

# Estimating the impacts of CSA case closure and charging

Estimating the impacts of Child Support Agency (CSA) case closure and charging for the new Child Maintenance Service

6 August 2012

# Introduction and key findings

## Introduction

1. This paper outlines the details of Child Support Agency client surveys conducted during summer 2011 and the subsequent analysis undertaken using those surveys in developing the following key planning estimates:-
  - The proportion of existing and future clients expected to apply to the new statutory scheme following case closure and introduction of charging.
  - The alternative arrangements made by clients who will no longer use the new statutory scheme.
  - The proportion of clients expected to choose and remain longer-term on a Direct Pay arrangement.
  - The overall child maintenance outcomes for existing and future potential clients.
2. There is likely to be a considerable gap between survey respondents' initial stated intentions in the surveys (when confronted for the first time with new and complex concepts such as charging, case closure and Direct Pay arrangements) and their actual behaviour when faced with the real situation.
3. Using the raw survey responses, matched to CSA administrative data, a variety of analytical techniques were used to estimate likely actual behaviour in response to charging and case closure.
4. The analysis took into account current assessment amounts and compliance status as well as indicators of the likelihood that parents could cooperate in making family-based arrangements. Where reliable data were not available, expert management judgement was used in constructing the final estimates.
5. The introduction of the new and enhanced support services for separated families and the Gateway to the new Child Maintenance Service is expected to have further positive impacts on the numbers making effective maintenance arrangements. It has not been possible to estimate these additional positive impacts through the analysis presented here.
6. Therefore, while the estimates presented here represent the best possible view based on the available evidence, they should be considered indicative of the impacts of the reforms and treated with caution rather than considered definitive.
7. A full review and evaluation of the policy of charging will be conducted 30 months after the introduction of charging. The actual impact of case closure will be assessed on an ongoing basis.

## Key findings

8. The introduction of charging for use of the new statutory Child Maintenance Service and systematic closure of CSA cases is expected to result in an increase in the proportion of effective child maintenance arrangements overall.<sup>1</sup>
9. When combined with the impact of the introduction of the new calculation regulations, in the long term these reforms are anticipated to increase the proportion with effective arrangements from 60% to 70% (of those who will use or would have used the statutory services without the reforms).
10. The reforms are likely to have a significant positive impact on collaboration between parents with 185,000 former CSA clients making family-based arrangements initially. Over the long term, there will be an additional 40,000 family-based arrangements made by clients who would have used the new statutory scheme without these reforms.

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<sup>1</sup> For statutory cases, an effective arrangement is defined as one where full or part payment of the assessment amount is made in the collection service or where the NRP pays the PWC directly. For family-based arrangements, an effective arrangement is defined as one where all or some of an agreed amount is paid always or usually on time.

11. Statutory arrangements where the non-resident parent pays the parent with care directly are projected to increase from 20% to 40% of the positively assessed caseload.
12. 63% (570,000) of 900,000 eligible existing CSA clients are expected to apply to the new scheme following case closure and the introduction of charging. Of these cases:-
  - 65% (370,000) are likely to have effective CSA arrangements before case closure.
  - 75% (430,000) are expected to have effective arrangements in the new Child Maintenance Service.
13. 37% (330,000) are therefore expected to leave the statutory scheme over the three year case closure period with:-
  - 20% (185,000) preferring not to apply irrespective of charging.
  - 17% (145,000) not applying because they do not want to pay an application fee.
14. Of the 37% (330,000) leaving the statutory scheme, just over half (175,000) are likely to have had effective CSA arrangements. It is estimated that approximately 70% (120,000) of these will make family-based arrangements, and approximately 30% (55,000) will make no arrangement, at least not initially.
15. Just under half (155,000) of those leaving the statutory scheme are likely to have had ineffective (nil compliant or nil assessed) CSA arrangements. It is estimated that over 40% (65,000) of these will make family-based arrangements, and approximately 60% (90,000) will make no arrangement, at least not initially.
16. Around 12% (15,000) of the 120,000 annual potential applicants are projected not to apply to the new scheme following the introduction of the application charge. Of these, 5,000 are likely to make family-based arrangements and 10,000 no arrangements. Of the 10,000 making no arrangements, around 6,000 would be likely to obtain an effective arrangement if they applied to the new statutory scheme, although only 3,000 of those would be likely to receive more than flat rate maintenance.
17. It is not expected that the reforms will have a significant impact on the numbers choosing to make court arrangements. This is because of the significant difference in the costs of applying for a court order compared to the £20 cost of applying to the Child Maintenance Service.

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# Chapter one: overview

## Key content:

- Surveys of CSA clients were undertaken in June and July 2011 to help understand client intentions in relation to the proposals for charging for the new Child Maintenance Service, closure of CSA cases and the use of Direct Pay arrangements.
- The results formed the basis for the development of key estimates to enable the Commission to plan effectively for the introduction of charging and the systematic closure of CSA cases.
- This paper sets out details of the CSA client surveys and the full analysis undertaken on those surveys in developing these key planning estimates.

## Planned child maintenance reforms

18. 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. 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.
19. Under the firm set of child maintenance policies proposed, the Commission<sup>2</sup> will introduce the new statutory scheme to a pathfinder group of new applicants from October 2012 and then extend it over time to cover all new applicants seeking a statutory arrangement. Once the new scheme is deemed to be working well and has been opened to all new applicants, the first in a series of tranches of Child Support Agency (CSA) clients will be given six months notice that their cases will be closed.
20. Clients will then start to choose whether or not to apply to the new statutory scheme. A one off upfront application fee of £20 will be introduced, which will be waived if the applicant declares that they have been a victim of domestic violence.
21. In the vast majority of statutory scheme cases, the non-resident parent (NRP) will be given the opportunity to pay the parent with care (PWC) directly (which will be known as a Direct Pay arrangement) and therefore there will be no further charges or fees levied on either parent. However, if the Child Maintenance Service believes that the non-resident parent is unlikely to pay, or if the non-resident parent subsequently fails to pay in full and on time, they will be required to pay through the collection service, where collection charges and possible enforcement charges will also apply.
22. The proposed reforms are outlined in detail in the Command Paper 'Supporting Separated Families; Securing Children's Futures' [available here: <http://www.dwp.gov.uk/docs/childrens-futures-consultation.pdf>] and the accompanying Impact Assessment for case closure and charging regulations [available here: <http://www.dwp.gov.uk/docs/cm-case-closure-and-charging-regs-ia.pdf>].

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<sup>2</sup> The Commission was the body responsible for delivering child maintenance up until 1<sup>st</sup> August, 2012. After this date, The Department for Work and Pensions (DWP) will manage the child maintenance system in Great Britain.

## Child Support Agency client surveys

23. To support the development of a strong evidence base for the likely impact of the child maintenance reforms, the Commission conducted a series of CSA client surveys in June and July 2011. A survey of Child Maintenance Options clients was also carried out, although the results of that particular survey were not used in developing the estimates described in this paper.

## Survey results

24. The full tabulated results of these surveys are available here:

<http://www.dwp.gov.uk/docs/csa-client-surveys-results.xls>

## Developing planning estimates

25. The raw survey results formed the basis for the development of the key planning estimates for the reforms.
26. A considerable challenge of using the raw survey data to develop planning estimates is the anticipated gap between clients' stated intentions and likely actual behaviour in response to new and complex concepts such as charging, case closure and Direct Pay arrangements. For example, a client may object to paying an application charge on first being asked to consider it in a survey. The client may however still apply to the new statutory scheme when the actual decision has to be made. At that point a full consideration of the real costs of the alternatives and the benefits of a statutory arrangement is likely.
27. The estimates were therefore developed combining administrative data on current CSA assessment amounts and case compliance, using a number of different analytical techniques as well as expert management judgement.
28. The estimates, as outlined in the following sections, are usually expressed in percentage terms i.e. the proportion of existing clients expected to use the new scheme / make alternate arrangements etc. For illustrative purposes these have been applied to current projected volumes (i.e. 88% of new applicants is 105,000). However, volume estimates are likely to be updated a number of times prior to the implementation of the reforms, whereas it is expected that the central planning estimates will remain more stable.

## Contents of this paper

29. This paper sets out the analytical process taken in using the CSA client survey results to develop estimates of what may happen as the reforms are implemented. The following table shows how the explanation progresses chapter-by-chapter towards a conclusion (in chapter eight) whereby the overall outcomes of existing and potential future clients, under the reforms, are estimated and evaluated.

Figure 1 – Contents Summary

Chapter	Key content:
Two	Details on survey sampling and fieldwork
Three	The impact of an application charge of £20 on application levels.
Four	The impact of a £20 application charge and case closure on statutory scheme levels.

<b>Five</b>	The impact of collection charging on statutory scheme levels.
<b>Six</b>	The number and type of alternative arrangements made by existing and new clients no longer choosing to use the statutory scheme.
<b>Seven</b>	The proportion of clients expected to use and remain on Direct Pay in the longer term.
<b>Eight</b>	The overall outcomes for existing and future clients (who do and do not use the statutory scheme as a result of the reforms) over the medium to longer term.

## Gateway and other support services

30. After the Child Maintenance service is open to all applicants, and is working well, if parents wish to use the statutory service, they will be required to first engage in a conversation with the Gateway service. The Gateway will support potential applicants to consider alternatives before proceeding with their application. It will ultimately be up to the applicant whether they wish to proceed. There is no explicit effect assumed for the introduction of the Gateway in these estimates, although it is assumed that this is the point at which applicants will receive information about charging and family-based arrangements.
31. The Government has also announced a £20m investment to support the development of support services for separated and separating families. These services will ensure that, where parents decide to separate, they receive the right information and support at the earliest possible stage to help them maintain a collaborative relationship with each other, including agreeing maintenance arrangements, in the best interests of their children. These plans were in the early stages of development when the CSA client surveys were undertaken, so it was not possible to take them into account in the surveys or when developing the estimates. The analysis outlined in this paper therefore focuses on the direct impact of case closure and charging on the new statutory scheme.

## Risks and sensitivities

32. A broadly representative sample of CSA clients was obtained, with a typical confidence interval of +/-3% around raw survey results for each client group surveyed. Assuming that non-response bias is not a significant issue, the pure survey results concerning initial client reaction to case closure, charging and Direct Pay at the time of the survey are reliable and accurate within the small percentage range quoted.
33. As described earlier it is likely that a significant proportion of survey respondents will make a different decision to their stated intention (regarding use of the statutory scheme, payment of charges, use of Direct Pay) when faced with the actual decision. Therefore adjustments were made to the raw survey results in forming the final estimates. These adjustments were based on analysis of survey data comparing the cost of the application fee with the frequently much greater amount of maintenance received, and also the cost of a legal alternative where collaboration appears difficult. Further adjustments were also applied regarding willingness to declare domestic violence and future compliance. All of these adjustments mean that the final estimates, whilst using the best evidence and expertise available, contain a significant degree of uncertainty which is difficult to quantify.<sup>3</sup>
34. As the purpose of the estimates is to enable the Commission to plan effectively for the launch of the new statutory scheme and the reforms, the Commission has considered the impact of the actual numbers being higher or lower than the estimates set out here (see the Case Closure and Charging Impact Assessment for details). However, due to the numerous assumptions applied, it is not possible to put a statistical confidence interval around the final estimates. As such, they are

<sup>3</sup> More detail available in the relevant chapters.

considered by the Commission to be the most realistic estimates of outcomes that can be derived with the evidence and analysis available.

### **30 month review of charging**

35. As set out throughout this paper, the purpose of developing these estimates is to enable the Commission to plan effectively for the launch of the new statutory scheme and the other elements of the child maintenance reforms. A full review and evaluation of the policy of charging will be conducted 30 months after the introduction of charging. The actual impact of case closure will be assessed on an ongoing basis. These reviews will enable the Commission to fully analyse the actual impact of the reforms on the arrangement outcomes of clients.

## Chapter two: survey sampling and fieldwork

### Key content:

- The CSA client surveys were conducted by CSA operational staff, under the supervision and management of the Commission research team.
- Fieldwork took place in June and July 2011.
- The final achieved samples were broadly representative of the target client base, although there was some under / over representation of certain client groups.
- For the purpose of creating the key estimates derived in this paper, the sample bias has been corrected, where evident, either by direct weighting, or incorporation into the assumptions overlaid onto the survey results.

### Introduction to the surveys

36. To support the development of a strong evidence base for the likely impact of the child maintenance reforms, the Commission conducted a series of CSA client surveys from June to July 2011. A survey of Child Maintenance Options clients was also carried out.
37. The achieved samples, broadly representative of each group surveyed, were as follows:-

**Figure 2 – Child Maintenance Client Surveys**

Survey (client group)	No. of respondents	Primary objective of survey
Existing CSA Parents-with-care (PWCs)	1,527	To understand intentions with regard to case closure and to gauge reaction to charging.
New PWC CSA Applicants	986	To gauge reaction to charging.
CSA NRPs	1,334	To understand intentions with regard to collection charging and the Direct Pay proposal.
CSA PWCs who recently closed their CSA case	681	To understand drivers for closure and subsequent arrangement types
Child Maintenance Options clients	1,490	To understand drivers for family-based arrangements and statutory arrangements.

38. This chapter covers details on the survey sampling and fieldwork, including:-
- when the surveys were conducted,
  - the number of clients interviewers attempted to contact per completed questionnaire,
  - any client groups excluded from the surveys,
  - any client groups that were under or over represented, in the achieved survey samples,
  - overall confidence intervals on the final survey results
39. The chapter concludes by considering possible bias in results and adjustments made to take account of these.

## **Overall survey methodology**

40. Simple random samples of clients were extracted from the relevant administrative systems. The randomly ordered lists were then worked by CSA operational staff who telephoned clients (and conducted the survey interviews) under the management and supervision of the Commission social research team.
41. Operational staff received training in interviewing techniques by Commission social researchers who closely supervised interviewers throughout the interview process, providing support and advice as well as quality assurance, both on the conduct of the interviews and the accurate recording of the information obtained.

## **New PWC CSA Applicants survey**

42. The New PWC CSA Applicants survey ran from the 30th June to the 21st July. During this time, new CSA applicants were asked whether they would be prepared to answer a questionnaire about new child maintenance services which were being developed. Approximately 1 in 13 attempted telephone contacts resulted in a successful interview with a total of 986 complete responses achieved; this is from a population of approximately 13,000. The achieved sample gives a 95% confidence interval of approximately +/-3% for the raw tabulated survey estimates.
43. The achieved sample was broadly representative of new applicants; of primary importance, the ratio of benefit to non-benefit respondents was similar to that of the July intake. The survey did under-represent applications which by September 2011 had been cancelled or withdrawn. However, the respondents interviewed accurately represent the distribution of maintenance assessment values when compared with July's intake.

