure process and subsequent increase in transition new scheme caseload **£6m transition** *Benefits:* Smaller caseload in long run means fewer appeals: **£1.3m transition, £0.6m annually**	*Costs:* 1. Costs of understanding and dealing with case closure process, negotiating family-based arrangements or time to make an application to new scheme. 2. Circa 100k CSA clients who were positively assessed before case closure will not make alternative arrangements, at least not initially. *Benefits:* 1. Circa 185k CSA clients will make family-based arrangements after their cases are closed. 2. The circa 570k cases which will apply to the new scheme will benefit from (a) an updated assessment, (b) a quicker, more transparent, efficient service. 3. Circa 50k of those who apply to the new scheme will be positively assessed, where they previously were nil assessed. 4. In long run – more effective arrangements overall and more family-based arrangements.	*Costs:* 1. Implementing new scheme DEOs following case closure **£0.2m transition** 2. More new scheme DEOs (earlier in transition) requiring updates following annual case review: **£0.5m transition** *Benefits:* 1. Smaller caseload in long run means fewer DEOs compared to baseline **£1.2m transition, £0.1 annually**
Support for separating and separated families; the Gateway	*Costs:* Support for separating families: Provision of web and telephone services, coordinating and direct support **£249m transition, £16m annually** The Gateway: providing the Gateway service **£61m transition, £4m annually**	*Benefits:* Greater numbers of parents making family-based arrangements resulting in fewer statutory scheme cases will mean fewer appeals.	*Benefits:* 1. Information, guidance and support to make positive decisions for their children, including making family-based arrangements. 2. More family-based arrangements.	*Benefits:* Greater numbers of parents making family-based arrangements resulting in fewer statutory scheme cases will mean fewer DEOs.

[4] Her Majesty's Courts and Tribunal Service.

Policy	Government – Commission	Government – HMCTS[4]	Parents	Employers
	Benefit: Greater numbers of parents making family-based arrangements rather than using the statutory scheme.			
Application charging	*Benefits:* 1. Application charge: **£30m transition, £1.4m annually** 2. Reduction in applications to new scheme: **£66m transition, £4m annually**	*Benefits:* Fewer statutory scheme cases as a result of application charging will mean fewer appeals.	*Costs:* 1. Application charge: **£30m transition, £1.4m annually** 2. Some PWCs who will not be able to agree family-based arrangements will be put off applying to new scheme. *Benefits:* More PWCs will make family-based arrangements. In aggregate, the costs of application charges will be counter-balanced by more effective statutory and family-based arrangements. *Note: Costs and benefits of case closure to parents outlined above are partly due to behavioural influence of application charging.*	*Benefits:* Smaller caseload means fewer DEOs (incorporated in case closure benefits)
Collection charging	*Benefits:* 1. NRP collection charges: **£1,814m transition, £137m annually** 2. PWC collection charges: **£635m transition £48m annually** 3. Encourages parents to use Direct Pay, which has lower case maintenance costs than the collection service. *Note: includes charges to be paid by former CSA clients who apply to new scheme following the case closure process.*	*Benefits:* As with application charging, collection charging will also have a downward influence caseload size and therefore reduce appeal volumes.	*Costs:* 1. NRP collection charges: **£1,814m transition, £137m annually** 2. PWC collection charges: **£635m transition £48m annually** *Benefits:* Encourages Direct Pay which is more collaborative than the collection service In aggregate, the modest costs of collection charges to PWCs (and children) will be counter-balanced by more effective and collaborative statutory	*Benefits:* Smaller caseload means fewer DEOs (incorporated in case closure benefits)

Policy	Government – Commission	Government – HMCTS[4]	Parents	Employers
			direct pay and family-based arrangements. *Note: Costs of collection charging to parents outlined above for case closure are partly due to behavioural influence of collection charging*	
Enforcement charging	*Benefits:* 1. NRP enforcement charges: **£68m transition £5m annually** 2. Acts as an incentive for NRPs to be compliant, pay arrears.		*Costs:* NRP enforcement charges: **£68m transition £5m annually** *Benefits:* The deterrent effect enforcement charging will have on NRPs and therefore it will encourage maintenance payments	
Direct Pay choice	*Benefits:* Higher proportion of caseload expected on Direct Pay (circa 40% v 20%), influenced by collection charges. This contributes to the lower case maintenance costs outlined in case closure section above.		*Benefits:* PWCs and NRPs have the opportunity to avoid paying collection charges. *Costs:* If PWCs experience payment gaps through NRP non-compliance on Direct Pay.	
NET IMPACTS	**Overall quantified net benefit of £236m annually when policy fully embedded.** **This comprises total annual recurring benefits of £257m per year offset by extra costs of £20m per year.**	**HMCTS net benefit of £0.6m annually**	**Benefit from more with effective arrangements; more family-based arrangements; more benefiting sooner from new scheme with up to date assessments and fewer nil assessed;** **Offset by quantified annual costs from charges of £191m per year.**	**Overall net benefit to employers of £0.1m annually with no ongoing annual costs.**

Impact on public sector

Commission

Costs

Closure of cases on existing child maintenance schemes

76. The case closure process will begin with both the NRP and PWC being given six months notice that their CSA case will close and that the maintenance liability based on the current calculation will cease. Cases will then be closed in tranches over approximately three years in the order of clerical cases first and then oldest to youngest of the cases managed directly on the existing IT systems.

77. There will be about 1 million open CSA cases at the start of the closure process of which around 900,000 will be selected for systematic closure.[5] The remainder are expected to close naturally during the case closure period due to the age of the youngest child and therefore will not be included in the systematic process.

78. It is estimated that around 570,000 (63%) of the 900,000 cases closed will apply to the new scheme.

79. This estimate is based on the results of a 2011 survey of a representative cross-section of current CSA clients. Respondents were asked about their intentions following case closure in the context of charging and the Gateway. They were also asked if they had experienced domestic violence. [16]

80. The estimate of 63% was derived by adjusting the raw survey results to take account of a gap between stated intentions in response to charging and likely behaviour. Likely behaviour was estimated using information on the level of the maintenance assessment and indicators of the ability of parents to cooperate. It also takes into account that an estimated 32% of all potential new scheme applicants will be willing to declare that they have reported domestic violence to one of a prescribed list of organisations – and will therefore be fast tracked through the Gateway to the new scheme without having to pay the application charge. [16] [17]

81. Chart 1 on page 15 shows how the new scheme builds up and the CSA caseload declines in the Option 1 baseline and Option 3 charging and case closure scenarios.

