

Child Maintenance and Enforcement Commission

Estimated cost of enforcement actions

July 2012

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Background

1. The Child Maintenance and Enforcement Commission is the non-departmental public body with responsibility for the child maintenance system in Great Britain. From 1 August 2012 the Commission will be abolished and its responsibilities transferred to the Department for Work and Pensions.
2. Presently a Commission operational unit, the Child Support Agency (CSA), maintains two statutory child maintenance schemes, the old scheme introduced in 1993 and the current scheme introduced in 2003. A new statutory scheme, which will replace the two existing CSA schemes, is due to go live in November 2012.
3. The purpose of this document is to outline the methodology used to estimate the full costs in 2011/12 associated with performing enforcement actions available to the Commission. Estimates have been based upon the latest available information, which in most instances was 2010/11 data.
4. These findings were used to inform the consideration of appropriate levels of charging for certain enforcement actions in the new statutory scheme.

Enforcement Actions

5. The Commission has various powers to enforce payment from the non-resident parents (NRPs) where they do not comply with their legal child maintenance obligation.

Deduction from Earnings Order/Request (DEO/R)

DEO/Rs are where the Agency makes a request to an employer to deduct maintenance directly from the earnings of an NRP.

Liability Order

A liability order is a document obtained from the court showing that they legally recognise that the debt is owed. This is the same in England, Wales and Scotland. This is required before the Agency can use litigation powers (Diligence in Scotland).

Distress Actions

Distress actions refer to bailiff actions in England & Wales. This is where, once the debt has been legally recognised, the Agency has passed the debt to a bailiff company for collection (or equivalent).

Deduction Order

Deduction Orders are where the Agency applies to deduct maintenance directly from a non resident parent's bank/building society account, following non payment of maintenance. There are two types of deduction order, a regular deduction order which deducts a regular fixed amount in respect of either regular

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maintenance and/or arrears and a lump sum deduction order which initially freezes, and later deducts a lump sum amount solely in respect of arrears.

Charging Order

Charging orders in England & Wales are where a County Court Order for the legally recognised debt is attached to the equity of a non-resident parent's property.

Order for Sale

Order for sale action can be taken once a final charging order has been granted against a property owned or jointly owned by the NRP. Through the Agency's external supplier action will be taken to secure payment, if full payment is not made and there is evidence of equity an application may be made to the court for an order for sale.

Order to Pay (Committal)

An order to pay is where the Magistrate grants a custodial prison sentence, suspended on condition that the NRP makes payment. Committal information includes both actual and suspended committal sentences and driving licence disqualifications following non payment of child maintenance.

6. The number of enforcement actions successfully imposed between April 2010 and March 2011 is shown in the table below:

Table 1: Enforcement Actions Successfully Imposed/Granted Apr 2010 – Mar 2011

Enforcement Action	Number Successfully Imposed or Granted
Deduction from Earnings Order / Request*	63,060
Liability Order	19,365
Distress Action**	2,355
Deduction Order	760
Charging Order	1,730
Order For sale	75
Order to Pay (Committal)	1,310

Source: http://www.childmaintenance.org/en/pdf/qss/QSS_june_2011.pdf

Figures have been rounded to the nearest 5.

* DEO/R figures do not distinguish between successfully imposed and unsuccessfully imposed.

**Sourced from Local Management Information rather than the QSS document.

How CSA currently operates enforcement actions

7. Presently the CSA organisation is split into lines of business which each deal with specific types of case. Processing and imposing DEO/Rs can be handled by any caseworker across any line of business. Other legal enforcement actions are 'ring-fenced' within the two lines of business responsible for administering non compliant cases: Debt Enforcement and Legal Enforcement. Within Legal Enforcement, further specialist areas are solely responsible for administering the Order for Sale and Deduction Order actions.
8. Typically the end-to-end business process to issue a DEO/R does not take place all at once, and will instead be spread out over a period of around one to two weeks. There are also additional costs incurred over the lifetime of the DEO/R to maintain it including re-issue following a change to the DEO/R, post opening & banking costs and receipt processing.
9. The process for administering other Legal Enforcement actions is more complex with work taking place over a period of months. Some actions are specific to Scotland and these are not within the scope of this research, namely Charge for Payment and Bill of Inhibition. These are administered by the CSA Legal Enforcement area in Scotland.