## **Existing CSA PWCs survey**

44. The Existing CSA PWCs survey ran from June to July 2011. A randomly representative sample of 24,550 records were selected from the entire population of approximately 1.1 million PWCs, excluding:-
  - Arrears only cases
  - Cases where a calculation had not yet been made (i.e. entirely new cases)
45. Approximately 1 in 15 attempted telephone contacts resulted in a client completing the questionnaire. This resulted in a total of 1,527 responses. This gives a 95% confidence level interval of approximately +/- 2% for the raw tabulated survey results.
46. Older nil assessed and Maintenance Direct cases are underrepresented in the achieved sample.

## **CSA NRPs survey**

47. The CSA NRPs survey ran from 29th June 2011 to 22 July 2011. A random sample of 22,500 was selected from a population of approximately 385,000 NRPs, excluding Maintenance Direct and clerical cases.
48. Approximately 1 in 11 attempted contacts with NRPs resulted in a completed questionnaire. This resulted in a total of 1,334 responses, which gives a 95% confidence level interval of +/- 3% for the raw tabulated survey results.
49. The final achieved sample was broadly representative of CSA NRPs; however there was greater participation from compliant NRPs, whilst NRPs on benefit were under represented.

## **Survey of CSA PWCs who recently closed their CSA case**

50. The survey of former CSA PWCs (who closed their CSA case in the last six months) ran between 30th June and 26th July 2011

51. A random sample of 10,000 PWCs was selected from a population of 36,000. Approximately 1 telephone contact attempt in 15 resulted in a completed questionnaire, with 681 responses achieved. Overall, the raw survey results have a 95% confidence interval of +/- 4%.

### **Child Maintenance Options survey**

52. Child Maintenance Options clients who called the service during June and July 2011 were asked if they were happy with being:-
- Asked questions about why they were calling;
  - Guided through the range of maintenance options that may best meet their needs;
  - Asked a few questions at the end of the call about possible changes the government are considering to do with child maintenance in the future.
53. If they were happy with all of the above, the Options survey questions were woven into a regular Options conversation (since similar questions occur in a regular Options call, anyway). However, this means that some of the questions have a lower completion rate, where, for various reasons, information was not successfully acquired during the conversation. If clients did not want to answer survey questions, they could proceed to have a regular Options conversation as normal.
54. The only time a client was not asked to take part in the survey was if they were not the parent of the child in question, were a non-English speaker, or if it was only a short call (i.e. a full Options conversation, where the full range of Child Maintenance options are discussed, had not taken place).
55. 1,491 survey responses were collected (the survey was stopped when the target of 1,500 had been reached). This gives a 95% confidence interval of +/-2% on the overall results. The final achieved sample significantly over-represents inbound callers, but is broadly representative otherwise.
56. The results of this survey were not used in the development of the key planning estimates as outlined in the following chapters.

### **Potential non-response bias**

57. As detailed above, for the CSA-specific surveys, it took between 10 and 15 telephone contact attempts to achieve a completed interview. It is likely that clients who are more easily contactable and willing to complete a CSA survey are more engaged with the CSA and their case. This may mean that the survey responses are biased towards those who are interested in using a new statutory scheme or making family-based arrangements.
58. Attempts were made to minimise any such non-response bias by making the opening invitation to participate in the survey as neutral as possible. Clients were told that the objective of the survey was "gathering feedback to help improve the services we are offering to our clients"; only introducing the potentially divisive concepts of case closure and charging later. Clients were then informed of the time needed to complete the survey, and given assurances of complete confidentiality. It was also made clear that the decision to take part or not would not in any way affect their CSA case.
59. These potential biases were taken into account as assumptions were overlaid onto the survey results in developing the estimates as outlined in the following chapters.

### **Sample bias**

60. Each of the achieved samples contain some under or over representations of certain client groups, particularly the under representation of older nil assessed and Maintenance Direct (Direct Pay) cases in the Existing CSA PWCs survey. This should be borne in mind when considering the accompanying published tables, as these tables have not been reweighted.
61. For the purpose of creating the key estimates derived in this paper, the sample bias has been corrected for as much as possible either by direct weighting (for instance, see Annex A), or incorporating adjustments into the assumptions overlaid onto the survey results.

## **Data linking**

62. Respondents were asked for permission to link their survey responses to other information the Commission may hold on them. Assurances were given that any information obtained through the surveys or subsequent data linking would only be used for research purposes and would have no bearing on the handling of their child support case. Permission to link was given by a very high proportion of respondents (around 98%).

## **Survey questionnaires and results**

63. The full tabulated results of these surveys are available here:

<http://www.dwp.gov.uk/docs/csa-client-surveys-results.xls>

64. The potential bias issues described in the preceding sections should be borne in mind when considering these raw survey results.

## Chapter three: new clients and application charging

### Key estimate:

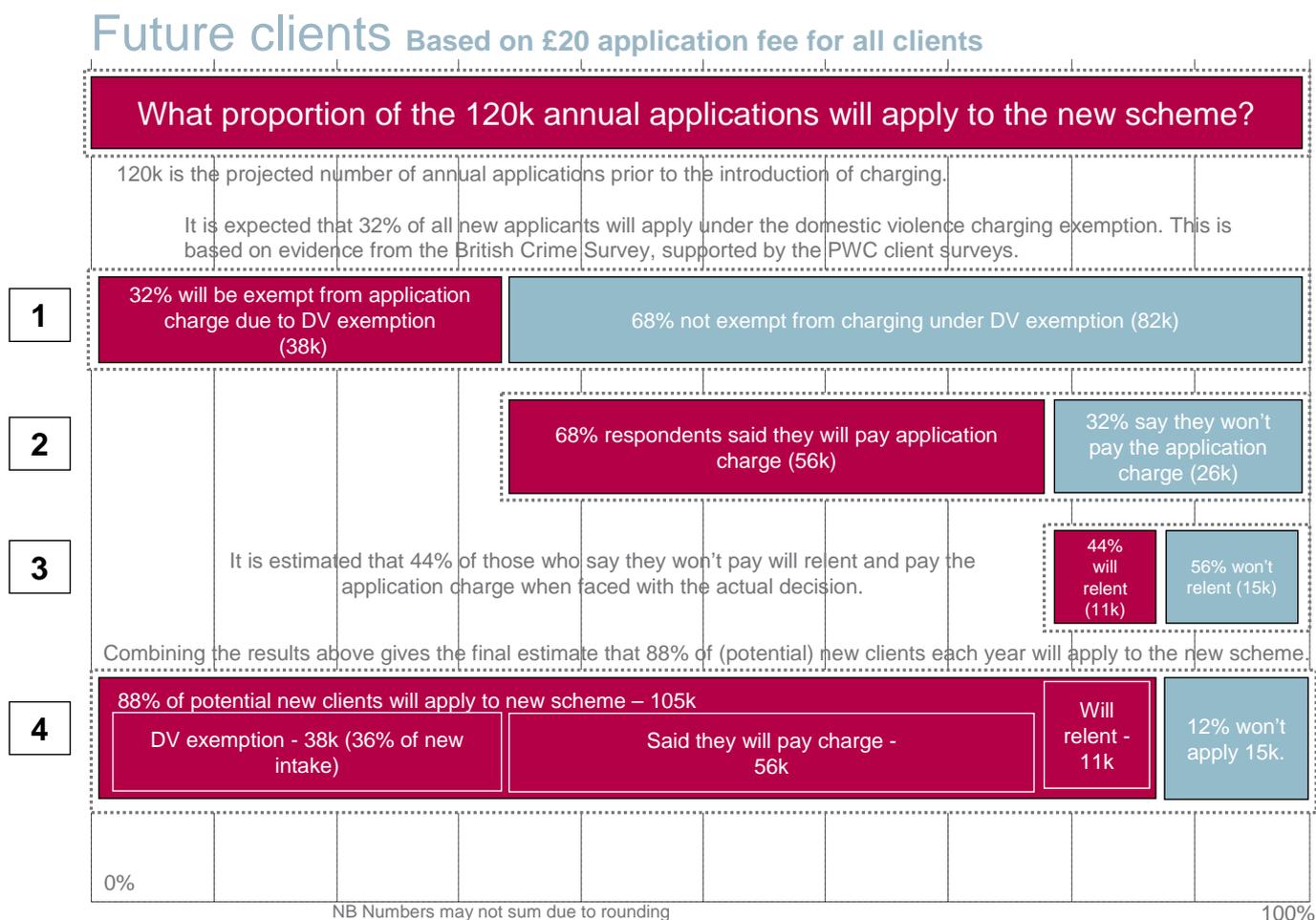
- 88% of (potential) new clients each year will opt to use the statutory scheme following the introduction of £20 application fee.

### Introduction and background

65. After the Child Maintenance Service is open to all new applicants, and is working well, an application charge of £20 will be introduced for using the new statutory scheme. However, 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. Annual applications to the CSA are running at around 120,000 and underlying volumes are assumed to remain stable following the launch of the new statutory scheme.
66. New PWC CSA clients were surveyed within one month of their initial application in order to gauge their reaction to application fees.

67. This chapter describes how the survey results were used to form estimates of the proportion of new clients (i.e. those who have not previously had a CSA case) who will apply to the new statutory scheme upon introduction of charging. The following diagram summarises the key steps taken in reaching these estimates. The numbers on the left hand side of the diagram correspond with the more detailed explanations given below.<sup>4</sup>

**Figure 3– Proportion of future clients who will apply to new statutory scheme**



### Step 1: Proportion of applicants exempt from charging

68. 32% of potential new applicants (and existing CSA clients), are expected to be exempt from the application fee under the domestic violence (DV) exemption. This estimate is based on the following:

- Figures derived from the British Crime Survey 2009/10 show that 32% of female respondents with children had experienced domestic violence with a current or former partner and had reported it to an official agency.<sup>5</sup>
- In the New PWC Applicants survey, PWCs reported DV rates of 50% where the abuse was perpetrated by the NRP. 77% of these PWCs said they would be prepared to report the domestic violence to the new statutory scheme to claim a charging exemption, resulting in 39% of PWCs being exempt from charging.
- However, to gain an exemption from application charging, applicants will need to have reported an incident of domestic violence to one of a prescribed list of agencies / organisations.<sup>6</sup> This is

<sup>4</sup> While the numbers are presented as unrounded, it should be noted that there is considerable uncertainty surrounding these estimates. Refer to point 32 for a short discussion of sensitivities and risks around these estimates.

<sup>5</sup> These figures were derived by Home Office statisticians using The British Crime Survey 2009/10 data.

slightly tougher than the scenario posed in the survey question, and more analogous to the British Crime Survey definition which reported DV rates of 32%.

69. Therefore it has been assumed that 32% of PWCs will declare DV and as a consequence be exempt from paying the application charge.

## Step 2: Proportion of applicants willing to pay the application fee

70. The New PWC Applicants survey asked respondents whether they would still be likely to use the statutory scheme if they were charged an application fee of i) £100, ii) £50, iii) £50 (£20 up front) or £25 (questions 25, 27, 29 and 31 in the New PWC CSA Applicants survey – see the linked survey results).
71. As the survey did not ask about a £20 charge, the £20 up front (with £30 later) application fee has been used as a proxy.<sup>7</sup> The £25 application charge level could instead have been used as a proxy for the £20 application fee, but the £20 up front option was chosen to ensure consistency with the Existing CSA PWCs survey, which did not include a £25 option. However it should be noted that only a further 2% of survey respondents were willing to pay a £25 charge (as compared with £20 + £30).
72. The following table shows the proportion of survey respondents who said they were ‘Very likely’ or ‘Fairly likely’ to apply if they were charged £100, £50 or £20 + £30:-<sup>8</sup>

**Figure 4– Percentage of respondents who are 'Very likely' or 'Fairly likely' to apply, by application fee level**

	a) £100 (q25)	b) £50 (q27)	c) £50 (£20 up front) (q29)	£20 (a + b + c)
<b>Non benefit</b>	36%	21%	16%	73%
<b>Benefit</b>	23%	15%	23%	61%
<b>Overall</b>	31%	19%	19%	68%

*Asked of all 986 New PWC Applicant respondents*

73. Those who said they were ‘Very likely’ or ‘Fairly likely’ to apply to any of the charging questions were not asked about lower fee levels (i.e. it was assumed willingness to pay £100 indicated willingness to pay £50 etc.) It is assumed that those willing to pay an application fee of £100, £50 or £20 + £30 will be willing to pay a £20 application fee. Those who said ‘Depends’, ‘Not very likely’, ‘Not at all likely’ or ‘Don’t know’ were asked about the next level of fee (if there was one).
74. Therefore, by adding up all the respondents who were willing to pay £100, £50 or £50 (£20 up front), the estimate is reached that 68% of new applicants will initially be willing to pay a £20 application fee (as shown in the diagram above).

## Step 3: Proportion of applicants who said they were unwilling to pay, who will change their mind

75. It is estimated that 44% of those who said they wouldn’t pay will relent and pay the application charge. This is likely to be a conservative estimate given that a higher charging level £50 (£20 up front) was used as a proxy for £20.

<sup>6</sup> For more detail, please refer to the Commission’s command paper: <http://www.dwp.gov.uk/docs/childrens-futures-consultation.pdf>.

<sup>7</sup> A final decision setting the application charge at £20 was made in January 2012.

<sup>8</sup> Benefit / non benefit label refers to whether the PWC survey respondent reported that they were on benefits. The ‘Overall’ column shows the pure survey results re-weighted to take account of the assumed Non-Benefit / Benefit mix on application of 60:40.

76. This estimate was constructed by segmenting respondents who wouldn't pay by their reasons for not paying, as shown below.<sup>9</sup>

**Figure 5– Reasons for not paying the application charge**

**Q30 (New PWC Applicants survey) - And can I ask why you would not pay £50 (with £20 up front) to make a CSA application?**

And can I ask you why you would not pay the application charge?	Non-benefit	Benefit	Overall
I don't think this is fair	26%	30%	28%
I think the other parent should pay it	26%	16%	21%
Not financially worth it	9%	4%	7%
Other (specify)	13%	9%	11%
Too expensive	26%	41%	33%
<b>Overall</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

77. The following assumptions were then applied:-

- Principled objectors (highlighted in yellow above): 60% of those who said they wouldn't pay an application charge said it was for reasons of principle (i.e. 'Not fair', 'NRP should pay' and 'Other'). It was assumed that half of these (in the table above) would relent.
- Not financially worthwhile (highlighted in green above): 7% said paying the charge was 'not financially worth it'. Since this appears to have been a reasoned judgement, we assume that none of these (in the table above) would relent.
- Too expensive (highlighted in blue above): 33% said it was too expensive. Segmenting these by the expected maintenance amount (q19 of the New PWC CSA clients survey) and benefit status (as shown below), we have derived an estimate that 39% of this group would relent.