82. It is estimated that the total costs associated with case closure and setting up new scheme cases for former CSA clients will be £159m. There will be relatively small costs in 2013/14 with the bulk of the costs in the following three years before the costs tail off again in 2017/18 after the closure process is completed.[6] [7]

83. The £159m total can be broken down by:

    a. the costs of communicating in writing, providing support and guidance to each NRP and PWC in the 900,000 cases being closed: £39m;

    b. the costs of tidying up each case including change of circumstances, contacting clients and potential reassessments: £51m.

    c. the costs to process applications for the 570,000 former CSA clients applying to the new scheme are estimated at: £69m.

Managing residuary arrears

84. Administrative work required on CSA case arrears is expected to cost in the region of £128m. The bulk of this cost (£101m) is due to the caseworker activity required to review and update estimates of arrears on the existing systems for the circa 1.2m cases expected to have arrears at the point of case closure. This figure includes the closure of all cases with arrears, including those that may opt not to open a case under the new system, or may not be eligible because they no longer have an ongoing liability. The costs to set up arrears on the new system are expected to be around £27m.

[5] Projections based on CSA administrative data. In addition there will be approximately 500,000 cases with arrears but no ongoing child maintenance liability.

[6] All costs outlined in this section are based on the latest formal Commission corporate planning modelled estimates.

[7] Costs in 2012/13 relate to costs of preparing cases for closure and preparatory work in advance of beginning communication with CSA clients. Costs in 2017/18 will mainly be due to new scheme application costs related to former CSA clients.

Increase in appeals

85. The process of tidying up and preparing each case to be closed could result in a CSA decision which can be appealed by either the NRP or the PWC.[8] Similarly the build up of the new scheme caseload as former CSA clients apply, will generate more appeals from: the initial calculation, changes of circumstances which result in changes to maintenance liability and annual case reviews.

86. Given current rates of appeal per decision type, it is estimated that the closure process and quicker build up of the new scheme caseload compared to the baseline will result in approximately 40,000 extra appeals at a cost of £20m.

Increase in annual reviews

87. The substantial shift in the volume of cases on the new scheme as a result of case closure compared to the baseline means that there will be more annual reviews undertaken over the early part of the transition period. Annual reviews are undertaken to ensure that the maintenance calculation is an up to date reflection of the NRP's income and the overall circumstances relevant to the case. Cumulatively over the transition period there will be in the region of 3 million additional annual reviews at a total cost of £130m. This is based on the total number of extra cases expected to be on the new scheme, the number of annual reviews they will have over the transition period and the expected cost of an annual review.

Support for separating and separated families

88. A web application and network of helplines will be established as part of developing better support for separating families. The design plans are flexible to allow the addition of a range of new services once they are tested and evaluated. Further resources will initially be applied researching the evidence base and testing what works in supporting separated and separating parents to collaborate.

89. To realise these plans, £20m of funding has been allocated over the SR10 period. From 2015/16 an annual budget of £16m is planned to cover these services, additional investment in local support and promotion of financial responsibility. Total spending over the transition period is expected to be £249m.

The Gateway

90. The extra costs which will be associated specifically with Gateway conversation activity are estimated at £61m over the transition period and £4m annually in the post transition steady state, with in excess of 100,000 Gateway conversations per year.

Benefits

Closure of cases on existing child maintenance schemes

91. Case management costs will be significantly lower on the new scheme with the advantages of the new IT system and the direct link to HMRC gross income data for the maintenance calculation. The link to HMRC income data will reduce the need for employer contact and calculations will be largely automated. There will be fewer client queries, because of simpler, more transparent and timely assessments. Periodic reviews and the 25% income change threshold will mean fewer in-year recalculations.[9] A case is expected to be about £80 cheaper to maintain per year. The closure of existing schemes and the transfer of an estimated 570,000 CSA cases to the new scheme will therefore result in significant savings compared to the baseline, both in transition and post transition. The expected savings are £879m in transition and £50m annually in the post transition steady-state.

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[8] Note: there will be no right to appeal against the actual decision to close the case but there could, for example, be an appeal against any revised maintenance liability (as a result of calculating a change of circumstances) prior to calculating the outstanding arrears balance.

[9] The full detail of the savings from the new scheme compared to the current CSA schemes is outlined in the Impact Assessment: The Child Support Maintenance Calculation Regulations 2012.

Application charging

92. The introduction of application charging has two key impacts on Commission caseload and costs – the charge reduces the number of applications (and subsequently the size of caseload) and revenue is generated by the charge itself.

93. Similar client insight research and analysis to that conducted to assess likely behavioural reactions to case closure was used to assess the impact of application charging. It is estimated that with a £20 application charge around 88% of current applicants (105,000 out of 120,000 annually) will apply to the new scheme. This takes into account that 32% of the 120,000 potential applicants are likely to declare domestic violence and will therefore be exempt from the charge. [16] [17]

94. The £20 charge will generate £30m in transition and £1.4m per year afterwards in the steady state.

95. The reduction in costs through the resultant lower level of applications and subsequently lower caseload are £66m in transition and £4m annually post transition.

Collection charging

96. Collection charging might be expected to have a small downward influence on application volumes and the size of the caseload although behavioural economics theory suggests this will be far less significant than the impact of an upfront charge such as the application charge. Consequently no separate impact for collection charging on application/caseload volumes has been assumed.

97. With collection charging set at 20% for the NRP and 7% for the PWC the revenue generated is expected to be £1,814m from NRP charges, and £635m from PWC charges over the 17 year transition period for this impact assessment. Annually post transition the figures are £137m from NRPs and £48m for PWCs covering around half a million collection service cases.

