Annual Report and Accounts 2009/10

Child Maintenance and Enforcement Commission

Child Maintenance and Enforcement Commission Annual Report and Accounts 2009/10

Presented to Parliament pursuant to the Child Maintenance and Other Payments Act 2008

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Foreword by the Chair and Commissioner

The Child Maintenance and Enforcement Commission (the Commission) was established by the Child Maintenance and Other Payments Act 2008 to take forward a fundamental redesign of the child maintenance system. The Commission took over responsibility for the child maintenance system from the Department for Work and Pensions, including the functions of the Child Support Agency, in November 2008, and has a statutory objective of maximising the number of effective child maintenance arrangements in place.

The Commission is required to promote the financial responsibility that parents have for their children and has begun work with stakeholders, other government agencies and the media to involve them in promoting child maintenance as part of their activities. In addition, the Commission undertook qualitative research in 2009/10 to understand why parents behave as they do and how to achieve broader acceptance of parental responsibility on separation, interviewing parents and the people who influence them. In 2010/11 the Commission will develop its plans to ensure they support the Coalition Government objectives.

Child Maintenance Options continues to provide a highly regarded information and support service for parents, with the number of people using the service almost doubling in 2009/10. Following a successful pilot, the Commission ran a national promotional campaign which aimed to raise awareness of the service and, in turn, increase the number of effective arrangements made by parents.

Significant progress has been made in developing the future child maintenance scheme. In 2009/10, the Commission appointed a lead partner in the delivery of the new IT system and focused investment on the new computer system and its interaction with those of other government departments and agencies.

Since taking responsibility for the functions of the former Child Support Agency from the Department for Work and Pensions, the Commission has continued to operate the two existing statutory maintenance schemes and this year has seen further sustained improvement in performance. The Commission exceeded its targets on maintenance outcomes and collections. 77% of those non-resident parents with a liability to pay maintenance now pay, against a target of 72% and £1,141m was collected or arranged through the statutory schemes over the year, against a target of £1,135m. To strengthen the enforcement regime, new powers were introduced in 2009/10, including the power to seize money directly from bank accounts. We hope that these will result in a further increase in the amount the Commission collects, both of regular maintenance and of outstanding arrears.

We are particularly pleased that the Commission exceeded its target of 840,000 children benefiting either from a statutory arrangement or from a private arrangement made following contact with the Child Maintenance Options service. By year end, over 840,000 children were benefiting on the statutory schemes alone, and taken together with the 60,000 benefiting through private arrangements made following contact with the Child Maintenance Options service, this means that over 900,000 children are now benefiting as a result of the Commission's work.

We would like to record our thanks to colleagues across the Commission. Their collective effort on behalf of clients has been essential to the progress made this year and has created a strong platform from which we can continue to achieve our ambitions and realise our vision of supporting separated parents; securing children's futures.

Janet Paraskeva
Chair of the Commission

Stephen Geraghty
Child Maintenance Commissioner

Annual Report 2009/10 – Executive Summary

This Annual Report covers the activity and performance of the Child Maintenance and Enforcement Commission in 2009/10 and reports on the execution of its responsibilities, including the administration of the statutory maintenance service, for that period. Money paid in child maintenance is held and accounted for separately under the Client Funds Accounts and is reported on in a separately published Client Funds Account.

From the point it was established, the Commission was charged with delivering the fundamental redesign of the child maintenance system outlined in legislation, whilst continuing to improve the performance of the existing child maintenance schemes. A number of key developments have taken place over the past year which will ensure that the Commission realises its vision to support separated families and secure children's futures.

- As part of its programme to promote parental responsibility, the Commission has engaged with other government departments to ensure information on child maintenance gets to the parents who need it.
- A national campaign to promote the Child Maintenance Options service aimed at raising awareness and use of the service was run from early 2010.
- The contract to design and build the new computer system for the future child maintenance scheme was awarded and development began.
- The CSA division of the Commission achieved another year of improved performance by hitting all principal Ministerial targets. The number of children benefiting from statutory maintenance rose to over 800,000 for the first time and the total maintenance collected exceeded £1,141m.
- The Commission introduced two new enforcement powers for use on the statutory schemes. The first, the deduction of maintenance payments and/or arrears from bank or building society accounts (without the need to apply through the courts) has already helped to secure more money for more children. The power to recover arrears from the estates of deceased non-resident parents will bring further benefits.