**Figure 6– Maintenance expectations of new clients who said the application fee was too expensive**

Maintenance expectations of those who said it was too expensive (relent group)	Non-benefit	Benefit	Overall
Unknown	41% (1)	42% (1)	41%
Up to £15p/w	14% (1)	12% (2)	13%
£15-£35p/w	19% (2)	15% (3)	17%
£35p/w+	27% (3)	30% (4)	29%
<b>Overall</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Assumed 0% of this group would relent	(2) Assumed 50% of this group would relent	(3) Assumed 75% of this group would relent	(4) Assumed 100% of this group would relent
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78. Applying the respective 'relent percentage' to each of the groups (split by the reason they won't pay the charge) gives us the final estimate that 44% of those who said they won't pay the application charge, will relent and apply.

<sup>9</sup> The Overall column has been calculated by weighting the responses of benefit / non-benefit respondents according to the estimated mix of those who are not willing to pay (which is about 50:50).

#### **Step 4: Overall proportion of future clients who will apply to the new statutory scheme**

79. Overall, this results in the estimate that an application charge of £20 will deter 12% of applicants from applying to the new statutory scheme, resulting in applications falling from the current levels of around 120,000 statutory applications per year to approximately 105,000 following the introduction of application charging.
80. This estimate does not take into account the potential additional effects of the Gateway service (see point 30).
81. To see the alternative arrangement volumes of those who won't apply to the statutory scheme, see chapter six.

## Chapter four: existing clients, case closure and charging

### Key estimates

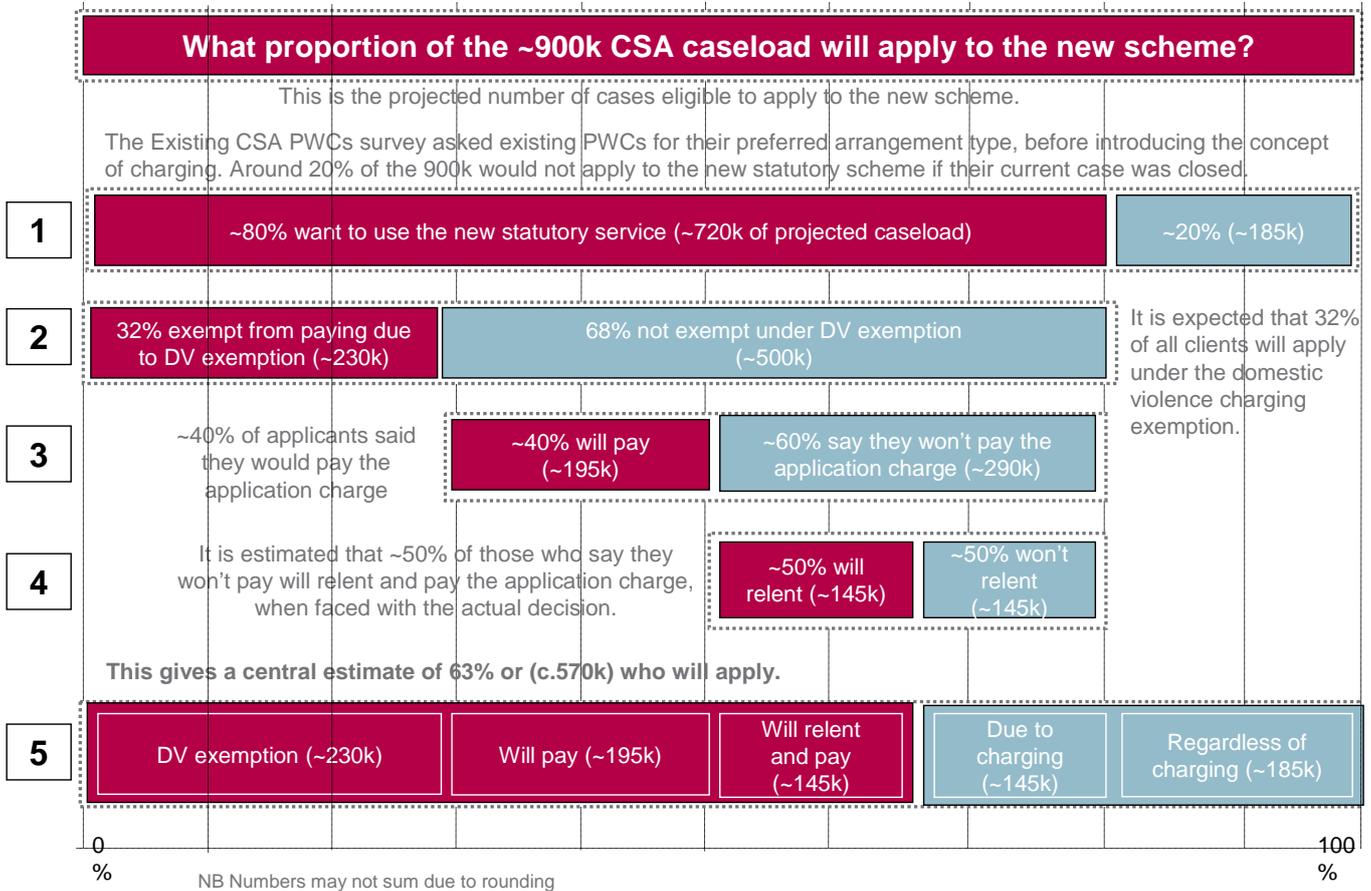
- Case closure plus the introduction of an application charge of £20 will result in 63% (a projected 570,000) of eligible existing clients applying to the new scheme upon case closure.
- 37% (a projected 330,000) will therefore leave the statutory scheme over this three year period. This includes:-
  - ~20% (185,000) who will not apply irrespective of charging (i.e. when their case is closed they would prefer not to use the statutory scheme anyway).
  - ~17% (145,000) will not apply because they do not want to pay an application fee.

### Introduction and background

82. Of the 1.1 million current CSA cases, an estimated 900,000 cases will be closed as part of the closure process. A net 100,000 cases are expected to leave the current schemes prior to case closure and so will not be invited to apply to the new statutory scheme. Approximately 135,000 will not be invited to apply to the new statutory scheme because they will close naturally over the years of case closure.
83. Existing CSA PWCs were surveyed in order to gauge their reaction to case closure and application fees.

84. This chapter describes how the Existing CSA PWCs results were used to form estimates of the proportion of CSA clients who will apply to the new statutory scheme following case closure. The following diagram summarises the key steps taken in reaching these estimates. **The numbers on the left hand side of the diagram correspond with the more detailed explanations given below.**

**Figure 7– Proportion of existing clients who will apply to new statutory scheme**



**Step 1: Proportion of existing clients who want to use the new statutory scheme**

85. The Existing PWC CSA clients survey asked PWCs what their preferred arrangement type would be if their case was to be closed – this was before the concept of charging was introduced. The table below shows the results for this question, split by benefit / non-benefit respondents.<sup>10</sup>

**Figure 8– Preferred arrangement types of existing clients**

Q17 (Existing CSA PWCs Survey): Of the different arrangement choices, which of the four options would you be most likely to prefer?

Percentages	Non benefit	Benefit	Overall
-------------	-------------	---------	---------

<sup>10</sup> The 'Overall' column shows the re-weighted survey results. (The pure survey results have been re-weighted to take account of the assumed Non-Benefit / Benefit mix in the eligible caseload of 70:30. Here, Benefit / non-benefit label refers to whether the PWC survey respondent is claiming one of a prescribed list of benefits (mainly income support, jobseekers allowance and employment support allowance). These results are also based on a reduced dataset of 1,290 records. Respondents with cases likely to close naturally before or during case closure were removed from the data (for these analyses). These were cases / respondents with a qualifying child (QC) older than 16. However, clerical cases, which are a priority for case closure, were left in the data regardless of age of QC. A small number of respondents who could not (or did not want to) be linked to administrative data were also removed (with negligible effect on the results). This left the final dataset of 1,290.

1. Family Based Arrangement	9%	9%	9%	} 83% - prefer to use statutory scheme or undecided
2. Court Arrangement	6%	4%	5%	
3. No Arrangement	2%	4%	3%	
4. CSA Maintenance Direct	7%	4%	6%	
5. CSA calculation and collection	73%	74%	73%	
6. Undecided	4%	5%	4%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

*Asked of 1,290 respondents eligible to apply to new scheme (before any charging questions)*

86. The survey proceeded to ask charging questions of the 83% who said they would prefer to use the statutory scheme or who were undecided (and may do).
87. Taking into account differences between the caseload and the achieved survey sample (see Annex A), it is expected that 80% would prefer to use the statutory scheme (as shown in the diagram above).
88. The remaining 20% of the caseload would not apply to the new statutory scheme if their current case was closed (irrespective of charging).

### Step 2: Applying the domestic violence exemption

89. See chapter 2, step 1. The same assumption is applied here.

### Step 3: Proportion of existing clients willing to pay an application fee

90. The PWCs who wanted to use the new scheme were asked whether they would still be likely to use the CSA if they were charged an application fee of i) £100, ii) £50 or iii) £50 (£20 up front) (questions 40, 42 and 44 in the Existing CSA PWCs survey). As such, no survey results exist specifically for the £20 application fee level. Therefore the survey results for the £50 (£20 up front) application fee have been used as a proxy.
91. Those who said they were 'Very likely' or 'Fairly likely' to apply to either question were not asked about lower fee levels (i.e. it was assumed willingness to pay £100 indicated willingness to pay £50 etc.) Those who said 'Depends', 'Not very likely', 'Not at all likely' or 'Don't know' were asked the same question about the next level of fee (if there was one).
92. The following table shows the proportion of respondents who said they 'Very likely' or 'Fairly likely' to apply at the various levels of application fee:-<sup>11</sup>

**Figure 9– Proportion of respondents who are 'Very likely' or 'Fairly likely' to apply at various levels of application fee**

	a) £100 (q40)	b) £50 (q42)	c) £50 (£20 up front) (q44)	£20 (a + b + c)
Not on benefit	23%	12%	9%	44%
Benefit	15%	11%	13%	39%
<b>Overall</b>	<b>21%</b>	<b>12%</b>	<b>10%</b>	<b>43%</b>

*Asked of 1,073 Existing CSA PWC respondents who said they wanted to use the new statutory scheme (or were undecided)*

93. It is assumed that those willing to pay an application fee of £100, £50 or £20 + £30 will be willing to pay a £20 application fee – this equates to 43% of those who wanted to use the statutory scheme.

<sup>11</sup> See footnote 10 for adjustments to dataset.

94. Taking into account the small difference between the caseload and the achieved sample (see Annex A) gives us an estimate that 40% will be willing to pay the £20 application charge (as shown in the diagram above).

#### Step 4: Proportion of those who said they were unwilling to pay that will change their mind

95. Investigation of survey responses (using regression analysis techniques) showed that CSA PWCs who were most likely to want to apply to the new statutory scheme were:-

- Those for whom the CSA currently works (i.e. fully / partially compliant cases)
- Those for whom it would be difficult to put into place a family-based arrangement (i.e. parents in conflict, or not in contact);
- Those who had newer / younger CSA cases.

96. CSA PWCs who are most likely to be willing to pay the new scheme application charge:-

- had higher maintenance amounts;
- were more likely to be new cases.

97. The regression analysis results were used to identify the characteristics important in predicting a willingness to pay (listed above), this in turn was then used to give each PWC a resulting probability that they should be willing to pay, based on their characteristics. The PWCs were then segmented into three groups according to these probabilities.

98. It was then assumed that approximately 90% of the PWCs with characteristics indicative of willingness to pay for the statutory scheme would relent and pay, approximately 60% of those with more mixed characteristics would relent, whilst only approximately 30% of those with 'non-willingness to pay' indicative characteristics would relent.

99. These assumptions appear reasonable when considering the characteristics of the groups as shown below (particularly average current weekly maintenance assessment amount).<sup>12</sup> For instance, a £20 application charge is less than one week's maintenance for the top two groups (assuming that this is what they'll get in the new statutory scheme). Given that the regression analysis indicated that those wanting to use the new statutory service were more likely to be in conflict with the non-resident parent (and therefore find it harder to make a family-based arrangement) this would indicate it is often worth their while paying the application charge.

**Figure 10 – Proportion of respondents assumed to relent and pay the application charge (in groups)**

Group of PWCs who say they won't pay application charge	Number of respondents	Average weekly maintenance amount	% cases opened within the last 2 years
30% will relent	238	£3	17%
60% will relent	186	£27	8%
90% will relent	189	£62	44%

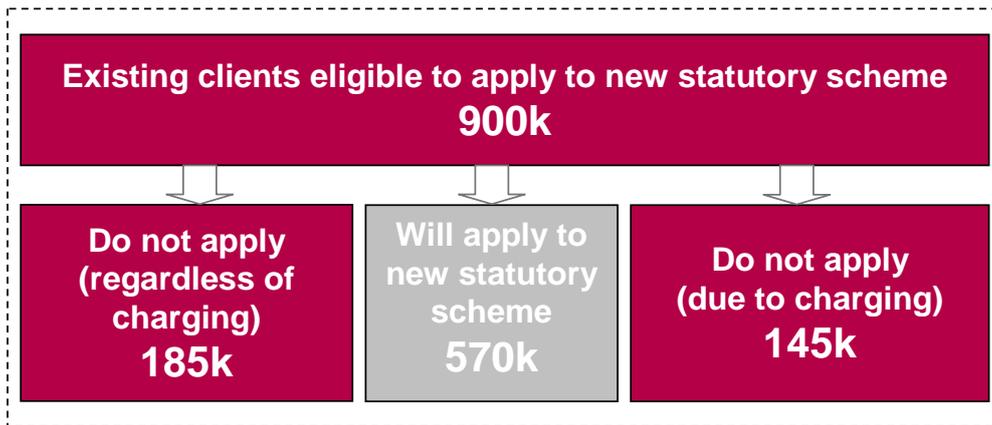
100. These assumptions result in an estimate that 58% of those who said they wouldn't pay, will relent and pay a £20 application fee. Taking into account the small differences between the achieved survey sample and the caseload gives us the estimate that approximately 50% will relent (see Annex A for weighting differences).

<sup>12</sup> This is the current maintenance assessment amount as stored in CSA administrative data.