Enforcement charging

98. The enforcement actions by type for which charges will be applied together with the provisional charging levels are as follows:

Table 1 Provisional enforcement charges and expected revenue

	Charge per order	Expected annual revenue post transition	Expected revenue - transition total
Deduction from Earnings Order or Request	£50	£1.5m	£23m
Deduction Orders (regular/lump sum)	£50/£200	£0.2m	£3m
Liability Order	£300	£2.9m	£43m

99. This leads to an estimated £68m (does not match table total due to rounding) of revenue generated over transition and £5m annually post transition. Approximately one third of this income is estimated to be from Deduction from Earnings Orders, around 63% from Liability Orders and the remainder from Deduction Orders.

Reduction in Annual Reviews

100. As can be seen from chart 1, the new scheme caseload, while bigger compared to the baseline early in transition, in the long term steady state will be smaller. As result, there will be fewer annual reviews late in the transition period and in the post transition steady state compared to the baseline. This is expected to save around £6m in transition and £9m a year thereafter. The number of annual reviews is estimated to be reduced by around 200,000 per year post-transition compared to the baseline.

Reduction in Appeals

101. Appeal volumes are proportional to the size of the caseload. Therefore, the smaller new scheme caseload compared to the baseline late in transition and in the post-transition steady state, will have a direct impact on the number of appealable decisions and therefore appeal volumes. At the end of the transition period the resultant saving is expected to be in the region of £5m and £2.3m each year post-transition where a reduction of approximately 5,000 appeals annually is expected.

Direct Pay choice

102. The impact of the introduction of Direct Pay choice is closely interrelated with the effects of collection charging i.e. NRPs are incentivised by collection charging to use Direct Pay if the choice is available to them. A very large proportion of NRPs surveyed for client insight purposes said that they would initially choose Direct Pay. However adjustments to the raw survey responses to take account of likely compliance on these cases suggests a long-term proportion on Direct Pay in the region of 40%. [16] This compares to 20% expected on Direct Pay in the baseline scenario.

103. Direct Pay choice, in the context of collection charging, then provides benefits to the Commission in terms of the lower case maintenance costs required for Direct Pay cases compared to those in the collection service. These impacts are taken into account in the overall case maintenance cost savings, as outlined in the case closure section above, and are not accounted for separately here.

Support for separating and separated families / the Gateway

104. These services have yet to commence and the likely benefits are difficult to quantify at present. In directional terms however, the services are expected to have a positive influence on the number of parents making family-based arrangements and therefore contribute to a lowering of Commission costs through reducing the statutory caseload.

Other Government Departments – HM Courts and Tribunal Service

Costs

Closure of cases on existing child maintenance schemes

105. As with Commission appeal costs, the case closure process and subsequent new scheme assessments for former CSA clients is expected to increase the number of appeals going to the Tribunal Service. The Tribunal Service is expected to receive a net increase of approximately 20,000 appeals during the case closure process. This estimate is based on the volume of appeals which are initially generated and the proportion of these which typically end up in the Tribunal Service. The cost of these appeals is expected to be around £6m in transition. As the long run caseload, and therefore appeals volume, will be smaller than in the baseline, there will not be any ongoing extra appeals costs to the Tribunal Service.

106. Some respondents to the survey of CSA clients suggested that they would choose to make court arrangements rather than pay any level of application charge for the new statutory scheme. [16] However, the cost difference between the two options (£20 v £250, the £250 just to apply to court, not taking any legal representation costs into account) is so large that it does not seem plausible that any significant number of PWCs will choose a court arrangement over the statutory scheme because of case closure and charging. Therefore the likely impact of these policies on the courts is considered negligible.

Benefits

Application charging

107. Application charging will result in a smaller caseload overall towards the end of transition and in the post-transition steady state. As appeal volumes are proportional to the size of the caseload, this will mean fewer appeals in the long run compared to the baseline. As the lower caseload effect begins towards the end of transition, there are estimated benefits of £1.3m in transition with £0.6m benefits annually post transition.

Support for separating families

108. This will have a downward impact on statutory scheme caseload volumes, although it is not possible to quantify the effects at this stage.

Parents

Estimating costs and benefits to parents of the reforms

109. The key estimates in the following sections are derived from analyses and assumptions based on the results of the CSA client survey which was carried out in July-August 2011 to assess likely reactions to charging and case closure. [16]

110. As there is likely to be a significant gap between stated and actual behaviour in response to charging and case closure, likely behaviour was estimated using information on the level of the current CSA maintenance assessment and indicators of the ability of parents to cooperate. Therefore, while the figures on changes to volumes of arrangements represent the best possible view based on the available evidence, they should be considered indicative of the direction of costs and benefits rather than definitive. [16]

111. Due to the limitations of the data and the degree of uncertainty, it has not been possible to put a monetary value on the estimates, other than the direct costs of charging to parents.

Costs:

Case closure

112. There will be costs to parents in terms of responding to case closure. It will take parents time to understand their options, agree a family-based arrangement or to understand and apply to the new scheme.

113. Of the 900,000 CSA cases which will go through the systematic case closure process, an estimated 330,000 will not to apply to the new scheme. Of the 330,000, 185,000 would be expected not to apply to the new scheme regardless of the £20 application charge. Of the 145,000 who are likely to be deterred from applying because of the application charge, the majority are likely to be nil assessed or to have smaller than average CSA assessments. Of the 330,000 overall, up to 100,000 are likely to have been positively assessed in the CSA and not make family-based arrangements following case closure.

Application charging, collection charging, enforcement charging: direct monetised costs

114. Application, collection and enforcement charging as outlined in the Commission benefits section represent direct corresponding costs to parents – NRP collection charges: £1,814m transition, £137m annually; PWC collection charges: £635m transition £48m annually; NRP enforcement charges: £68m transition £5m annually.

Application charging, collection charging, enforcement charging: impacts on arrangement volumes, impacts on individual parents

115. The survey estimates, after allowing for the impact of the domestic violence exemption, are that 88% of current applicants will apply to the new scheme with application charging. This means that 105,000 of the current annual application intake total of 120,000 will apply to the new scheme. Of the 15,000 who choose not to apply, an estimated 5,000 will make alternative family-based arrangements while 10,000 will make no arrangement.