Estimating costs of issuing and maintaining DEO/Rs

Initial DEO/R Issue

10. Initial consultation with CSA operational caseworkers in October 2011 revealed that the DEO/R issue process was relatively short, with caseworkers estimating the overall processing time at between 30 and 150 minutes spread over a timeframe of around two weeks.
11. In the absence of administrative data for processing times, a small operational study was conducted in a CSA operational team consisting of 10 caseworkers. The DEO/R process was broken down into individual steps and over a period of one week, each caseworker recorded activity times related to each step. Since not all steps were mandatory, the timings for some steps were weighted by the rate of occurrence to account for this.
12. The average times recorded, the occurrence rate of each step and the resulting weighted time are shown for each step in the DEO/R process in the table below:

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Table 2: DEO/R Issue Process Average Timings for Related Activities

Step No.	Step	Average Time (h:mm:ss)	Occurrence Rate (%)	Weighted Time (h:mm:ss)
1	Initial Debt call to NRP	0:06:20	100.00%	0:06:20
2	Warning letter issued	0:07:18	100.00%	0:07:18
3	Call to PWC after issue of letter	0:03:30	100.00%	0:03:30
4	Call from NRP re letter	0:07:20	100.00%	0:07:20
5	Call to employer to gather DEO information	0:06:38	100.00%	0:06:38
6	Employer letter	0:07:00	100.00%	0:07:00
7	DEO MOC data input	0:06:50	100.00%	0:06:50
8	DEO Issue	0:13:00	100.00%	0:13:00
9	Call to NRP after DEO issue	0:13:29	100.00%	0:13:29
10	Call to PWC after DEO issue	0:05:23	100.00%	0:05:23
11	Letter to PWC following DEO issue	0:04:30	100.00%	0:04:30
12	Call to employer to confirm receipt of DEO	0:10:00	100.00%	0:10:00
13	Call to employer to confirm DEO has been set up	0:05:00	100.00%	0:05:00
14	Call to employer before the 19th of the month	0:12:30	100.00%	0:12:30
15	Check for payment	0:03:00	100.00%	0:03:00
16*	PWC call	0:07:40	33.00%	0:02:32
17*	Call to employer	0:05:47	33.00%	0:01:55
18*	Reissue of notifications	0:09:36	25.00%	0:02:24
19**	Employer warning letter	0:06:30	0.50%	0:00:02
20**	Referral to Inspector	0:25:00	0.10%	0:00:01
21**	Call to PWC	0:05:00	0.10%	0:00:00
	Total	2:51:21	-	1:58:42

* Steps 16-18 occur in the event that there is an issue with the employer performing the deduction

** Steps 19-21 occur in the event of employer non compliance and occur infrequently. These timings are based upon caseworker estimates.

13. The times recorded for each step have been collated and averaged to give an estimate of the caseworker time to issue a DEO/R as **1:58:42**. When expressed as a decimal figure this is **1.98** hours.

DEO/R Re-issue

14. Additionally time for re-issuing DEO/Rs needs to be included. DEO/Rs require re-issue when the amount or frequency of the DEO/R changes. This process is the same as the DEO/R issue process, with the exception that steps 1 - 4 shown in Table 2, are not applicable and are excluded.

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15. This results in the estimated caseworker time to re-issue a typical DEO/R as **1:34:14**. When expressed as a decimal figure this is **1.57** hours.
16. Management Information is available for initially issued DEO/Rs but not re-issued DEO/Rs. Analysis of a sample of NRP method of collection data revealed that the breakdown of DEO/R issue to re-issue activity is 40/60 respectively. Given the number of DEO/Rs issued in 2010/11 was 63,060*, the estimated level of re-issue activity for the same period is 93,725. When applied to the 140,125* active DEO/Rs for 2010/11 this gives a 66.9% estimated annual re-issue rate.

*Source: http://www.childmaintenance.org/en/pdf/qss/QSS_june_2011.pdf

17. When applying people costs to the DEO process an assumption is made that 95% of DEO activity is undertaken by Administrative Officer (AO) caseworkers with the remaining 5% undertaken by Executive Officer (EO) caseworkers. Caseworker costs include salary, pension and additional costs (estates, IT & expenses) and have been weighted by 1.66 to account for non-productive time (e.g. leave, sickness, training etc.) The hourly costs for the respective grades are therefore as follows:

- Executive Officer (EO) cost: **£32.79**
- Administrative Officer (AO) cost: **£25.37**

18. These rates are applied to the DEO/R issued and re-issued timings also incorporating the DEO/R annual re-issue rate giving estimated costs as follows:

- DEO issue cost **£50.93**
- DEO annual re-issue cost **£27.04**

19. Additional costs for post opening / receipt banking and receipt processing have also been calculated. The average cost of post opening and receipt banking has been estimated at **£0.09** per DEO/R annually. The average cost of DEO/R receipt processing by the relevant department has been estimated at **£9.68** per DEO/R annually.

DEO/R Duration

20. Analysis shows the average age of currently active DEO/Rs to be 2.8 years for the 2003 scheme with projections indicating that the age is rising. Comparable data isn't available for 1993 scheme DEO/Rs, however since these are likely to be older, an assumption has been made that the estimated life expectancy of a DEO/R is 4 years across all schemes when applying annual DEO/R maintenance costs.

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DEO/R Summary

21. The table below shows the above elements incorporated into the overall estimated cost rounded to the nearest pound. Note that due to rounding, the total amount may differ from the sum of the relevant values.