**Step 5: Overall proportion of existing clients that will apply to the future scheme**

- 101. Combining these separate estimates (as shown on the Case Closure projection diagram above) gives the central estimate that 63% of existing eligible clients (570,000) will apply to the new statutory scheme.
- 102. As shown on the diagram below, the 37% (330,000) of existing clients who will not apply to the new scheme fall into two groups:-
  - ~20% (185,000) will not apply irrespective of charging (i.e. when their case is closed they will opt not to use the statutory scheme anyway).
  - ~17% (145,000) will not apply because of the application fee (i.e. they would have used the statutory scheme if there were no application fee).

**Figure 11 – Outcomes of existing clients following case closure**



- 103. Chapter six contains estimates concerning the volumes of alternative arrangements made by these clients who leave the statutory scheme.

## Chapter five: collection charging

### Key points:

- The survey results in this area were difficult to interpret.
- To what degree collection charging will impact on application levels is therefore unclear, although a significant impact seems unlikely.

### The additional impact of collection charging on application levels

104. In the vast majority of cases, the NRP will be given the opportunity to pay the parent with care directly in the new statutory scheme. In these cases there will be no further charges or fees levied on either parent (beyond the application fee). However, if the Child Maintenance Service believes that the non-resident parent is unlikely to pay, or if the non-resident parent subsequently fails to pay in full and on time, payment will be enforced through the collection service.
105. The current plans are that the collection service will levy a 20% fee on the NRP to encourage them to comply. A smaller 7% fee will be deducted from the maintenance paid to the PWC.
106. Although both of the New PWC and Existing PWC surveys asked PWCs briefly about collection charging (see the relevant questions in the survey results), it is hard to gauge the overall impact it would have on application levels.
107. Firstly, collection charges may or may not apply depending on whether a Direct Pay arrangement is in place. The survey results are based on PWCs evaluating a scenario in which the collection charge *would* be deducted from their maintenance. This makes it difficult to translate the survey results into the impact on application levels.
108. Furthermore, almost 90% of NRPs have indicated a preference for using Direct Pay, whilst the majority of PWCs indicated a preference for the collection service. This makes it difficult to translate the reaction of PWCs to collection charging, over which they will not have a veto, into the impact on application levels to the statutory scheme.
109. Therefore, although it seems possible that collection charging would be some further deterrent to statutory scheme applications, to what degree is unclear. A significant impact seems unlikely though, since behavioural economics suggests that upfront fees have more of an impact on applicant behaviour than ongoing fees for the use of a service.

# Chapter six: alternative (non-statutory) arrangement outcomes of clients

## Key estimates:

- Of the 20% (185,000) of existing eligible CSA clients who do not wish to apply to the new statutory service (irrespective of charging), approximately three quarters (140,000) will make family-based arrangements and a quarter (45,000) will make no arrangement.
- Of the 17% (145,000) of existing eligible CSA clients who are deterred from applying to the statutory scheme due to the application fee, approximately one third (45,000) will make family-based arrangements, and two thirds will make no arrangement (100,000).
- Overall, there will be a slight increase in the number of effective arrangements amongst existing clients leaving the statutory scheme.
- Of the 12% (15,000) of 120,000 annual potential applicants to the new scheme (who will no longer apply), approximately one third will make family-based arrangements (5,000), and two thirds will make no arrangement (10,000).
- A negligible number of those leaving / not applying to the statutory scheme will make court arrangements.

## Introduction / background

110. The proportions of existing CSA clients and new clients who will use the new statutory scheme were estimated in chapters three and four. This chapter now shows how the survey results were used to form estimates of the volumes of alternative arrangements likely to be made by those not applying to the statutory scheme following case closure and charging.
111. There is particular uncertainty over likely behaviour amongst this group – the estimates here are stretching a one-off survey to its limits due to the complexity of the scenarios being posed, and the amount of elapsed time between the questions being asked and the decisions being made. For these reasons, estimates must be treated with caution and considered indicative.

## What clients said they would do if not applying to the new scheme

112. As set out in chapters three and four, there are three groups of clients that will not apply to the new scheme as a result of the reforms. Each group were questioned (in the relevant survey) on what alternative arrangements they would make instead. The groups and corresponding survey results are as follows:-
- **Group 1 – CSA clients with no wish to use the new statutory scheme:** These are the 20% of existing clients (a projected 185,000) who, when their CSA cases are closed, will leave the statutory scheme irrespective of charging (i.e. they don't want to use it anymore, anyway). In survey terms, this group are those who, when asked what arrangement choice they would prefer when their case was closed (before the concept of charging was introduced), chose a non-statutory arrangement (results shown below - see point 85 for more details.)

**Figure 12 – Preferred arrangement choices of existing clients (irrespective of charging)**

Q17 (Existing CSA PWCs Survey): Of the different arrangement choices, which of the four options would you be most likely to prefer?

<i>Percentages</i>	Non benefit	Benefit	Overall
--------------------	-------------	---------	---------

1. Family Based Arrangement	9%	9%	9%
2. Court Arrangement	6%	4%	5%
3. No Arrangement	2%	4%	3%
4. CSA Maintenance Direct	7%	4%	6%
5. CSA calculation and collection	73%	74%	73%
6. Undecided	4%	5%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Asked of 1,290 respondents eligible to apply to new scheme (before any charging questions)*

- **Group 2 – CSA clients deterred by charging from using the new statutory scheme:** These are the 17% of existing CSA clients (an estimated 145,000) who, although they would prefer to apply to the new scheme, will be deterred by the application charge of £20. Their alternative arrangement choices (as recorded in the survey) are shown below:-

**Figure 13 – Alternative arrangement choices of existing clients who said they didn't want to pay application fee**

Q46 (Existing CSA PWCs Survey): If you won't pay an application charge, what alternative arrangement will you make?

<b>%</b>	<b>Non Benefit</b>	<b>On Benefit</b>
1 Family based arrangement	14%	12%
2 Court arrangement	22%	23%
3 Other	4%	2%
4 No Alternative Arrangement	29%	25%
5 Don't know	32%	38%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Asked of all 613 respondents who said they were unlikely to pay an application fee of any level*

- **Group 3: New applicants deterred by charging:** These represent the flow of new clients without a CSA history who would apply to the statutory scheme but are deterred by the application fee of £20. There is projected to be around 15,000 of these a year.

**Figure 14 - Alternative arrangement choices of new clients who said they didn't want to pay application fee**

Q33 (New PWC CSA Applicants Survey): If you won't use the CSA with charging will you make an alternative arrangement?

	<b>Non Benefit</b>	<b>Benefit</b>
1. Family based	19%	10%
2. Court arrangement	30%	32%
3. Other	7%	4%
4. No alternative arrangement	31%	31%
5. Don't know	13%	23%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Asked only to the 266 new applicant respondents who stated they would not pay even a £25 charge*

## Issues limiting reliance on survey results to estimate alternative arrangements volumes

113. A number of issues limit the reliance it is possible to place on these particular survey results to accurately predict the alternative arrangement choices of those not using the new statutory service. These issues were as follows:-

- An implausibly large proportion stated a preference for court arrangements. There are quite convincing reasons (mainly related to costs) for concluding that very few people will actually make court arrangements as an alternative to statutory arrangements because of charging (see section below for reasoning).
- A large proportion also stated they didn't know what alternative arrangement they would make.
- Around a third of respondents said that they didn't think the other parent would agree to their alternative arrangement choice.<sup>13</sup>
- As derived in chapters two and three, it is expected that up to 50% of those who said they were unwilling to pay the application fee will change their mind when faced with the actual decision, and will in fact use the statutory scheme.
- The survey responses represent initial PWC reactions to complex and hypothetical situations. Their actual behaviour, when faced with the real decision and with enough time to fully consider their alternatives, could be very different. As such, the stated arrangement preferences can only be considered indicative at best of future actual behaviour.

## The number of clients who will actually make court arrangements (instead)

114. It has been assumed that very few existing CSA clients not applying to the new statutory scheme will actually make court arrangements instead. This is supported by several sources of evidence:-

- Only 4% of all child-maintenance arrangements in the wider population are court-based.<sup>14</sup>
- Since the beginning of July 2008, up until January 2012, only approximately 1% of Child Maintenance Options callers have made court arrangements. This is according to a survey of Child Maintenance Options callers from July 2008 to January 2012.<sup>15</sup>
- In the survey of CSA PWCs who recently closed their case, only 1% of respondents with cases older than six months made a court arrangement after their CSA arrangement ended (as shown in the table below).<sup>16</sup> Those who have their cases closed as a result of the CSA case closure process are arguably even less likely to move to a court arrangement than the 'closed case survey' respondents, since they have not voluntarily closed their case.

**Figure 15 – Alternative arrangement choices of former clients**

What alternative arrangement was made following case closure?	Age of case			Total
	Pre-assessment	Up to six months after assessment	Over six months old	
No arrangement	43%	41%	73%	60%
Family-based arrangement	40%	48%	19%	29%
Another CSA arrangement	15%	10%	8%	10%
Court arrangement	3%	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Asked of all 681 respondents who had closed their CSA case in the last six months*

<sup>13</sup> See question 47 in the Existing CSA PWCs survey, and question 34 in the New PWC CSA Applicants survey

<sup>14</sup> Families and Children Study 2008.

<sup>15</sup> [http://webarchive.nationalarchives.gov.uk/20120504104608/http://www.childmaintenance.org/en/pdf/Survey\\_of\\_CM\\_Options\\_Outcomes.pdf](http://webarchive.nationalarchives.gov.uk/20120504104608/http://www.childmaintenance.org/en/pdf/Survey_of_CM_Options_Outcomes.pdf)

<sup>16</sup> See survey results available here: <http://www.dwp.gov.uk/docs/csa-client-surveys-results.xls>

115. Given that many of these respondents have expressed a preference for using the new statutory scheme, but say they will be put off by the £20 charge, it seems unlikely that they will pursue a significantly more expensive court arrangement instead. The application fee alone for a court settlement is £250, and that is before other legal costs are incurred.
116. It is therefore assumed that those who indicated a preference for court arrangements will either change their mind and pay the application fee, or will make no arrangement at all.

### Assumptions required to develop estimates of alternative arrangement volumes

117. Given the issues outlined above, considerable assumption building and derivation was required to develop tentative estimates for the volumes of alternative arrangements that might be made outside of the statutory scheme. The full mathematical process and reasoning is set out in Annex B.
118. In summary, it was assumed that the actual arrangement choices for those who did not know what alternative arrangement choice they would make, or specified 'other', would be proportionately distributed amongst the other possible types of arrangements.
119. It was assumed that a negligible number of those leaving the statutory scheme would actually make court arrangements (for the reasons outlined above). Therefore for those who said they would make a court arrangement, the following assumptions were made:-
- For those who will not apply to the new statutory scheme due to charging, it was assumed that all would relent and pay the application charge.
  - For the clients leaving the statutory scheme irrespective of charging, it was assumed that they would actually make arrangement choices in proportion with the choices stated by the rest of those leaving the statutory scheme irrespective of charging (once excluding 'Don't know', 'Other' and 'Court' options).

### Alternative arrangements volumes

120. Using the survey results, adjusted as described above, and applying these to the volumes of existing CSA clients who will not apply to the statutory scheme gives the following estimates for the numbers of alternative arrangements. These figures are rounded to the nearest 5,000 but should not be considered accurate to that degree.

**Figure 16 – Alternative arrangement volumes of existing / future clients**

What arrangement is formed instead of the statutory scheme?	Over case closure process only		Per year
	<u>Group 1</u> Existing clients who prefer not to use the statutory service irrespective of charging	<u>Group 2</u> Existing clients - will not apply to the new scheme as they have been deterred by the £20 application fee	<u>Group 3</u> New intake - would have applied to the new scheme, but have been deterred by the £20 application fee
Family-based arrangement	140,000	45,000	5,000
Court arrangement	Negligible	Negligible	Negligible
No arrangement	45,000	100,000	10,000

## Estimating current versus post-reform effective arrangement outcomes

121. As derived in chapter four, it is estimated that 63% of existing eligible clients will apply to the new statutory scheme. Of the 37% who do not, these will form alternative arrangements in the volumes set out in Figure 16. Figure 17 below shows these results broken down by whether the PWC currently has an effective CSA arrangement or not.<sup>17</sup>
122. Annex C summarises how these estimates were derived. The estimates below should be read with caution and interpreted as indicative of the impacts of the reforms rather than definitive. Numbers may not sum due to rounding.

**Figure 17 – Projected arrangement outcomes for CSA clients following case closure by current CSA arrangement status**

Current arrangement (arr't)	Existing clients who will be involved in case closure	Statutory scheme		Outside of statutory scheme			
		Proportion who will apply to the new statutory scheme	Volumes that apply to the new statutory scheme	Proportion who won't apply to the new statutory scheme	Volumes that make family-based arr'ts	Volumes that make no alternative arr't	Change in effective arr'ts
Effective CSA arr't	545	68%	370	32%	120	55	-55
Non-effective CSA arr't	360	56%	200	44%	65	90	+65
Overall	900	63%	570	37%	185	145	+10

123. Of the 37% (330,000) leaving the statutory scheme, just over half (175,000) currently have effective CSA arrangements. It is estimated that approximately 70% (120,000) of these will make family-based arrangements, and approximately 30% (55,000) will make no arrangement.
124. Just under half (155,000) of clients expected to leave the statutory scheme currently do not have effective CSA arrangements. Over 40% (65,000) of these are likely to make family-based arrangements following case closure, whilst the remainder (90,000) will not make alternative arrangements.
125. The overall impact is therefore estimated as a small increase of 10,000 in the number of effective arrangements for those who will leave the statutory system following case closure.

<sup>17</sup> For statutory cases, an effective arrangement is defined as one where full or part payment of the assessment amount is made in the collection service or where the NRP pays the PWC directly. For family-based arrangements, an effective arrangement is defined as one where all or some of an agreed amount is paid always or usually on time.