The rest of this report sets out how the Commission has performed against the core functions, objectives, early priorities and targets outlined in its Business Plan for 2009/10, published in May 2009.

About the Child Maintenance and Enforcement Commission

The Child Maintenance and Enforcement Commission was established as a Crown non-departmental public body by the Child Maintenance and Other Payments Act 2008 and came into being on 24 July 2008. The Commission took over responsibility for the child maintenance system in Great Britain from the Department for Work and Pensions on 1 November 2008.

The CSA division of the Commission operates the statutory child maintenance schemes previously administered by the Child Support Agency. It continues to operate under the CSA brand, to ensure continuity of client service. The Commission has a wider remit than the former Child Support Agency, which had only one function: providing the statutory maintenance service.

The primary objective of the Commission is to maximise the total number of effective maintenance arrangements, whether made privately, by court order or through the existing statutory maintenance schemes. The Commission does this through its three core functions, which are to:

1. promote the financial responsibility that parents have for their children;
2. inform parents about the different options available, guide them to those most appropriate for them and support them in making private arrangements; and
3. provide an efficient statutory maintenance service, with effective enforcement.

The Commission has two delivery mechanisms; Child Maintenance Options, which provides the information and support services, and the CSA, which administers the two current statutory schemes.

The Commission is seeking to ensure that all parents who live apart put in place effective arrangements to maintain their children, whether privately, through the courts or through the statutory service. It seeks to do this across the estimated 2.6 million separated families, not just the 1.2 million families who are clients of the CSA.

As a non-departmental public body, operating at arm's length from direct government control, the Commission has the flexibility to work with the public, voluntary and private sectors to achieve its aims.

The vision – 'Supporting separated families; securing children's futures'

The Commission's vision, developed with involvement from client representative groups, is to 'support separated families' in understanding the range of child maintenance options available and to help them navigate the issues they face in putting an effective arrangement in place; and in establishing an effective arrangement, the Commission can help 'secure children's futures' by facilitating the financial support they need.

The Commission wants to create a future where parents who live apart from their children should expect, want and be able to make effective maintenance arrangements, where payment becomes the norm and non-payment is no longer socially acceptable.

The Commission's people

At the end of March 2010, the Commission employed 8,473 people (full-time equivalent), with the vast majority working in the administration of the existing statutory child maintenance schemes.

In addition, some of the existing statutory child maintenance caseload is managed through a service level agreement via Northern Ireland's Child Maintenance and Enforcement Division and some in Bolton through a commercial contract with Vertex Data Science; whilst the national contact centre for Child Maintenance Options is delivered by Ventura in South Yorkshire, again through a commercial contract.

Status and authority of the Commission

The Commission was established under Section 1 of the Child Maintenance and Other Payments Act 2008 as a Crown non-departmental public body.

The Commission is sponsored by, and funded through, the Department for Work and Pensions. The Secretary of State for Work and Pensions is ultimately accountable to Parliament for the Commission's activities and performance. The Permanent Secretary of the Department for Work and Pensions, as the Department's Principal Accounting Officer, is responsible for ensuring that there is a high standard of financial management, both within the Department and in the non-departmental public bodies that it sponsors.

Corporate governance in the Commission

The Commission is governed by the Commission Board comprising the Chair, the Commissioner and a number of executive and non-executive directors who are responsible for developing the overall vision, strategy and policy of the Commission as well as for the governance of the organisation.

The Commission Board

The Board sets the strategy and policy for the whole of the organisation. It is responsible for ensuring that effective arrangements are in place to provide assurance on risk management, governance, and internal control. It is specifically responsible for establishing and taking forward the strategic aims of the Commission, consistent with its overall statutory objectives.

Chair of the Commission

The Chair is responsible to the Secretary of State for ensuring that the Commission's policies and actions support the wider policies of the Secretary of State and that its affairs are conducted with probity.