116. Being required to pay the £20 application charge is a direct cost to the applicant. Collection charges represent a direct cost of failing to cooperate for both the PWC (charge of 7% of the maintenance due) and the NRP (20% in addition to the maintenance due). Enforcement charges represent a direct cost to the non-compliant NRP while providing an incentive for future compliance.

117. The table below shows the charges two particular cases with an average lifetime of 9 years can expect to pay:

- £10 weekly assessment: the NRP is on benefit or has gross income less than £100 per week and there is no shared care.
- £48 weekly assessment: the NRP has median gross annual income of £21,000, there is one qualifying child, no relevant other children and no shared care.[10]

In both examples it is assumed that the PWC pays the application charge and the case remains in the collection service for the full 9 years:

Table 2 Potential case lifetime charges for benefit and median income assessments

	£20 Application Charge, 7% PWC Charge and 20% NRP Charge.	
Weekly Assessment	PWC Charges	NRP Charges
£10	£350	£940
£48	£1,590	£4,490

Affordability of charging – parent with care

118. As the PWC 7% collection charge is applied to the maintenance assessment amount which in turn is calculated on the NRP's income, the impact on the parent with care of the charge will vary depending on the NRP's income.

119. The following table shows the likely impact of collection charging as a PWC's income varies for two levels of maintenance: the flat rate of £10 for an NRP on benefit/with an income less than £100; and a weekly assessment of £48:

Table 3 Impact of collection charging on PWC income for two levels of maintenance

	£10 Flat Rate Maintenance			£48 Assessment		
PWC Gross Annual Income	PWC Weekly Collection Charge	PWC Weekly Collection Charge (% of post - maintenance net income)	% Increase in income due to maintenance received compared to pre - maintenance income	PWC Weekly Collection Charge	PWC Weekly Collection Charge (% of post - maintenance net income)	% Increase in income due to maintenance received compared to pre - maintenance income
Benefit - £140 p.w.	£0.70	0.5%	7%	£3.36	1.8%	32%
10k	£0.70	0.4%	5%	£3.36	1.5%	26%
£15k	£0.70	0.3%	4%	£3.36	1.2%	19%
£21k	£0.70	0.2%	3%	£3.36	0.9%	14%
£25k	£0.70	0.2%	3%	£3.36	0.8%	12%
£30k	£0.70	0.2%	2%	£3.36	0.7%	10%

120. A non-resident parent on benefit will typically have a weekly maintenance assessment of £10 per week.[11] This would result in a £0.70 PWC collection charge.

121. A non-resident parent with a median gross income of £21,000 per year and 1 qualifying child will typically have a weekly maintenance assessment of £48 per week. This would result in a £3.36 PWC collection charge.

122. These examples illustrate that the collection charge will represent a small proportion of a PWCs net income including maintenance received and that the maintenance when received less the collection charge still represents a significant contribution to PWC net income.

123. Therefore, in aggregate charging will not have a significant negative impact on the welfare of PWCs and their children. When considered in conjunction with the intended behavioural impacts (encouraging collaborative Direct Pay and family-based arrangements), as outlined in the following

[10] NRP median income of £21,000 based on analysis of a representative sample of CSA cases matched to 2011 HMRC gross income data.

[11] This will be reduced to zero if there is shared care of the qualifying child.

benefits section, the overall impact of charging on the welfare of PWCs and their children is expected to be positive.

Affordability of charging – non-resident parent

124. The fundamental point to note when considering the affordability of collection (and enforcement) charging for the NRP is that these charges are avoidable. If the NRP cooperates at the initial application stage, chooses Direct Pay and then is compliant in his/her payments then no charges will apply. It is only if he/she demonstrates behaviour indicative of non-compliance at application stage or is actually non-compliant that collection (and potentially enforcement) charges will be imposed.

125. The following table shows the likely impact of collection charging at various levels of NRP income and with varying numbers of qualifying children:

Table 4 Impact of collection charging on NRP income as income and qualifying children vary

	1 Qualifying Child		2 Qualifying Children		3 Qualifying Children	
NRP Gross Annual Income	NRP Weekly Collection Charge (£)	NRP Weekly Collection Charge (% of net income)	NRP Weekly Collection Charge (£)	NRP Weekly Collection Charge (% of net income)	NRP Weekly Collection Charge (£)	NRP Weekly Collection Charge (% of net income)
Benefit (£71 p.w.)	£2	2.8%	£2	2.8%	£2	2.8%
10k	£4.60	2.7%	£6.00	3.5%	£7.00	4.1%
£15k	£7.00	3.0%	£9.20	3.9%	£11.00	4.7%
£21k	£9.60	3.0%	£12.80	4.1%	£15.40	4.9%
£25k	£11.60	3.2%	£15.40	4.2%	£18.20	4.9%
£30k	£13.80	3.2%	£18.40	4.2%	£21.80	5.0%

126. This table illustrates that, as expected given that the NRP collection charge is 20% (versus the 7% PWC collection charge), collection charging has a greater impact on NRP income. However, the maximum collection charge for an NRP with an income of £30,000 and with 3 qualifying children still represents just 5% of net income.