Table 3: Breakdown of estimated DEO/R Unit Cost

Element of DEO Processing	Initial Cost	Yearly Cost	Four Year Lifetime Cost
DEO/R Issue	£51	-	£51
DEO/R re-Issue	-	£27	£108
Post Opening / Banking	-	<£1	<£1
Receipt Allocation	-	£10	£39
Total Cost	£45	£33	£198

22. Due to the fact that this is an estimate, the £198 estimated cost is rounded up to £200.

Estimating costs of imposing other legal enforcement actions

23. Estimated costs of other legal enforcement actions have been derived using management information for people resource costs and annual volumes of enforcement actions imposed for the 2010/11 reporting year. The volume of successfully imposed enforcement actions has been used to calculate the estimated costs. As a result the costs of working on enforcement actions that do not reach the imposition stage will be reflected in the overall cost of successful actions.
24. The people resource working on enforcement actions was allocated to the relevant activities in stages. Salary and overhead costs were then applied dependent upon staff grade to give cost estimates.
25. The stages in which resource was applied are detailed as follows:

Procedures

Where time to complete certain procedures was known in respect of specific enforcement orders (e.g. Pre Court Checks, Referral Procedures etc.) this has been applied and subtracted from the overall available resource.

'Ring Fenced' Resource

Deduction Order and Order for Sale teams are specialist teams that deal exclusively with their specific orders and are considered 'ring fenced'. This also includes court presenting officer resource. Whilst this is not ring fenced, data is available on how it is allocated across actions. These areas of resource are applied to the cost estimate calculation.

General Resource

The remaining resource, which constitutes the majority of overall resource, is then apportioned between the various enforcement orders. The apportionment volumes are based upon expert opinion formed in conjunction with relevant managers in the Legal Enforcement line of business.

General Support Resource

Additional support resource is required to perform general case updates and maintenance functions. A proportion of this work is required regardless of whether enforcement action is taking place. To account for this, 25% of the available general support resource is excluded and the remaining 75% applied to the cost estimate calculation.

Fees / Costs

Fees and Costs relating to the specific enforcement actions are then included. These will include elements such as court costs and legal fees.

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26. The resulting cost estimate breakdowns are shown in the tables below:

Table 4: Liability Order Cost Estimate Breakdown

Stage	AO Resource Cost	EO Resource Cost	HEO Resource Cost	Total Resource Cost
Procedures	£24	£12	£0	£36
'Ring-Fenced' Resource	£15	£116	£0	£131
General Resource	£180	£123	£9	£312
General Support Resource	£80	£0	£0	£80
Fees / Cost	-	-	-	£41
Total Cost	£299	£251	£9	£599

Table 5: Distress Action Cost Estimates

Stage	AO Resource Cost	EO Resource Cost	HEO Resource Cost	Total Resource Cost
Procedures	£7	£5	£0	£13
'Ring-Fenced' Resource	£0	£0	£0	£0
General Resource	£1,416	£969	£67	£2,453
General Support Resource	£107	£0	£0	£107
Fees / Cost	-	-	-	£49
Total Cost	£1,530	£975	£67	£2,621

Table 6: Deduction Order Cost Estimates

Stage	AO Resource Cost	EO Resource Cost	HEO Resource Cost	Total Resource Cost
Procedures	£0	£0	£0	£0
'Ring-Fenced' Resource	£0	£876	£261	£1,137
General Resource	£0	£0	£0	£0
General Support Resource	£296	£0	£0	£296
Fees / Cost	-	-	-	£5
Total Cost	£296	£876	£261	£1,438

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Table 7: Charging Order Cost Estimates

Stage	AO Resource Cost	EO Resource Cost	HEO Resource Cost	Total Resource Cost
Procedures	£0	£9	£1	£10
'Ring-Fenced' Resource	£0	£271	£0	£271
General Resource	£0	£2,342	£163	£2,505
General Support Resource	£296	£0	£0	£296
Fees / Cost	-	-	-	£203
Total Cost	£296	£2,623	£163	£3,285

Table 8: Order for Sale

Stage	AO Resource Cost	EO Resource Cost	HEO Resource Cost	Total Resource Cost
Procedures	£0	£0	£0	£0
'Ring-Fenced' Resource	£76	£8,771	£2,641	£11,488
General Resource	£0	£0	£0	£0
General Support Resource	£296	£0	£0	£296
Fees / Cost	-	-	-	£1,205
Total Cost	£372	£8,771	£2,641	£12,989

Table 9: Committal

Stage	AO Resource Cost	EO Resource Cost	HEO Resource Cost	Total Resource Cost
Procedures	£0	£0	£0	£0
'Ring-Fenced' Resource	£0	£279	£0	£279
General Resource	£0	£3,093	£215	£3,308
General Support Resource	£296	£0	£0	£296
Fees / Cost	-	-	-	£335
Total Cost	£296	£3,372	£215	£4,218

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27. A summary of the final, estimated enforcement action costs, including DEO/Rs is shown in the table below. These have been rounded to the nearest £100.

Table10: Estimated Unit Costs for Enforcement Actions

Enforcement Action	Estimated Action Cost
DEO/R	£200
Liability Order	£600
Distress Action	£2,600
Deduction Order	£1,400
Charging Order	£3,300
Order for Sale	£13,000
Committal	£4,200