In addition, the Chair has the specific responsibility for ensuring that the Commission fulfils the functions set out in the Child Maintenance and Other Payments Act 2008; and an obligation to ensure that the work of the Board and its members is reviewed and that it is working effectively.

The Child Maintenance Commissioner

The Commissioner is designated by the Permanent Secretary as the Commission's Accounting Officer. As such he is personally responsible for safeguarding the public funds of which he has charge, for ensuring propriety and regularity in the handling of those funds, and for the day-to-day operations and management of the Commission.

The Commissioner is responsible to Parliament for the Commission's accounts, internal controls and procedures; to the Department for corporate and business planning and informing it of progress in achieving agreed objectives and targets; for advising the Board on the discharge of its responsibilities; and for executing Board decisions.

Board committees

The Board governs the committees that ensure that the Commission runs with propriety, is effective in delivering public service and demonstrates good value for money for the taxpayer. These committees include a Non-Executive Functions Committee which governs the Commission's Remuneration and Audit Committees.

Members of the Child Maintenance and Enforcement Commission Board

Name	**Role**
Janet Paraskeva	Chair
Stephen Geraghty	Commissioner
Deborah Absalom	Non-Executive Director
Rosemary Carter	Non-Executive Director
Bill Griffiths	Non-Executive Director
Maeve Sherlock	Non-Executive Director
Heather Jackson	Non-Executive Director
Alan Hardy	Executive Director
Susan Park	Executive Director
Stephen Leonard	Executive Director
Keith Woodhouse	Executive Director

The Executive Team

The Commission's Executive Team is responsible for the executive management of the Commission and supports the Commissioner in discharging his responsibilities.

Activity and performance during 2009/10

The targets reported on in this report are those agreed with the Secretary of State for Work and Pensions for performance in 2009/10, the Commission's first full year of operation.

The primary objective of the Commission is to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. As no reliable benchmark of current private arrangements exists, the Commission is undertaking a programme of research, measurement and evaluation to provide robust measures and understand more about the attitudes, behaviours, service needs and expectations of its current and potential future clients.

Ministerial targets have been agreed for 2010/11 against which to measure the future performance of the Commission. Information about these targets appears in the Commission's Business Plan 2010/11, which is available at www.childmaintenance.org. Longer-term targets and proposals for evaluating the performance of the Commission will be established in 2010, once the research programme to establish effective measures has been completed.

As well as working to deliver on the specific performance targets, the Commission continues to undertake a range of activities to bring about a fundamental redesign of the child maintenance system in Great Britain.

Promoting child maintenance and financial responsibility

The Commission is required to promote child maintenance and the financial responsibility that separated parents have for their children, whether or not they live with them. Section 4 of the Child Maintenance and Other Payments Act 2008 requires the Commission to 'take such steps as it thinks appropriate for the purpose of raising awareness among parents of the importance of (a) Taking responsibility for the maintenance of their children, and (b) Making appropriate arrangements for the maintenance of children who live apart from them.'

The Commission is therefore seeking to change attitudes and behaviours across society so that payment of child maintenance becomes the norm, with non-payment no longer considered acceptable. To achieve this goal, the Commission embarked on a number of activities in the past year.

In order to understand why parents behave the way they do and why some parents do not put in place effective child maintenance arrangements, the Commission undertook a programme of qualitative research. On the basis of these interviews with both parents with care and non-resident parents, as well as people who influence them, the Commission is now working to develop and test activities aimed at helping and encouraging parents to work together to reach effective arrangements.

To promote financial responsibility more widely in society, the Commission has worked with the other government departments most likely to be in contact with parents to ensure that messages about parental responsibility and financial capability are included in their services and literature. As a result of work with the Department for Education, information about child maintenance is being included in a pilot for better co-ordination of services provided for separated and separating parents. As a result of work with the Consumer Financial Education Body (CFEB), CFEB now stresses, in its financial education products, the importance of parents' financial responsibility for their children and references the Commission's services. The Commission also developed relationships with the Department of Health and the Department for Communities and Local Government during 2009/10.