Benefits:

Case closure

127. Diagram 1 below shows the impact on the 2012/13 CSA caseload of the systematic case closure process with a £20 application fee. These figures are derived from analyses and assumptions based on the results of the CSA client survey referred to previously, together with analytical modelling of the development of arrangement outcomes over time. [16]

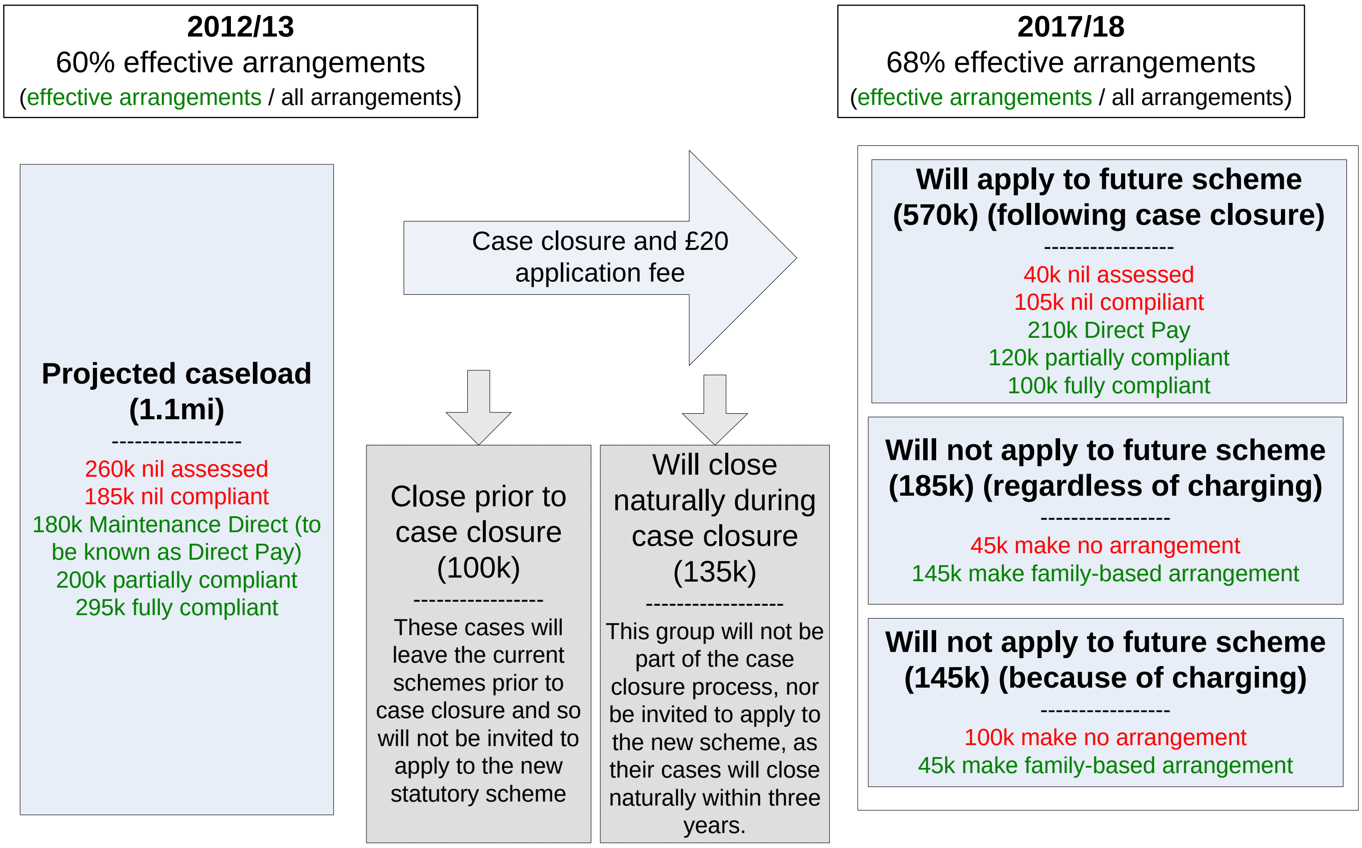
128. For the 2012/13 CSA caseload cohort of 1.1 million cases by the end of the end of the case closure period, effective arrangements as a percentage of all arrangements are expected to have increased from 60% to 68%.[12]

129. Of the 330,000 cases which are not expected to apply to the new scheme following case closure, an estimated 185,000 will make alternative family-based arrangements. Of the 570,000 who do apply to the new scheme, around 50,000 previously nil assessed cases are likely to be positively assessed.

130. In addition all statutory cases will be on the more efficient, responsive new scheme, and a higher proportion will be using Direct Pay arrangements.

[12] Effective arrangements are defined as arrangements where at least some money is being paid. All Maintenance Direct/Direct Pay and family-based arrangements are assumed to be effective.

Diagram 1: Outcomes for the cohort of 1.1m CSA clients after the case closure process



Note: Numbers in this diagram may not sum due to rounding

Effect of the new gross income calculation on former CSA cases

131. For the 570,000 CSA cases applying to the new scheme, if the CSA maintenance assessment is up to date prior to closure, then there will be relatively minor differences in assessment values between the two calculations, which can vary between positive and negative depending on the level of income and the number of children. See Annex A for a detailed tabulation of the differences between the assessment values for the current (post 2003) CSA scheme and the new scheme.

132. If the CSA assessment is not up to date there could be significant variations between the old CSA and new scheme assessments.

133. To estimate the potential variations in assessment values, a representative sample of CSA caseload in March 2010 was matched to HMRC income data. A new scheme gross income calculation was then derived for each sample case based on individual circumstances (number of qualifying children etc.). The results of this analysis in terms of difference between new and old maintenance assessment values is as follows:

Table 5 Differences between new HMRC gross income and 2010 CSA assessment values

Weekly Assessment Difference	Proportion of Caseload
> £40 less	3%
£20-£40	4%
£10-£20	3%
£5-£10	2%
£0.01-£5	5%
No Change	9%
£0.01-£5	24%
£5-£10	19%
£10-£20	10%
£20-£40	12%
> £40 more	9%

134. While this distribution is not necessarily fully representative of those CSA cases which will apply to the new scheme after the systematic case closure process, it does give an indication of the direction of changes in aggregate: 72% of cases had a positive change after being assessed using the new calculation, with only 28% having a decrease.

135. Increases in new scheme compared to old scheme maintenance assessment amounts which are likely to arise because the old scheme assessments are out of date, could be considered a benefit to the PWC and a cost to the NRP (and visa versa for decreases in maintenance assessments). However, while an increase/decrease in assessment amount is a cost/benefit to the PWC/NRP in monetary terms, it could be considered a benefit regardless of direction of the change, since the change does represent an increase of the accuracy of the assessed liability.