126. The following tables shows the same results broken down by maintenance assessment amount:-

**Figure 18 – Projected arrangement outcomes for CSA clients following case closure by current CSA assessment value**

Current assessment amount	Existing clients who will be involved in case closure	Statutory scheme		Outside of statutory scheme		
		Proportion who will apply to the new statutory scheme	Volumes that apply to the new statutory scheme	Proportion who won't apply to the new statutory scheme	Volumes that make family-based arrangements	Volumes that make no alternative arrangement
a) £0	250	49%	120	51%	55	65
b) Up to £25	305	60%	180	40%	65	55
c) > £25	350	77%	270	23%	65	15
Overall	900	63%	570	37%	185	145

### Estimating the impact of the reforms on new (not former CSA) clients who will not apply to the new statutory scheme

127. As set out in chapter three, around 12% (15,000) of the 120,000 annual potential applicants to the new scheme will be deterred by the application charge. 5,000 are estimated to make family-based arrangements, whilst 10,000 will make no alternative arrangement.
128. Analysis of survey responses matched to CSA administrative data shows that approximately 80% of those who said they would make a family-based arrangement rather than pay the application fee had an effective CSA arrangement 12 months after their application. Of those who said they would make no alternative arrangement (rather than pay the application fee) approximately 60% had an effective CSA arrangement 12 months after their application. Approximately half of these were receiving flat rate maintenance.
129. Applying these results to the 15,000 deterred by the application charge gives the following:
- Of the 5,000 making family-based arrangements, approximately 4,000 could expect to achieve an effective arrangement in the new statutory service.
  - Of the 10,000 making family-based arrangements, approximately 6,000 could expect to achieve an effective arrangement in the new statutory service, although only 3,000 would be receiving more than flat rate maintenance.
130. It is worth noting that this group of survey respondents were new to the CSA, and were perhaps less well placed to make a decision on whether it was worth their while paying an application fee, compared to clients who have had an assessment of the amount of maintenance due.
131. Under the child maintenance reforms, this group will be better equipped (via the provision of the Gateway and support for separating and separated families) to make the best decision with regard to their most suitable maintenance arrangements.

# Chapter seven: Direct Pay arrangements

## Key estimates:

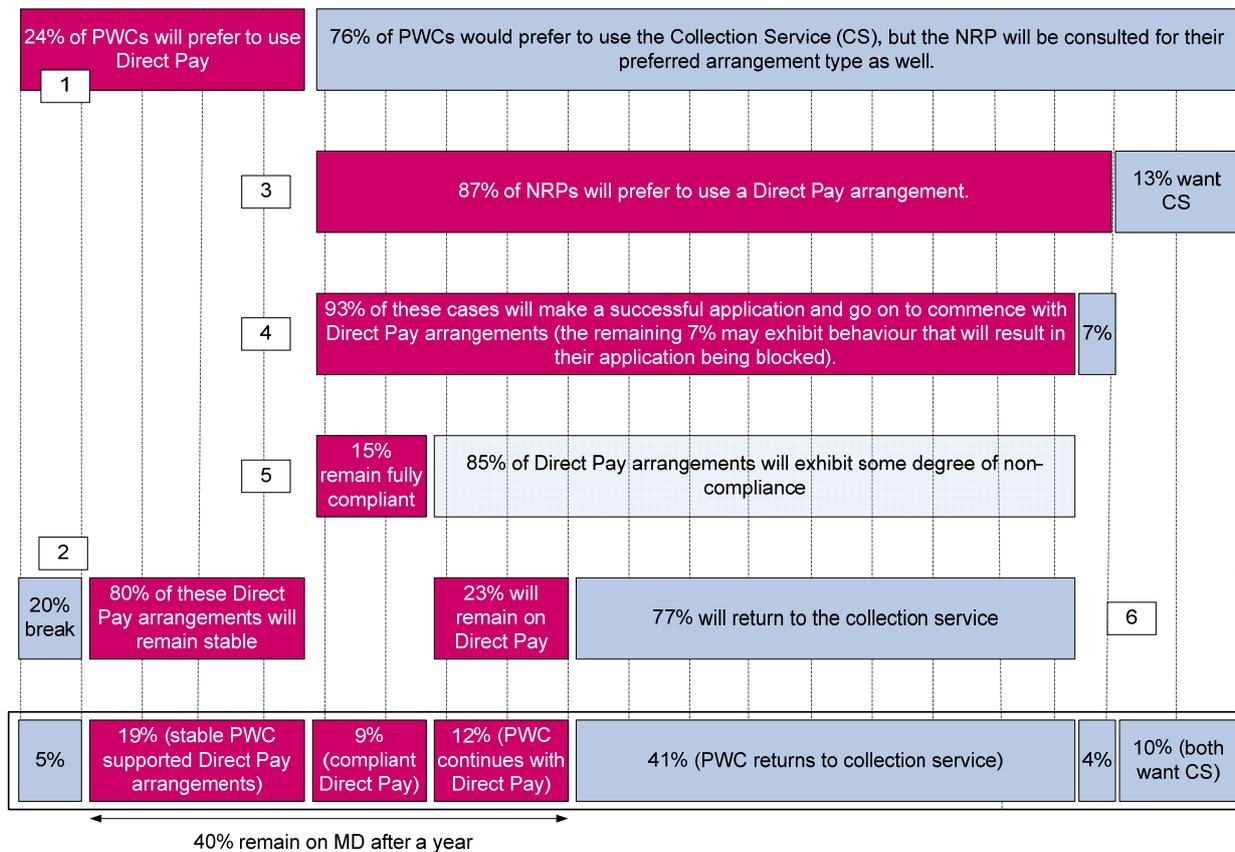
- It is estimated that 90% of cases will opt to use a Direct Pay arrangement initially, but there is uncertainty around how many of these cases will subsequently move to the collection service following a degree of non-compliance.
- For planning purposes, the Commission has estimated that the stable Direct Pay population will be around 40% of positively assessed cases.

## Introduction and background

132. In the vast majority of new statutory scheme cases, the non-resident parent (NRP) will be given the option to pay the parent with care (PWC) directly, and therefore there will be no further charges or fees levied on either parent. This option will be known as Direct Pay (currently known in the CSA as Maintenance Direct). Unlike at present, the PWC will not, once charging has been introduced, be able to veto the right of the NRP to opt to pay through Direct Pay. However, if the new Child Maintenance Service believes that the non-resident parent is unlikely to pay, or if the non-resident parent subsequently fails to pay in full and on time, the Commission will move quickly to enforce the payment of maintenance through the collection service.
133. The collection service will levy a 20% fee on the non-resident parent. In addition fixed charges will be applied when necessary for clearly defined enforcement actions that have to be taken. A 7% fee will be deducted from the maintenance paid to the parent with care for use of the collection service.
134. The results of the NRP Survey provided an indication that a very high proportion of NRPs would initially choose a Direct Pay arrangement when collection charging was in place. However, a longer term view is required to assist with financial planning and there is more uncertainty over the proportion that will continue to use Direct Pay over the longer term. This is because the Direct Pay proposition is substantially different to the current Maintenance Direct proposition so there is uncertainty over the level of compliance that NRPs will demonstrate on Direct Pay.
135. Given the uncertainty around the behavioural impacts of collection charging, the Commission has considered the impacts of a higher or lower Direct Pay percentage. Direct Pay cases will cost on average less to maintain than collection service cases, so a higher Direct Pay percentage will reduce statutory scheme costs. However a higher Direct Pay percentage would also reduce fee revenue from collection charges and these two elements are to some extent compensating dynamics.

136. This chapter describes how the survey results, combined with other data and assumptions, were used to form estimates of the proportion of clients who are likely to choose and remain on Direct Pay in the longer term. The following diagram summarises the key steps taken in reaching these estimates. **The numbers in white boxes on the diagram correspond with the more detailed explanations given below.**

**Figure 19 – Estimated proportion of clients who will choose and remain on Direct Pay arrangements**

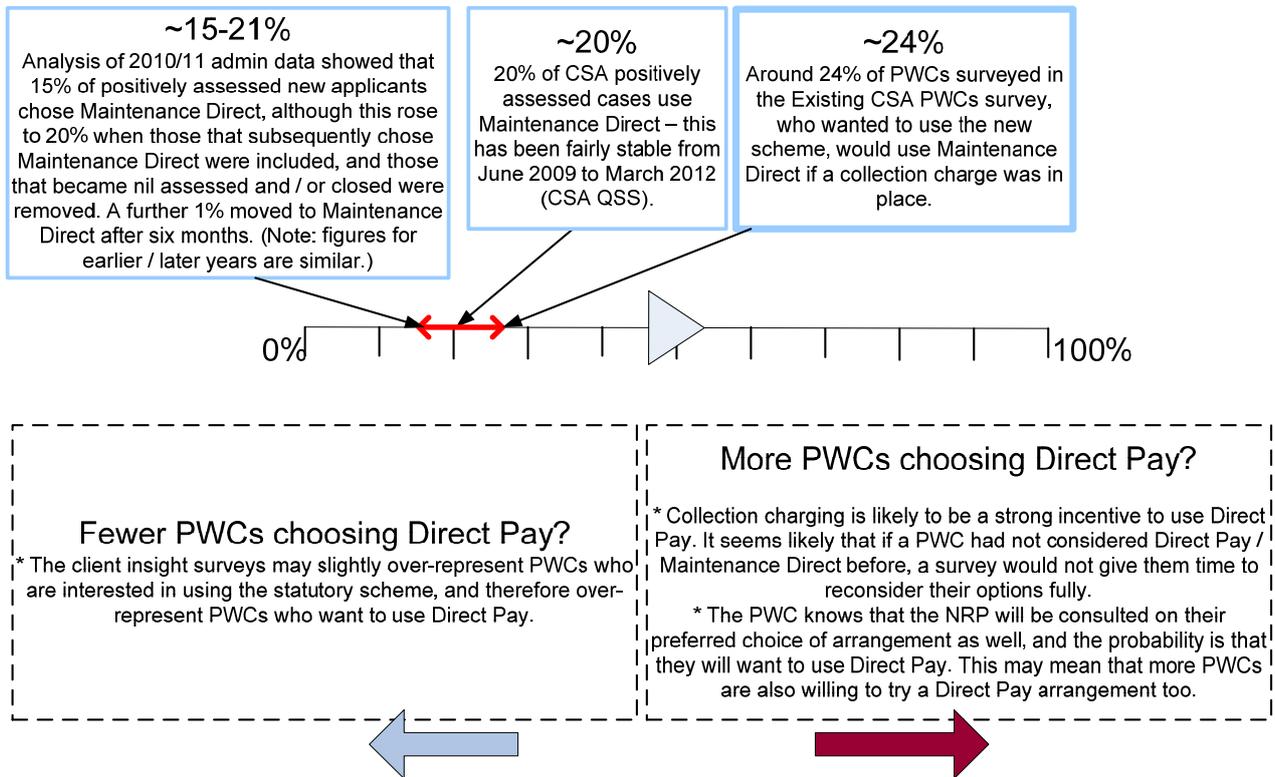


**Step 1: The proportion of PWCs who will support a Direct Pay arrangement**

137. Upon applying to the statutory scheme, both PWCs and NRP's will be consulted on their preferred arrangement choices. The first part of the modelling (as shown in the diagram above) estimates the proportion of cases where the PWC and NRP both support the use of a Direct Pay arrangement. It is necessary to treat this group separately, since it is likely that they will have different outcomes to those where the NRP prefers to use a Direct Pay arrangement but the PWC would prefer to use the collection service.

138. The following diagram shows various sources of evidence that could be used to make an estimate.

**Figure 20 – Evidence to support assumption around proportion of PWCs who will support the use of a Direct Pay arrangement**



139. In line with the Existing PWC CSA client survey evidence, it is estimated that 24% cases will have both the NRP and PWC in support of Direct Pay.



144. We have therefore estimated that 87% of NRPs, where the PWC's preference would be the statutory collection service, will choose to use a Direct Pay arrangement. This proportion remains unchanged from the full NRP population because there is little variation in NRP propensity to choose Direct Pay across subgroups, such as current compliance.

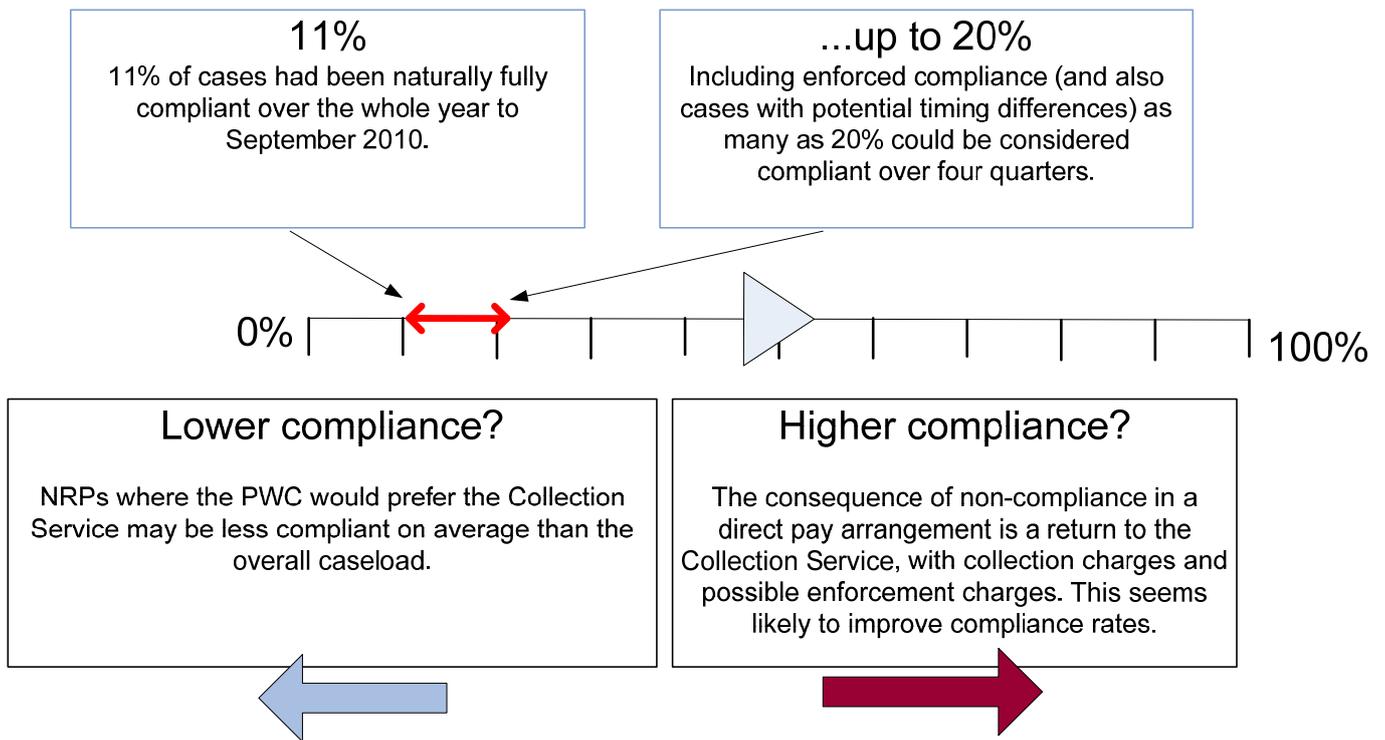
#### **Step 4: Proportion of these NRP-supported cases that will have their application blocked**

145. It seems likely that at least some NRPs will want to use a Direct Pay arrangement as a means to avoid paying maintenance. If this is the case, a smaller proportion still may exhibit behaviour that will result in their application being blocked. It is envisaged that this behaviour will be a declaration of intention not to pay upon application to the statutory scheme.
146. Unfortunately there is no evidence available upon which to build this assumption. Instead the likely compliance breakdown of NRPs in the new statutory scheme was estimated, and some assumptions made around the proportions expected to exhibit such behaviour.
147. These factors were used to develop an assumption that 7% of new applications will exhibit such behaviour that the application for Direct Pay is blocked. This assumption has also been applied to cases applying to the new statutory scheme following CSA case closure.