The Commission has been working with a number of other Government departments in recent months to ensure that child maintenance is recognised as an important issue within the context of child poverty. In addition, draft statutory guidance to local authorities about local child poverty strategies also highlighted that Local Strategic Partnerships should engage directly with the Commission to raise awareness of parental financial responsibility.

Providing information and support – Child Maintenance Options

Following its launch in 2008, the Child Maintenance Options service continues to provide information and support to separating and newly lone parents, as well as to families and friends. It is available by phone, via a website and, for those in most need of personalised help, through a face-to-face service. In 2009/10 the priorities were to build awareness of the service and to evaluate enhancements and extensions which would improve its offering to clients.

In order to raise awareness of the service and, in turn, increase the number of effective arrangements made by parents, the Commission ran a national promotional campaign. The campaign, run following a successful regional pilot, aimed to raise awareness through a number of media, including television, radio, online and print. With 66,500 telephone calls and over 290,000 unique web visits generated, the national campaign was successful in raising awareness across the target audience, with a particular increase in the use of the service by men, non-resident parents, and family and friends.

The growth of the service, along with the calls generated by the campaign, led to 286,000 successful contacts during the year. In order to begin to measure the effect this has had on maintenance arrangements being made, the Commission completed a series of internal surveys to assess the number of arrangements made following contact with Child Maintenance Options. It is estimated that at 31 March 2010 60,000 children were benefiting from effective private arrangements that were made following contact with Child Maintenance Options. A similar number are benefiting from a CSA arrangement where an application was made following contact with Child Maintenance Options.

Building the 'future' scheme of child maintenance

The Commission is working on a 'future' scheme, which will improve the way child maintenance is calculated by taking information from Her Majesty's Revenue and Customs and will be supported by a new computer system, resolving the well-documented IT problems which have hampered the performance of the current schemes.

The scheme is designed to provide a faster and simpler way of working out maintenance, a more transparent assessment process and a more effective enforcement regime. These improvements will deliver a better service for parents and significant efficiencies for the taxpayer.

Significant progress has been made in the last year, including the award of the contract for the new IT system to Tata Consultancy Services, and consequent work to design and build the system. To avoid problems experienced with the current IT system, the new IT system is based on tried and tested commercial packages, which will be integrated to ensure better client service and greater value for the taxpayer.

Other investment in 2009/10 was targeted to improve the interaction between the Commission's systems and those of other government departments and agencies. To improve efficiency, the Commission will use the latest available tax year information from Her Majesty's Revenue and Customs to provide income details for clients. Using information from a single source is expected to significantly reduce the time and effort taken to calculate child maintenance.

During 2009/10, the Commission also continued to draw up the policy framework which will underpin the future scheme, the way in which calculations are made and the transition process. This will allow public consultations and regulations to be put to Parliament in the coming months, subject to Ministerial approval.

Providing an efficient statutory maintenance service, with effective enforcement

Until the future scheme of child maintenance is established the CSA division will continue to operate the two existing statutory maintenance schemes.

Substantial and wide-ranging improvements in performance and service were made to the statutory schemes under the three-year Operational Improvement Plan which concluded in March 2009 and the CSA division continued to build on that success during 2009/10.

Record numbers of children benefited from maintenance during the year, with the number exceeding 800,000 for the first time ever in December and reaching 845,000 by year-end. The total amount of maintenance collected or arranged reached a record level of £1,141m, exceeding the target by £6m. The portion of the total collected which was reported as being against arrears was £147m against a sub-target of £170m. The percentage of cases with maintenance flowing increased to 77%, ahead of the target of 72%. New application performance also continued to improve with 86.9% of applications received in December 2009 cleared within 12 weeks, and uncleared applications down from over 50,000 in March 2009 to around 23,000 in March 2010. The telephony service provided to clients also continues to improve with over 98% of calls answered within 60 seconds. More detailed information on performance can be found on page 14.