Estimating the impact of the reforms on steady-state maintenance arrangements

136. Table 6 compares the 2012/13 outcomes for all CSA clients to the estimated Option 1 and Option 3 post transition steady-states. The figures here represent a modelled working through of the long-term impact by the end of the 20 year period for the IA of:

a. Option 1 statutory case mix (with no case closure, and no other reforms).

b. Option 3 statutory case mix plus the outcomes for those who would have used the statutory service under Option 1 but do not under Option 3 (with the full set of Option 3 reforms implemented).

Table 6 Current and steady-state arrangement outcomes for Options 1 and 3 compared

Arrangement status	2012/13 case mix	2031/32 case mix Option 1	2031/32 case mix Option 3
Nil Assessed (statutory)	23%	9%	6%
Nil Compliant (statutory)	17%	24%	16%
No arrangements (non-statutory)	0%	0%	9%
Maintenance Direct/Direct Pay (statutory)	16%	16%	32%
Fully Compliant (statutory)	26%	23%	15%
Partially Compliant (statutory)	18%	28%	18%
Family-based arrangements	0%	0%	4%
Effective Arrangements %	**60%**	**67%**	**70%**

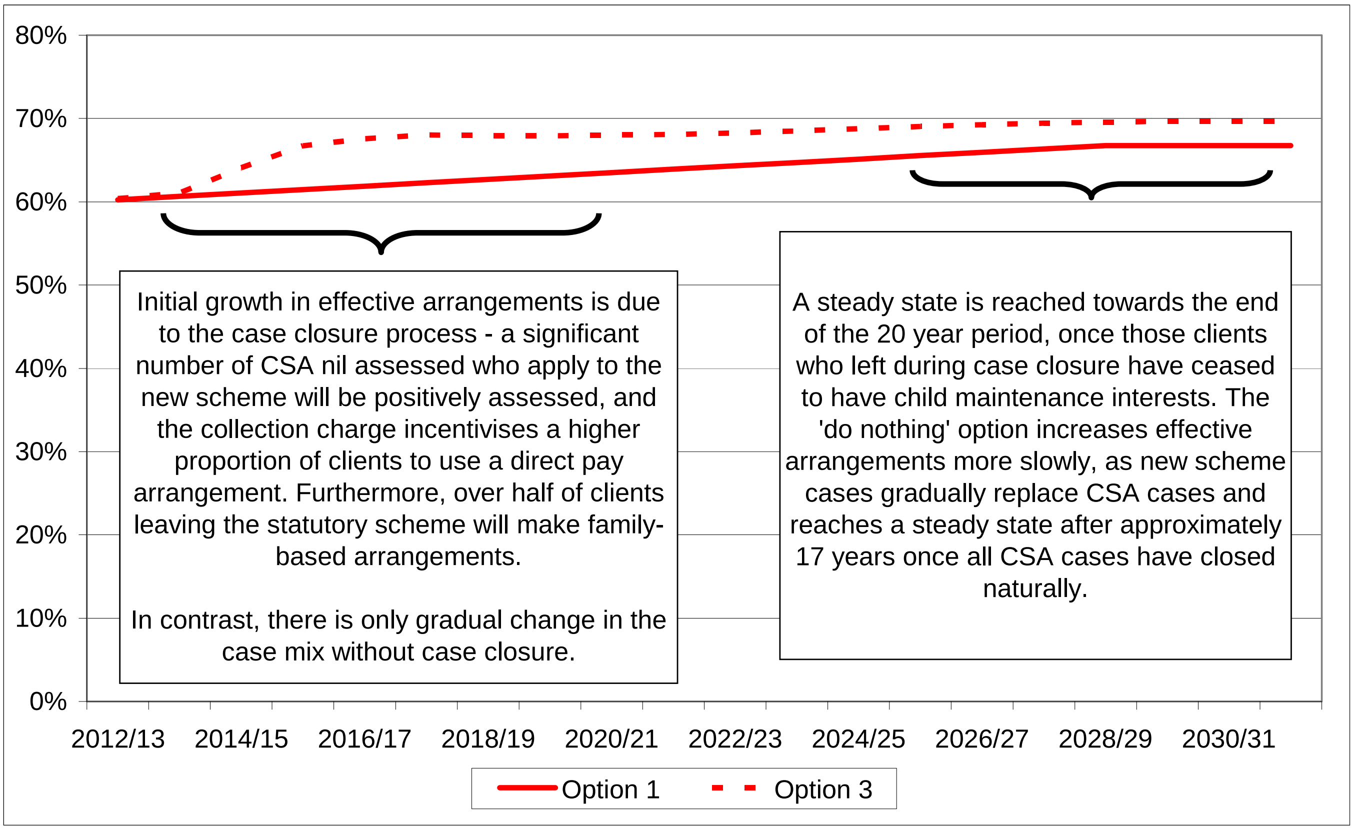
137. Comparing the 2031/32 columns in table 6 shows the benefit to parents of Option 3 over the baseline: more effective arrangements overall and significant numbers with family-based arrangements.

138. No attempt has been made to model the impact of the reforms on those who would not have used the statutory scheme under Option 1 i.e. positive impacts are expected on the 1.4m separated families who under the current system remain outside the statutory service.

Estimating the impact of the reforms on maintenance arrangements over the 20 years

139. Chart 2 below shows how, over the 20 year period of the impact assessment, Option 3 is expected consistently to give a higher proportion of effective arrangements for parents who would have used, or will still use, the statutory scheme as compared with Option 1. The better outcomes under Option 3 are primarily because case closure means that a large number of CSA clients benefit from the new scheme earlier than under Option 1. In addition, charging and the Gateway conversation result in more family-based arrangements or Direct Pay arrangements in the new statutory scheme. This is offset by a number of families who would have used the statutory scheme but now have no child maintenance arrangement.

Chart 2 Proportion of effective arrangements amongst parents who will use or would have used statutory service (over 20 years)



Support for separated and separating families and the Gateway

140. Information, guidance and support to make positive decisions for their children, including making family-based arrangements, will have a positive influence on the number and quality of family-based arrangements in place. The service is also designed to help people not to separate if possible and therefore it may have an additional downward influence on the numbers entering the child maintenance population. It has not been possible at this stage to quantify these potential impacts.