#### **Step 5: Proportion of NRP-only supported cases that will remain compliant**

148. For this cohort, the PWC would prefer to use the statutory collection service. However, it is likely that a proportion of NRPs will respond positively to the opportunity to take responsibility for paying the PWC directly rather than having to send money through the CSA.
149. Therefore, it is important to estimate the proportion of those that would stick to their Direct Pay arrangement and thereby give the PWC no reason to request a return to the collection service. The best source of evidence as a proxy for this is CSA administrative data. This assumes that NRPs would exhibit similar payment behaviour when choosing Direct Pay as they do in current CSA collection service cases and indeed many of the new scheme Direct Pay NRPs will be previous CSA collection service clients. This evidence is summarised in the diagram below.

**Figure 23 – Compliance of current CSA cases**



150. In light of the above evidence, a central assumption has been made that 15% will stay fully compliant within a Direct Pay arrangement for a year.

**Step 6: Proportion of these non-compliant cases where the PWC will return to the collection service**

151. The estimate carrying the most weight and with the least evidence to support it, is around how many PWCs will return to the collection service when there is an element of non-compliance from the NRP (in the Direct Pay arrangement).
152. Bearing in mind that in such cases the PWC would prefer to use the statutory collection service (and was in many cases sceptical about using Direct Pay) the return rate is expected to be high. The PWC's decision may be influenced by further factors:-
- The relationship with the NRP and whether or not the NRP provides any additional support aside to the child maintenance arrangement.
  - The degree of non-compliance; there are still some cases that pay all of their liability but do so irregularly. These should be treated differently to those that are nil-compliant and pay very little of their liability.
153. In addition, a degree of apathy may mean that some PWCs do not return, despite not receiving all maintenance due.
154. Therefore, assumptions were made about how this group will behave based on indicators of the likelihood that the PWC and NRP can collaborate and the proportion of liability likely to be paid by the NRP. The estimates concerning the ability of parents to cooperate were based on survey answers. The estimates concerning the proportion of liability paid were taken from analysis of CSA administrative data.
155. Following this, a range of assumptions and estimates were made on the proportion of PWCs likely to return to the collection service when there is an element of non compliance. These estimates are summarised in the table below along with estimates around how the group will be composed, in terms of the relationship and liability characteristics set out above. The estimates of the proportion of cases using Direct Pay that will return to the collection service range from 50%

(natural collaborators where 90% or more of liability has been paid) up to 100% (parents in conflict who have received less than 30% of their liability).

**Figure 24 – Assumptions around PWC return to collection service**

Relationship segment / additional support: Less likely to return to Collection Service				
<b>Liability paid:</b> Less likely to return to Collection Service	% of PWCs we estimate will return to collection service: (% in subgroup: total = 100%)	<b>Neither:</b> In conflict / not in contact and don't provide additional support	<b>Either:</b> Natural collaborator or provides additional support	<b>Both:</b> Natural collaborators & provide additional support
	Between 0 and 30% of liability	100% (17%)	90% (14%)	80% (6%)
	Between 30% and 60% of liability	90% (4%)	80% (3%)	70% (1%)
	Between 60% and 90% of liability	80% (6%)	70% (5%)	60% (2%)
	Between 90% and 100%+	70% (20%)	60% (16%)	50% (7%)

156. A combination of these assumptions generated the central estimate that approximately three quarters (77%) of PWCs in this group will return to the collection service following non-compliance.

**Overall proportion that will choose and remain on a Direct Pay arrangement in the longer term**

157. These steps lead to an estimate that 40% of positively assessed cases will use Direct Pay over the longer term. Given the amount of assumption required, a wide range on the actual proportion using Direct Pay in the long term is possible.

## Chapter eight: estimates of the overall outcomes of existing and future clients

### Key estimates:

- The combination of estimates in this paper suggest that systematic CSA case closure and the introduction of charging is likely to result in an improvement in the proportion of effective arrangements amongst existing clients immediately after completion of the case closure process in 2017/18.
- In the longer term, once a steady state has been reached post case closure, it is expected that a higher proportion of the combined statutory scheme and new application cohort will have effective arrangements.

### Introduction and background

158. The case closure and charging impact assessment outlines the estimated costs and benefits to parents of these reforms.<sup>18</sup> It compares the scenario where case closure and charging is implemented to one where there are no reforms other than the launch of the new statutory scheme. The impact assessment considered:-

- the post-case-closure outcomes (in 2017/18) for parents involved in the case closure process.
- the long-term outcomes after 20 years amongst those parents who would have used the statutory scheme over this period if the reforms had not taken place.

159. To compare the two scenarios, the estimated proportion of effective arrangements amongst existing CSA and new clients were used.

160. The estimates do not take into account the influence of the Gateway and extended support for separated families which can be expected to increase the number of effective arrangements further (see point 31).

161. Given the uncertainty surrounding likely behaviour amongst those leaving the statutory scheme (see chapter six), and the future compliance and take up of Direct Pay within the new statutory scheme (see chapter seven), estimates must be treated with caution and considered indicative.

### The overall outcomes of clients involved in the case closure process

162. This section looks at the outcomes for CSA clients who will be involved in the case closure process, by comparing the proportion of effective arrangements in 2012/13, immediately prior to the case closure process, and 2017/18, once all current scheme cases have been closed.

163. The 1.1 million CSA cases expected at the start of the case closure process can be considered in five groups:-

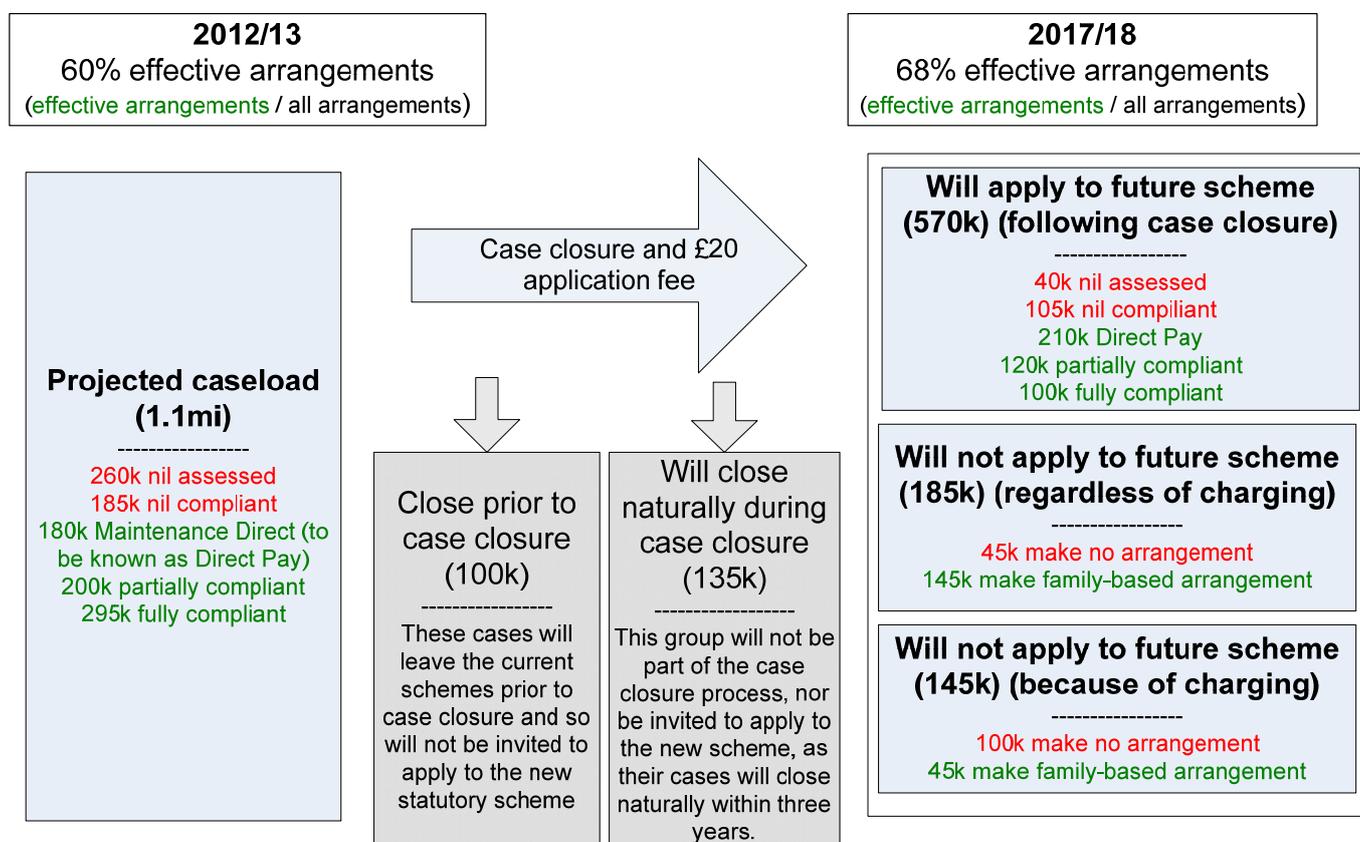
- 100,000 cases will leave the CSA naturally prior to the start of the case closure process and so will not be invited to apply to the new statutory scheme.
- 135,000 will not be invited to apply to the new statutory scheme because they will close naturally over the years of case closure.
- 570,000 cases (63% of the remaining 900,000 cases) will apply to the new scheme following case closure. The compliance mix (as derived in chapter seven and Annex C) is estimated to be as follows:-

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<sup>18</sup> Child maintenance reforms: case closure, charging, supporting family-based arrangements.  
<http://www.dwp.gov.uk/docs/cm-case-closure-and-charging-regs-ia.pdf>

- 40,000 nil assessed
  - 105,000 nil compliant
  - 210,000 Direct Pay
  - 120,000 partially compliant
  - 100,000 fully compliant
- 185,000 will choose not to apply to the new scheme regardless of charging. Of these, 140,000 will make family-based arrangements, and 45,000 will make no arrangement.
  - 145,000 will be deterred by the £20 application fee. Of these, 45,000 will make family-based arrangements, and 100,000 will make no arrangement.
164. The diagram below shows the proportion of effective arrangements amongst existing clients in 2012/13 and the estimated proportion of positive outcomes for these same clients in 2017/18, under Option 3. (2017/18 is the year in which all cases on the current schemes will have closed).

**Figure 25 – Current and post case-closure arrangement outcomes**



165. Overall, it can be seen that by 2017/18, 68% of existing clients will have effective arrangements – an 8% improvement:-
- As cases are closed and some clients choose to apply to the new statutory scheme, many previously nil-assessed cases will be re-assessed positively (see Annex C).
  - Over half of existing clients leaving the statutory scheme are likely to make family-based arrangements (see chapter six).
  - Those leaving the statutory service permanently are likely to be disproportionately nil assessed (and perhaps not even consider themselves to have a CSA case). (See chapter six.)
  - There is a higher proportion of clients who, having had a fresh choice to decide upon their arrangement, have chosen to use a Direct Pay arrangement (hence avoiding collection charges) – this therefore results in a higher proportion of effective arrangements.

166. Given the uncertainty surrounding all of these estimates, this estimated increase in the proportion of effective arrangements should be treated with caution, and taken as indicative of a general expected improvement in the proportion of effective arrangements.

**The overall outcomes for existing clients without case closure and charging**

167. With no case closure and no application fee, it is assumed that there would be no change in the overall proportion of effective arrangements for existing clients in 2017/18 (there are just fewer cases as, in line with point 163, 235,000 cases will close naturally by 2017/8).

168. No case closure and no application fee would therefore result in 60% of effective arrangements for existing clients by the end of 2017/18 (i.e. no change).

**Modelling longer-term outcomes for parents under the reforms**

169. This section considers the long-term impact of the reforms after 20 years for those parents who will use or would have used the statutory scheme without reforms.<sup>19</sup>

170. The estimates in Figure 26 below have been derived by modelling the flow of cases into and out of the statutory scheme over time, using the average lifespan of a CSA case. Annex D explains the methodology in more detail.

171. Within the new statutory scheme, the case mix is estimated to have a higher proportion of effective arrangements compared to the current CSA:-

- Case closure will immediately result in a much lower proportion of nil assessed cases, as many previously nil-assessed cases will be assessed positively (Annex C).
- A disproportionate number of those who leave the statutory scheme permanently would have been nil assessed (and perhaps not even considered themselves to have a CSA case) – (chapter six).
- Those choosing to apply to the new statutory scheme following CSA case closure will also have an increased propensity to use a Direct Pay arrangement, as a result of the collection charge (chapter seven).

172. These gains will be gradually offset by the fact that in future some potential new scheme clients will be deterred by the application fee but will not make alternative family-based arrangements.

173. Therefore, overall, after 20 years, it is estimated that 70% of the combined statutory scheme and new application cohort will have effective arrangements (as shown below).

**Figure 26 – Current and steady-state arrangement outcomes (with reforms)**

Arrangement status	2012/13 case mix	Outcome %	2031/32 case mix	Outcome %
Nil Assessed (statutory)	23%		6%	
Nil Compliant (statutory)	17%		16%	
No arrangements	0%		9%	
Direct Pay (statutory)	16%		32%	
Fully Compliant (statutory)	26%	60%	15%	<b>70%</b>
Partially Compliant (statutory)	18%		18%	
Family-based arrangements	0%		4%	

174. Given the uncertainty surrounding all of these estimates the estimated increase in the proportion of effective arrangements should be treated with caution and considered indicative of the directional influence of the reforms.

<sup>19</sup> This long time frame is necessitated by comparison purposes in the impact assessment but it should be noted that most of the changes outlined here will have bedded in by 2017/18 when case closure will have been completed.

## Longer-term outcomes for parents without case closure or charging

175. The introduction of the new scheme on its own without case closure or the introduction of an application fee is expected to have a positive influence on the proportion with effective arrangements (as shown in Figure 27). This is mostly due to a higher proportion of new cases likely to be positively assessed (see Annex C). The proportion using a Direct Pay arrangement, however, is projected to stay flat, as the absence of a collection charge would not incentivise clients to make this choice.