These improvements happened against a backdrop of challenges faced by the Commission during the year. The record numbers of children benefiting come despite a reducing intake and caseload, following the change in legislation in October 2008 which removed the compulsion on parents with care on benefits to use the statutory service. The economic downturn had an impact on the amount that non-resident parents were required (and able) to pay. The number of cases managed off the CS2 computer system continued to grow, putting pressure on resources and requiring significant efficiency gains, including a 10% reduction in staffing between 1 April 2009 and 1 April 2010, to live within a reduced budget.

However CS2 still has a number of underlying flaws and the system has not achieved what was intended when it was first implemented. These underlying flaws have resulted in the scope for further improvements to CS2 being limited.

IT issues and further growth in off-system cases will continue until the planned launch of the future scheme and the delivery of a new IT system in 2011.

Providing an effective enforcement regime

In order to ensure that parents meet their financial responsibilities to their children, the Commission is developing the range of new enforcement powers that can be used under the current statutory schemes and the future scheme of child maintenance. A number of new powers were introduced during 2009/10.

The first, Deduction Orders, enables the Commission to instruct banks and building societies to deduct child maintenance from the accounts on non-compliant parents without the need to go to court. Two types of Deduction Order are available to the Commission:

- Regular Deduction Orders: which can be used to collect regular maintenance and arrears on an ongoing basis; and
- Lump Sum Deduction Orders: which collect arrears through a single deduction from an account.

Between their introduction in August 2009 and March 2010, over 300 Deduction Orders were authorised, resulting in over £450,000 being recovered for children.

In January 2010, the Commission gained the power to recover debt from a deceased non-resident parent's estate. A claim can now be lodged with the executor of the estate in order to recover the debt owed, in much the same way that Her Majesty's Revenue and Customs or other creditors would make a claim.

The Commission also continues to review and improve both its use of existing enforcement powers and the organisation of its enforcement resources. The resulting improvements contributed to the record level of collections in the year 2009/10.

Performance against Secretary of State targets

Children benefiting

Target:

By 31 March 2010 maintenance will be collected or arranged on behalf of 840,000 children. This target includes arrangements made through the CSA and Child Maintenance Options service.

Outcome:

The total children benefiting from the activity of the Commission was an estimated 905,700.

Maintenance was collected or arranged on behalf of 845,700 children through the statutory schemes.

Based on available management information the Commission estimates that a further 60,000 children benefited from a private arrangement made following contact with the Child Maintenance Options service.

Maintenance collected or arranged through the statutory schemes

Target:

Collect or have arranged £1,135m in child maintenance between 1 April 2009 and 31 March 2010, of which at least £170m will be arrears.

Outcome:

£1,141m was collected or arranged in the year to March 2010, of which at least £147m was arrears.

Maintenance outcomes of the statutory schemes

Target:

By 31 March 2010, in 72% of cases across both the old and current schemes in which a liability to pay maintenance exists, the non-resident parent has either made a payment via the collection service or a Maintenance Direct arrangement is in place.

Outcome:

The percentage of non-resident parents paying maintenance at 31 March 2010 had increased to 77%.

Five year performance trends

The following tables show the performance of the current statutory schemes over the last five years. The steady improvements under the Child Support Agency's Operational Improvement Plan (OIP) continued in the Commission's first full year of operation. Over the past five years:

- Annual child maintenance payments have increased by 43%; £1,141m was collected or arranged through the statutory service in the year to March 2010.
- An additional 284,600 children are benefiting from statutory maintenance payments, an increase of 50%.
- The percentage of non-resident parents paying maintenance has increased to 77% from 63% in 2005.
- Uncleared current scheme cases have been reduced by 201,500 to fewer than 23,000, with 87% of cases now cleared within 12 weeks of application.
- Calls are now answered more promptly, with an average waiting time of just 8 seconds, down from 1 minute and 40 seconds in 2005.