Enforcement charges

141. Enforcement charging is expected to discourage NRPs from becoming non-compliant in the first place and encourage NRPs with arrears to pay early before expensive enforcement action is actually required. Therefore, there will be an (as yet unquantified) positive impact on the level of compliance in new scheme cases, with consequent benefits for the PWC.

Employers

Costs

142. Deduction from earnings orders (DEOs) are administrative orders that require an employer to make deductions in respect of child maintenance liabilities directly from employee earnings and pay them to the Commission.

143. There were 142,000 cases with a DEO in place at the end of February 2012. NRPs with more than one case will have one DEO covering all maintenance payments and as a result there are around 130,000 active DEOs.

144. Around 80,000 employers operate the 130,000 active DEOs, 50,000 of whom are micro employers (i.e. employ less than 5 people) and 30,000 larger employers. Around 5,000 employers have more than one DEO, very few of whom are likely to be micro employers.

145. Of the 130,000 active DEOs, 115,000 are expected to close as a result of the systematic case closure process (the others will be excluded from the closure process, mainly because the cases will close naturally before the end of the case closure process). 35,000 of the 115,000 DEOs would be expected to close over that period in any case (due to employees changing jobs, employees moving to another method of payment etc.). This means that employers will be requested to close around 80,000 DEOs earlier than they would otherwise be required to do. Since all of these DEOs would close at some time in any case, this early closure is not counted as a cost to employers.[13]

146. To the extent that CSA cases with DEOs end up in the new scheme and again on DEOs, there will be a small additional cost to employers in the initial set up of the new deductions. It is difficult to estimate what volume this might be. NRP compliance behaviour and therefore probability of ending up with a DEO is likely to be quite different with the charging and Direct Pay incentives provided by the new scheme.

147. Working assumptions (being made due to a lack of firm evidence) are that 66% of the 80,000 CSA cases being closed with a DEO will end up in the new scheme and that around half of these will end up with a DEO again. This gives an estimate of 27,000 NRPs with DEOs on the CSA ending up on the new scheme with a DEO. The costs to employers of these are worked out as follows:

Table 7 Estimated costs to employers of setting up DEOs for old CSA cases on new scheme

Employer size	Number of DEOs	Staff time to set up a DEO (minutes)	Cost per hour of staff time	Total cost
Micro	10,000	30	£20.9	£110,000
Larger	16,000	15	£10.7	£40,000
Total	27,000	-	-	£150,000

Note: the undrounded total is £151,000 which therefore rounds to £0.2m as presented in the summary table on page 16.

148. The assumptions underlying these estimates are as follows:

- It will take 30 minutes for a micro employer to read and understand the DEO request (a simple request to deduct an amount depending on pay frequency while ensuring that a maximum of 60% of net income is deducted).
- It will take 15 minutes for larger employers to complete this activity since they are more likely to have experience with the CSA and more likely to have payroll software to easily apply the deduction. [18] [19]
- Micro employer's time costs of £20.90 an hour (Annual Survey of Hours and Earnings, 2010 uprated to 2011/12, median manager's salary). Larger employer costs of £10.70 an hour (Annual Survey of Hours and Earnings, 2010 uprated to 2011/12, median administrator's salary). Assuming that larger employers are more likely to have administrators than micro employers.

149. With the build up of the new scheme caseload following CSA case closure, there will be a significant increase in the number of new scheme DEOs (and a corresponding fall in CSA DEOs compared to the baseline). New scheme DEOs will need to be updated more regularly than if they were imposed on a CSA case because of the new scheme annual review process (although this extra activity will be slightly offset by the fact that there will be fewer in-year changes of circumstances because of the 25% income change threshold for a recalculation).

150. Cumulatively over the transition period there will be an estimated 211,000 extra changes to DEOs that employers will have to deal with compared to the baseline. The cost of this to employers is estimated as follows:[14]

[13] While closing these DEOs early could possibly be considered to have some cost to business when the time value of the activity is considered, the costs are considered too marginal to quantify here.

[14] Note: these costs occur over the first 14 years of transition. Over this period there are more new scheme DEOs compared to the baseline. However, from year 15 the new scheme caseload and the volume of DEOs dips below the baseline and therefore the costs of updating DEOs are lower. The lower costs from this point on are counted as a benefit in the employer benefits section.

Table 8 Costs to employers of extra DEO changes with Option 3 compared to the Option 1 baseline

Employer size	Number of extra DEO changes	Staff time to change a DEO (minutes)	Cost per hour of staff time	Total cost
Micro	81,000	10	£20.9	£280,000
Other	130,000	10	£10.7	£230,000
Total	211,000	-	-	£510,000

151. The assumptions underlying these estimates are as follows:

- It will take a minimum of 10 minutes for a micro or larger employer to deal with a required update to an existing DEO – given the small amount of time likely to be required no attempt is made to differentiate between micro and other employers here.
- The costs per hour of staff time, are the same here as for setting up the DEO in the first place. [18] [19]

152. Since the costs as outlined in tables 7 and 8 are a consequence rather than a direct requirement of the proposed case closure regulations it is not possible to mitigate the impact on micro business. However, these costs are outweighed by the benefits to micro business as outlined in the following section.

Benefits

153. While CSA case closure means more cases will end up in the new scheme compared to the baseline during the transition period, because of the influence of charging the longer term steady state new scheme caseload will be lower (see chart 1 above). The costs and benefits to business related to the operation of DEOs will track this process with higher costs compared to the baseline over most of the 17 year transition period but lower costs at the end of the transition period and in the post transition steady state.

154. The benefits to employers as estimated are as follows:

- Transition: £1.25m (£860,000 for micro employers and £390,000 for larger employers).
- Annually post transition: £0.12m (£80,000 for micro employers and £40,000 for larger employers)

155. These savings are made up of mixture of fewer DEOs to set-up, fewer annual reviews and fewer other updates required.

One-in, One-out

156. The 20 year cumulative total business net present value of these policies is estimated as £0.57m. This reflects the modest costs to business which are a consequence of closing current scheme DEOs and subsequently opening DEOs on the new scheme. It also reflects the DEO costs which are consequential to the quicker build-up of new scheme cases with case closure. These costs are then more than balanced by the fact that, due to a smaller caseload, there are fewer DEOs in the long run steady state.