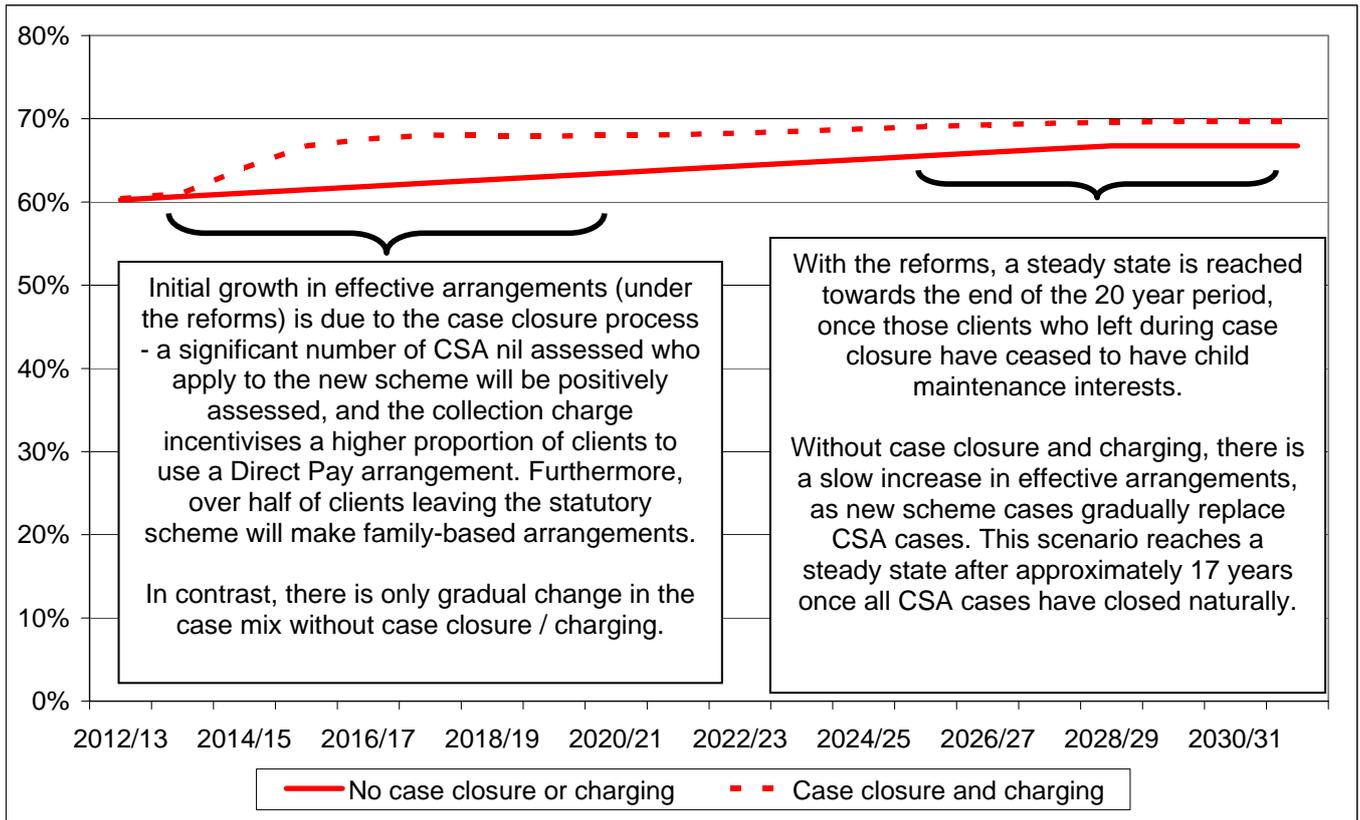
**Figure 27 – Current and steady-state arrangement outcomes (with no reforms)**

Arrangement status	2012/13 case mix	Effective arrangement %	2031/32 case mix	Effective arrangement %
Nil Assessed (statutory)	23%		9%	
Nil Compliant (statutory)	17%		24%	
Direct Pay (statutory)	16%	60%	16%	<b>67%</b>
Fully Compliant (statutory)	26%		23%	
Partially Compliant (statutory)	18%		28%	

## Outcomes compared over the 20 years

176. Finally, the following chart shows how, over the 20 year period for the impact assessment, case closure and charging consistently gives a higher proportion of effective arrangements (for parents who would have used, or will use, the statutory scheme) than if the new scheme was introduced on its own. The better outcomes are primarily because a large number of CSA clients benefit from the new scheme earlier than would do otherwise. In addition, charging results 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.

**Figure 28 - Proportion of effective arrangements amongst parents who will use or would have used statutory service (over 20 years)**



## 30 month review of charging

177. As set out throughout this paper, the purpose of the estimates is to enable the Commission to plan effectively for the launch of the new statutory scheme. However, due to the numerous assumptions required, the derived estimates presented in this paper are indicative and should be treated with caution. A full review and evaluation of the policy of charging will be conducted 30 months after the introduction of charging. The actual impact of case closure will be assessed on an ongoing basis. These reviews will enable the Commission to fully analyse the actual impact of the reforms on the arrangement outcomes for clients.

# Annex A: applying the existing-PWC survey results to the CSA caseload

## Why was it necessary to apply the survey results to the caseload?

The first stage of the survey analysis was to estimate the proportion of survey respondents expected to apply to the new statutory scheme. Analysis showed that the achieved survey sample was broadly representative of CSA PWCs in terms of compliance, case age, maintenance assessment value etc. However it did not exactly match the mix of clients in the CSA caseload. Therefore, it was necessary to adjust or weight the survey results according to characteristics in the CSA population in order to estimate the proportion of eligible clients expected to apply to the new statutory scheme. Furthermore, as case closure is planned to take place over three years, some estimate of the profile expected to apply over these three years was also required.

The survey-based estimates, unadjusted for differences between the survey respondents and the caseload, were that 70% of respondents would apply to the new statutory scheme. The final adjusted estimates, when applied to the caseload, gave an estimate that 63% of existing clients would apply to the new statutory scheme (the estimate presented throughout this paper).

This annex sets out the analytical process followed in adjusting the survey results according to the CSA caseload characteristics.

## Deciding upon a best approach for weighting and adjusting

Two simple ways of using the survey results to estimate the final proportion of CSA clients applying to the new scheme would be to:-

- Assume that a 'flat 70%' of the caseload will transition (70% of each subgroup and case closure tranche will transition).
- Weight the survey results by a characteristic such as age or compliance and apply it to the caseload. For instance, because it is estimated that X% of fully compliant cases and Y% of partially compliant cases from the survey will transition, it is then estimated that X% of fully compliant cases and Y% of partially compliant cases in the caseload will also transition.

However, neither of these methods adequately takes account of the slight differences in PWC characteristics between the achieved survey sample and the CSA population.

An alternative is to model the survey data to predict the probability of each PWC in the population applying to the new scheme, taking into account all important characteristics i.e. a multidimensional modelling approach.

## Step 1: fitting a predictive application marker to the survey data

The first step of the model-building process was to give each PWC in the existing-PWC survey dataset an 'application marker' according to whether they are expected to apply to the new scheme. This involved the following steps:-

- All PWCs who said they wanted to use the new statutory scheme and were willing to pay were given a positive application marker;
- To account for the DV exemption, a random 32% of those who stated they wanted to use the new statutory scheme were assumed to be exempt from charging due to DV, and were given an application marker;
- A random 57% of those who wanted to use the new statutory scheme but were not willing to pay and were not exempt were assumed to relent (in line with the 'willingness to relent' section) and were also given an application marker.

Therefore, overall 70% of survey records had an application marker.

The next step was to build a forecasting model that would attempt to predict the probability of a PWC applying to the new scheme i.e. having an application marker.

## Step 2: building a regression-based forecasting model

Stepwise logistic regression was used to build the forecasting model. This technique is used to predict the likelihood that an event will occur. In this case the event is a decision by the PWC to apply to the new scheme.

The technique selects, one-by-one, the characteristics that are most closely related to the decision to apply.

It then weights the contribution of each selected characteristic according to how much it contributes to predicting the application decision marker and in what direction (i.e. more or less likely to apply).

As the intention was that the model would apply the survey results to the CSA population, only PWC characteristics common to both the survey and the CSA administrative data were used in the regression analysis. Ideally it would be useful to use relationship segment information as well, as analysis suggested that this is a factor in whether the PWC would like to use the statutory scheme. However, this is not available in CSA administrative data, and did not appear to add a great deal of explanatory power to the model.

This process was ran iteratively (adjusting the PWC characteristics available and the application marker) until the most satisfactory model possible had been built. Various regression statistics (p scores, hosmer and lemeshow test etc.) were used to guide this decision.

## Step 3: applying the regression-based forecasting model

The table below shows the characteristics selected for use in the final model.

**Table A.1 Characteristics associated with a decision to apply to the new scheme**

Characteristic	x times as likely to apply to the new scheme
Uses Maintenance Direct	0.3
Case age (in years)	0.9
Receives £0 in maintenance	0.3
Receives <£5 in maintenance	0.3
Receives £>£50 in maintenance	2.3

The associated weights / coefficients for these characteristics (the log of the numbers shown above) were then used to give each PWC (in the survey dataset, for now) a probability that they will application to the future scheme.

For instance, a PWC with a 1-year old case, receiving £50+ per week, who is not using Maintenance Direct, is predicted to be 91% likely to apply. Put another way, it is expected that 91% of PWCs with these characteristics to apply. In contrast, a ten-year old Maintenance Direct case receiving £0 - £5 maintenance is 23% likely to apply (23% of PWCs with these characteristics are expected to apply).

*Averaging each PWC's probability in the caseload gave the proportion expected to apply to the new scheme: this was 63%.*

As the forecasting model had weighted the central estimate down from 70% to 63%, the individual steps leading towards the 70% / 63% (e.g. the 83% who wanted to use the new scheme, the 43% willing to pay etc.) were scaled down accordingly and approximately to give the overall estimates seen in the diagram in point 84.

# Annex B: what alternative arrangements will new and existing clients make?

## Clients dropping out of the statutory scheme

There are three groups of clients that will not apply to the new scheme as a result of the reforms. These are as follows:-

- **Group 1 (CSA prefer not to apply):** Existing clients who, when their CSA case is closed, would prefer not to use the statutory scheme irrespective of charging. There will be around 185,000 of these cases who will leave the statutory scheme permanently over the three years following the introduction of charging.
- **Group 2 (CSA deterred by charging):** Existing clients who, although would prefer to apply to the new scheme, will be deterred by the application charge of £20. There are an estimated 145,000 of these cases leaving the statutory scheme over the three years following the introduction of charging.
- **Group 3 (New clients deterred by charging):** New applicants who would previously have applied to the statutory scheme, but are put off by the application fee of £20. There is projected to be around 15,000 of these a year.

This annex shows how the alternative arrangement volumes were derived from the survey results and assumptions.

## Group 1: Existing clients leaving regardless of charging

Question 17 of the Existing CSA PWCs survey initially asked PWCs what arrangement they would be most likely to prefer. The results are shown below - the group under consideration here, had indicated a definite non-CSA option (1, 2 and 3).

**Table B.1 – Preferred arrangement choices of existing PWC clients**

Q17 (Existing CSA PWCs Survey): Of the different arrangement choices, which of the four options would you be most likely to prefer?

<i>Percentages</i>	Non benefit	Benefit	Overall
1. Family-based arrangement	9%	9%	9%
2. Court arrangement	6%	4%	5%
3. No arrangement	2%	4%	3%
4. CSA Maintenance Direct	7%	4%	6%
5. CSA calculation and collection	73%	74%	73%
6. Undecided	4%	5%	4%
Total	100%	100%	100%

*Asked of 1,290 respondents eligible to apply to new scheme (before any charging questions)*

Restating this table without the statutory and 'undecided' choices, and reweighting to 100%, gives the following results:

**Table B.2 – Restating (above) survey results excluding statutory and 'undecided' choices**

	Non benefit	Benefit
Family-based arrangement	51%	51%
Court	34%	26%

No arrangement	14%	23%
Total	100%	100%

As set out in chapter 6, the court rates are far too high for plausibility and it is assumed that in reality a negligible number will make court arrangements.

Instead, it was assumed that they would actually behave proportionally in the same way as those stating a preference for family-based arrangements or no alternative arrangements. The reasoning for this adjustment is because whilst those stating a preference for court arrangements have said they do not want to use the new statutory scheme, they have at least indicated that they want a maintenance arrangement of some kind. Therefore it would be over pessimistic to assume that they will all make no arrangement instead. Whilst it may also be over optimistic to assume that approximately 75% will form family-based arrangements, this is not likely to over state the number that will actually have a child maintenance arrangement. Given this group's preference for an arrangement, it seems more likely that if this group were unable to make family-based arrangements, they would instead change their mind and apply to the new statutory scheme, where a similar proportion would be likely to receive regular child maintenance payments.

The results of these adjustments are shown below:-

**Table B.3 - Estimated arrangement choices of the group who will not apply to the new statutory scheme irrespective of charging (percentages)**

	Non benefit	Benefit
Family-based arrangement	78%	69%
Court	0%	0%
No arrangement	22%	31%
Total	100%	100%

As detailed in point 101, there is estimated to be 185,000 who will not apply irrespective of the application fee. This group is estimated to be split 70% / 30% non-benefit to benefit (the same as the case mix).

Applying the above results to these volumes, gives the following results (rounded to the nearest 5,000).

**Table B.4 - Estimated arrangement choices of the group who will not apply to the new statutory scheme irrespective of charging (projected volumes)**

	Non benefit	Benefit	All
1 Family based	100,000	40,000	140,000
2 Court	0	0	0
3. No Alternative Arrangement	30,000	15,000	45,000
Total	125,000	55,000	185,000

## Group 2: Existing clients deterred by the application fee

Respondents who had indicated an unwillingness to pay an application fee of any level were asked what alternative arrangement they would make (question 46 in the Existing CSA PWCs survey). The results are shown below.

**Table B.5 – Alternative arrangement choices of existing clients who said they did not want to pay an application fee**

Q46 (Existing CSA PWCs Survey): If you won't pay an application charge, what alternative arrangement will you make?

%	Non Benefit	On Benefit
---	-------------	------------

1 Family based arrangement	14%	12%
2 Court arrangement	22%	23%
3 Other	4%	2%
4 No Alternative Arrangement	29%	25%
5 Don't know	32%	38%
Total	100%	100%

*Asked of all 613 respondents who said they were unlikely to pay an application fee of any level*

Those who answered 'don't know' or 'other' were re-apportioned equally amongst the three main choices (1, 2 and 4). This gave the following results:-

**Table B.6 – Re-apportioning (above) survey results: distributing 'other' and 'don't know' proportionately**

	Non benefit	Benefit
1 Family based	22%	20%
2 Court	34%	38%
3 No Alternative Arrangement	45%	42%
Total	100%	100%

As set out in point 100, it is estimated that ~50% of those who said they weren't willing to pay an application fee will relent when faced with the actual decision. Furthermore, the proportion opting for court arrangements is far too high for plausibility and, as set out in point 116 onwards, it is assumed that a negligible number will make court arrangements.

Therefore, it was assumed that all of those who opted for a court arrangement would relent and pay the application charge. The small remainder (~13%) of those relenting will be taken proportionately from those who opted for a family-based arrangement or no arrangement. Adjusting the above table in accordance with those assumptions (the first table of B.7), and then restating the table to 100% (the second table of B.7), gives the following results:

**Table B.7 – Adjusted and then restated (to 100%) arrangement choices of the group who will not apply to the new statutory scheme due to charging (percentages)**

	Non benefit	Benefit
1 Family based	16%	17%
2 Court	0%	0%
3. No Alternative Arrangement	33%	36%
Total	49%	53%

Re-stating the above table as 100%

	Non benefit	Benefit
1 Family based	33%	32%
2 Court	0%	0%
3. No Alternative Arrangement	67%	68%
Total	100%	100%

As detailed in point 101, there is estimated to be 145,000 who will not apply irrespective of the application fee. This group will be split approximately 70% to 30% non-benefit to benefit cases.

Applying the estimates above to these volumes gives the following results (rounded to the nearest 5,000 – although they should not be considered accurate to that degree):

**Table B.8 – Estimated arrangement choices of the group who will not apply to the new statutory scheme due to charging (projected volumes)**

	Non benefit	Benefit	Overall
1 Family based	30,000	15,000	45,000
2 Court	0	0	0
3. No Alternative Arrangement	65,000	35,000	100,000
Total	95,000	50,000	145,000

**Group 3: New clients deterred by the application fee**

Respondents from the new applicant survey who had indicated an unwillingness to pay an application fee of any level were asked what alternative arrangement they would make (question 33 in the New CSA PWCs survey). The results are shown below.

**Table B.9 - Alternative arrangement choices of new clients who said they didn't want to pay application fee**

Q33 (New PWC CSA Applicants Survey): If you won't use the CSA with charging will you make an alternative arrangement?

	Non Benefit	Benefit
1 Family based	19%	10%
2 Court arrangement	30%	32%
3 Other	7%	4%
4 No alternative arrangement	31%	31%
5 Don't know	13%	23%
Total	100%	100%

*Asked only to the 266 new applicant respondents who stated they would not pay even a £25 charge*

Those who answered 'don't know' or 'other' were re-apportioned equally amongst the three main choices (1, 2 and 4).

**Table B.10 - Re-apportioning (above) survey results: distributing 'other' and 'don't know' proportionately**

	Non benefit	Benefit
1 Family based	24%	13%
2 Court	38%	44%
3. No alternative arrangement	38%	43%
Total	100%	100%

As set out in point 114, it is estimated that 44% of those who said they weren't willing to pay an application fee will relent when faced with the actual decision. Furthermore, the proportion opting for court arrangements is far too high for plausibility and, as set out in point 116, it is assumed that a negligible number will make court arrangements.

Therefore, it was assumed that all of who opted for a court arrangement would relent and apply to the new statutory scheme. The remainder of those relenting will be split proportionately between those who opted for a family-based arrangement or no arrangement. Adjusting the above table in accordance with those assumptions (the first table of B.11), and then restating the table to 100% (the second table of B.11), gives the following results:

**Table B.11 – Adjusted and then restated (to 100%) arrangement choices of new clients who will not apply to the new statutory scheme due to charging (percentages)**

	Non benefit	Benefit
1 Family based	23%	13%
2 Court	0%	0%
3. No Alternative Arrangement	37%	40%
Total	60%	53%

Re-apportioning the above table to 100%

	Non benefit	Benefit
1 Family based	38%	24%
2 Court	0%	0%
3. No Alternative Arrangement	62%	76%
Total	100%	100%

As detailed in point 96, there is estimated to be 15,000 new applicants per year who will be deterred from applying by the application fee. These are estimated to be split 55% to 45% towards non-benefit applicants.

Applying the above estimates to these volumes gives the following projected volumes (rounded to the nearest 1,000):

**Table B.11 - Estimated arrangement choices of new clients who will not apply to the new statutory scheme due to charging (projected volumes each year)**

	Non benefit	Benefit	All
1 Family based	3,000	2,000	5,000
2 Court	0	0	0
3. No alternative arrangement	5,000	5,000	10,000
Total	8,000	7,000	15,000

### Deriving alternative arrangement outcomes by client subgroups

The above derivations are based on the overall groups of clients that choose not to apply to the future scheme. It is likely that different subgroups (based on compliance and maintenance assessment amount) will behave differently and have varying propensities to make family-based arrangements.

However, it is difficult to make robust estimates of alternative arrangement volumes for compliance and assessment value subgroups. Once respondents who did not want to use the statutory scheme are divided into groups according to characteristics such as compliance and assessment amount, the sample sizes are small. Overlaying assumptions on to survey results based on small samples sizes simply increases this uncertainty.

Nonetheless, some analysis was possible with a degree of aggregation of sub-groups. The following steps were taken:-

- The eligible caseload of 900,000 was divided into compliance and then maintenance assessment groups. The proportion of each group that are estimated to apply to the new statutory scheme was applied to give the volumes expected to use or not use the statutory scheme. (These proportions were available through the methodology described in Annex A).
- For each compliance category / assessment amount, the volumes not expected to apply to the statutory scheme were divided into those who didn't want to use the statutory scheme regardless of charging, and those who were deterred by charging. This was estimated based on the survey dataset, using the 'application marker' as described in Annex A as a guide. The survey results concerning alternative arrangement choices were applied to those leaving the statutory scheme irrespective of and due to charging, with adjustments applied in line with those described above in this annex.
- For each compliance category / assessment amount, the volumes of those estimated to make family-based arrangements or no alternative arrangements were aggregated up by compliance category.

178. The final estimates are shown in chapter six (Figure 17 and

Figure 18). These estimates should be read with caution and interpreted as illustrative rather than definitive.

# Annex C: compliance of the new scheme caseload

## Introduction and background

The compliance mix of the new statutory scheme collection service is a key driver of cost and therefore is an important planning estimate for the commission. It also enables an estimate to be generated of the overall outcomes for existing and future clients who will and will not use the statutory scheme (as a result of the reforms) – this is covered in detail in chapter eight.

However, it is also an area where various interrelated dynamics converge, and there is limited survey information to underpin estimates concerning behavioural change with regard to compliance. Consequently, the estimates in this area carry a large degree of uncertainty.

This chapter explains the derivation of the estimates concerning the compliance of the new statutory scheme caseload in 2017/18 (after the case closure process has been completed).

## Summary so far

The following estimates were derived in the main paper:-

- 88% of (pre-charging) applicants will still apply to the statutory scheme once charging is introduced (chapter three).
- 63% of eligible CSA cases will apply to the new statutory scheme during case closure (chapter three).
- 40% of the positively assessed caseload will choose and remain on a Direct Pay arrangement (chapter six).

The following table shows these estimates split out by current compliance:-

**Table C.1 - Compliance status of CSA cases applying to the new scheme**

	Current Compliance	% that will apply to new statutory scheme	% that will choose and remain on maintenance direct
Non benefit	Nil Assessed	48%	23%
	Maintenance Direct	57%	64%
	Fully Compliant	76%	49%
	Partially Compliant	69%	33%
	Nil Compliant	66%	26%
			<b>64%</b>
Benefit	Nil Assessed	49%	23%
	Maintenance Direct	53%	58%
	Fully Compliant	70%	38%
	Partially Compliant	63%	32%
	Nil Compliant	64%	28%
			<b>60%</b>
<b>Total</b>		<b>63%</b>	<b>40%</b>

Annex A explains how the proportions of each compliance category applying to the new statutory scheme were derived, whilst chapter seven covers the derivation of the proportion using Direct Pay arrangements.

For the purposes of estimating the overall case mix and due to limited insight on new clients, new intake is assumed to show similar characteristics to existing clients applying to the new statutory scheme.

## Overall compliance in the new statutory scheme

The analysis based on the survey results showed that PWCs with compliant cases were most likely to want to use the new statutory scheme. This is likely to be because the statutory scheme is delivering their maintenance most or all of the time. And therefore, it can be seen in Table C.1 above that fully / partially compliant cases are expected to be most likely to apply for the new scheme. They are also more likely to choose and remain on a Direct Pay arrangement.

Once the proportion of each compliance segment using a Direct Pay arrangement over the longer term was estimated, it was necessary to estimate the compliance distribution of cases in the new statutory scheme collection service in 2017/18 (when the case closure process is planned to be complete).

There is no specific data to help estimate compliance in the new scheme, but there are two key pieces of information available to help:-

- The current compliance of cases in the CSA that are expected to apply to the new scheme is assumed to indicate compliance behaviour on the new statutory scheme.
- The maintenance liability on the new scheme is likely to be different from that of the current schemes due to out of date income details and differences in the calculation between the schemes (see the Future Scheme Calculation Impact Assessment – available here: <http://webarchive.nationalarchives.gov.uk/20120104120950/http://www.childmaintenance.org/en/pdf/Maintenance-Calculation-Regulations-2012-Impact-Assessment.pdf> ). Here, it is assumed that a large increase in maintenance liability would increase the likelihood of non-compliant behaviour emerging and the reverse is also assumed to be true - a large reduction would draw cases towards better compliance. The estimation of proportions moving to other compliance categories has erred towards pessimistic outcomes where partially compliant would increase at the expense of fully compliant.

Overall, these assumptions result in the estimates shown below. The following matrix summarises the estimated mix of compliant cases in the new scheme as compared with their previous compliance in the current schemes:-

**Table C.2 – New scheme compliance: summary matrix**

	Current Compliance (2011/12)	Compliance Mix in new scheme (2017/18)				
		NA	Direct pay	FC	PC	NC
Benefit	Nil Assessed (NA)	33%	23%	12%	16%	16%
	Maintenance direct (to be direct pay)	1%	58%	15%	16%	9%
	Fully Compliant (FC)	0%	38%	36%	19%	7%
	Partially Compliant (PC)	0%	32%	16%	37%	16%
	Nil Compliant (NC)	2%	28%	6%	15%	50%
Non benefit	Nil Assessed	33%	23%	12%	16%	16%
	MD	1%	64%	13%	14%	8%

	Fully Compliant	0%	49%	29%	16%	6%
	Partially Compliant	0%	33%	15%	36%	16%
	Nil Compliant	2%	26%	7%	15%	51%
<b>% of Total Case Load</b>		7%	37%	17%	21%	18%
<b>% of Positively Assessed Caseload</b>		-	<b>40%</b>	<b>18%</b>	<b>23%</b>	<b>20%</b>

There remains significant uncertainty around these estimates, notably in relation to the behavioural impacts of collection charging and particularly for those moving from Direct Pay to the collection service due to an element of non-compliance.

## Annex D: modelling outcomes over 20 years - methodology

This annex explains how the outcomes of parents after 20 years were modelled (as shown in chapter eight).

Currently (2012/13) there are 1.1 million statutory scheme cases. Under the planned reforms (to recap what has been derived throughout the paper) we estimate that:-

- A net 100,000 cases will leave the current schemes prior to case closure and so will not be invited to apply to the new statutory scheme. The caseload on current schemes will reduce because closures will exceed new applications, particularly during the period where the new statutory scheme is open to new applications.
- 135,000 will not be invited to apply to the new statutory scheme because they will close naturally over the years of case closure.
- 330,000 cases will leave the statutory scheme over the first three years of case closure. This group will make 185,000 family-based arrangements, whilst 145,000 will make no alternative arrangement (see point 117).
- 12% of the 120,000 annual applications projected to be received prior to the introduction of charging will no longer apply to the new scheme. This 15,000 per year are expected to make 5,000 family-based arrangements, and 10,000 will make no arrangement instead (see point 117).
- 63% of existing clients (570,000) will apply to the new scheme as their cases are closed. Their compliance outcomes are derived in chapter seven and Annex C).

The modelling done to reach the estimates of outcomes after 20 years assumed the following:-

- Between 2012/13 and 2017/18, during the case closure process, the overall compliance mix within the statutory scheme will move towards and reach the compliance mix derived in Annex C. This will be a result of existing clients leaving schemes, and applying to the new statutory scheme, in addition to new applicants.
- In 2020/21 the new statutory scheme will reach a steady level of 900,000 cases, and the 105,000 new applications a year will replace 105,000 cases a year which close because they cease to have child maintenance interests. The overall compliance mix within the statutory scheme will stay constant from 2017/18 onwards (matching that derived in Annex C).
- Of the 15,000 families per year no longer using the statutory scheme, it is assumed that these will, on average, last nine years before their child maintenance interest expires (and they no longer need to have a child maintenance arrangement). This is based on the average life of a CSA case.
- Of the 185,000 existing clients who leave the statutory scheme irrespective of charging (see paragraph 163), it is assumed that these will, on average, last seven and a half years before they cease to have child maintenance interests. This has been calculated via the following steps:-
  - Cases that move from the CSA towards the end of the case closure process will be at least three years old. The average life of these cases will be six years (nine minus three).
  - Cases that move from the CSA at the start of the case closure process will have an average life of nine years.
  - The mid point between these two points is seven and a half years i.e. these cases will take seven and a half years, on average, to cease having child maintenance interests.
- Of the 145,000 existing clients who leave the statutory scheme because of charging (see point 163), it is assumed that these, too, will have a seven-and-a-half year life.

Overall, this modelling simulates the fact that, over 20 years, all existing clients will be replaced by new clients. The majority of the cohort being considered after 20 years is the 120,000 new potential applications per year (105,000 of whom join the statutory scheme, and 15,000 of whom do not). In reality, the cases leaving the statutory scheme during case closure would probably have shorter life spans than assumed here – analysis suggested these cases were, on average, older than those who would apply to the new statutory scheme – although this assumption should have little impact on the overall proportion of effective arrangements over these nine years.

Overall, by applying these decay rates, the overall size of the cohort after 20 years is approximately the same as it is now.

When modelling the outcomes of parents in the alternative scenario where there is no case closure or charging, the statutory scheme levels are kept at approximately 1.1 million cases. The compliance mix gradually (over 20 years) is assumed to move towards the mix derived in Annex C, except that the proportion using Direct Pay stays low at 16% as there is no collection charging or case closure that would incentivise take up. This means that the proportion of effective arrangements is not as high as expected with case closure and charging.