157. This means there is a very small net benefit to business per year – on an equivalent annual net cost to business (EANCB) basis of -£0.04m. See the following section for sensitivities related to this estimate.

Sensitivities / Risks

158. The risks associated with each of the key variables include lower or higher volumes of applications to the new scheme and different proportions opening up new scheme cases following closure of their CSA cases. The main risks and sensitivities for the key variables are outlined in the following sections.

Costs and benefits to employers

159. The small benefits to business estimated in this impact assessment are based on the available information about likely client behaviour. If the new scheme case mix which develops following case closure and charging is less compliant than expected, a higher volume of DEOs will result.

160. However the estimates of net costs/benefits to business over the 20 year IA period are not very sensitive to changes in the proportion of caseload on DEOs. This is because the caseload is expected to be first higher and then lower compared to the baseline, which in turn leads to higher initial extra costs followed by later benefits. A doubling of costs and a halving of benefits over the 20 years will still produce an EANCB figure, which while positive, still rounds to zero at one decimal place of a million (i.e. rounds to £0.0m).

Existing CSA clients applying to new scheme

161. Current estimates are that 63% of existing eligible CSA cases will apply to the new scheme. A change in this proportion will lead to a change in the Commission costs associated with case closure and a change in overall caseload which would further impact case maintenance costs and revenue from charging. A +/- 20% change in existing CSA cases opting to open a new scheme case may have an impact on overall Commission costs of somewhere in the region of +/- 5%.

Application volumes to the new scheme

162. New scheme application volumes following the introduction of charging are currently assumed to be at 88% of current CSA levels. Any parental behaviour which leads to an increase in application levels will have an impact on the costs associated with dealing with applications, as well as additional impacts on the steady state caseload. This will lead to higher case maintenance and annual review costs while also increasing the income received from application and collection charging. A similar reduction in applications will have the opposite effect. A change in application volumes of +/- 20% could lead to net Commission costs differing by somewhere in the region of +/- 5%.

New scheme case mix

163. Current estimates are that 68% of statutory collection service cases will be fully or partially compliant. A lower than expected compliance rate will increase case maintenance costs due to the extra caseworker intervention that would be required, increasing enforcement costs and reducing revenue from collection charging. A reduction in compliance to 50% will increase overall net Commission costs by roughly 13% assuming that the overall proportion of cases using the collection service remains constant. A change in the case mix including a movement away from the current assumption that 40% of cases opt for Direct Pay would further impact on costs. A reduction in the proportion of cases opting for Direct Pay would increase case maintenance costs, although this would be at least partly offset by increased revenue from collection charging.

Statutory Equalities Duty

164. A separate equalities impact assessment has been produced. This document can be found at: http://www.dwp.gov.uk/docs/eia-child-support-fees.pdf

Annex A

Table A1: Current scheme (post-2003) liabilities per week and the proposed liabilities at different levels of gross weekly income: No shared care and no relevant other children.

	1 qualifying child			2 qualifying children			3 qualifying children		
Weekly gross income (£)	Current scheme rules	Proposed rules	Difference	Current scheme rules	Proposed rules	Difference	Current scheme rules	Proposed rules	Difference
Under 100	5	10	5	5	10	5	5	10	5
150	17	17	0	22	21	-1	27	24	-3
200	26	24	-2	35	32	-3	43	38	-5
220	30	26	-4	39	35	-4	49	42	-7
300	38	36	-2	50	48	-2	63	57	-6
400	48	48	0	64	64	0	80	76	-4
500	58	60	2	78	80	2	97	95	-2
600	68	72	4	91	96	5	114	114	0
700	79	84	5	105	112	7	131	133	2
800	89	96	7	118	128	10	148	152	4
900	97	105	8	130	140	10	162	167	5
1,000	106	114	8	141	152	11	177	182	5
3,000	280	294	14	373	392	19	467	482	15

Table A2: Current scheme (post-2003) liabilities per week and the proposed liabilities at different levels of gross weekly income: One night shared care and no relevant other children.

	1 qualifying child			2 qualifying children			3 qualifying children		
Weekly gross income (£)	Current scheme rules	Proposed rules	Difference	Current scheme rules	Proposed rules	Difference	Current scheme rules	Proposed rules	Difference
Under 100	5	10	5	5	10	5	5	10	5
150	15	15	0	19	18	-1	23	21	-2
200	22	21	-1	30	27	-3	37	33	-4
300	32	31	-1	43	41	-2	54	49	-5
400	41	41	0	55	55	0	69	65	-4
500	50	51	1	67	69	2	83	81	-2
600	59	62	3	78	82	4	98	98	0
700	67	72	5	90	96	6	112	114	2
800	76	82	6	102	110	8	127	130	3
900	83	90	7	111	120	9	139	143	4
1,000	91	98	7	121	130	9	151	156	5
3,000	240	252	12	320	336	16	400	413	13

Table A3: Current scheme (post-2003) liabilities per week and the proposed liabilities at different levels of gross weekly income: No shared care and one relevant other child.

	1 qualifying child			2 qualifying children			3 qualifying children		
Weekly gross income (£)	**Current scheme rules**	**Proposed rules**	**Difference**	**Current scheme rules**	**Proposed rules**	**Difference**	**Current scheme rules**	**Proposed rules**	**Difference**
Under 100	5	10	5	5	10	5	5	10	5
150	15	16	1	19	19	0	24	22	-2
200	22	21	-1	30	29	-2	37	34	-3
300	32	32	0	43	43	0	54	51	-3
400	41	43	2	54	57	3	68	68	0
500	50	53	3	66	71	5	83	85	2
600	58	64	6	78	85	7	97	101	4
700	67	75	8	89	100	11	111	118	7
800	76	88	12	101	117	16	126	139	13
900	83	96	13	110	128	18	138	152	14
1,000	90	104	14	120	139	19	150	166	16
3,000	238	264	26	317	352	35	397	433	36