Client service: five-year performance trends

Performance measure Application processing		March 2005 Actual	March 2006 Start of OIP Actual	March 2007 End year 1 OIP Actual	March 2008 End year 2 OIP Actual	March 2009 End year 3 OIP Actual	March 2010 Actual	March 2010 Plan
Percentage of new scheme applications cleared within:	12 weeks (Dec intake)	30%	53%	61%	77%	82%	87%	80%
	18 weeks (Oct intake)	37%	61%	64%	83%	81%	93%	85%
	26 weeks (Sept intake)	46%	68%	79%	89%	90%	96%	90%
Uncleared new scheme applications		223,800	218,100	150,900	104,900	44,700	22,300	N/A
Telephony Average answer time from queue		1 min 40 seconds	59 seconds	25 seconds	20 seconds	13 seconds	8 seconds	Less than 30 seconds
Percentage of lost calls in a year		16%	9%	3%	2%	1%	1%	Less than 5%

Maintenance outcomes: five-year performance trends							
Performance measure							
Outcomes	March 2005 Actual	March 2006 Start of OIP Actual	March 2007 End year 1 OIP Actual	March 2008 End year 2 OIP Actual	March 2009 End year 3 OIP Actual	March 2010 Actual	March 2010 Plan
Children benefiting (total) Statutory schemes only	561,100 561,100	623,000 623,000	683,300 683,300	749,300 749,300	810,500# 780,500	905,700* 845,700	840,000
Cases in receipt of maintenance	403,800	454,300	504,400	561,400	593,500	647,700	604,800
Maintenance outcomes % of cases with a current liability receiving maintenance	63%	63%	65%	67%	71%	77%	72%
Maintenance collected or arranged	£798m	£836m	£898m	£1,010m	£1,132m	£1,141m	£1,135m

Note: These figures are subject to small revisions to reflect information which is received after the production of the previous quarterly statistics.

# of which 30,000 through private arrangements made following contact with Child Maintenance Options.

* of which 60,000 through private arrangements made following contact with Child Maintenance Options.

Future developments

The Coalition Government has set out its priorities to promote family responsibility and addressing child poverty. The Commission will work to support the Coalition Government in addressing these objectives, intends to review its plans in light of these and expects to publish a new business plan after the spending review.

Targets for 2010/11

The Commission's Business Plan for 2010/11 sets out the detail of its three Ministerial targets, on which it reports to the Secretary of State for Work and Pensions. These are challenging because they depend on the ability of the Commission's two delivery mechanisms, Child Maintenance Options and the CSA, to perform well at a time of economic downturn, a reducing statutory caseload and when the Commission is using resources to plan, design and prepare for the future scheme.

Overall performance	2008/09 Actual	2009/10 Actual	2010/11 Target
Children benefiting (000's)	811[1]	906[2]	950[3]

Statutory schemes performance	2008/09 Actual	2009/10 Actual	2010/11 Target
Statutory collections and arrangements (£m)	1,132	1,141	1,135
Maintenance outcomes (%)	71	77	76

1 Figures for 2008/09 were 780,500 benefiting from statutory maintenance and 30,000 benefiting after contact with Child Maintenance Options. This differs from the 810,000 previously reported in the Annual Report and Accounts for 2008/09, because a more robust measure was introduced and used to report more accurately.

2 This figure comprises children who benefited from statutory maintenance and those who benefited from a private maintenance arrangement after contact with Child Maintenance Options.

3 This figure comprises targets for both children benefiting from a statutory arrangement and those benefiting from a private arrangement following contact with Child Maintenance Options.

Costs

The Commission incurs costs in discharging each of its functions. The existing statutory service is managed by the CSA, now a brand name used by a division of the Commission.

Investment costs are one-off costs associated with building the new scheme and mostly relate to the new IT system, although the Commission has also invested in its existing schemes. Delivery costs have decreased in line with headcount in the CSA; delivery costs for new services relate to the Child Maintenance Options service and the promotion of financial responsibility.

The costs of the statutory scheme are driven by the size and composition of the statutory caseload, the number of children per case and ongoing performance improvements.

New services include the Child Maintenance Options service, promoting financial responsibility and the development of the future statutory maintenance service.

Investment costs cover:

- the implementation of the new legislation;
- developing, building and launching the future statutory scheme;
- recruiting and training the additional people needed during the transition period;
- setting up and managing the first residual arrears cases;
- redesigning and restructuring the organisation and its processes.

The following table shows total revenue expenditure in the period:

	2008/09 Actual £'m	2009/10 Actual £'m
Existing statutory service		
Investment	39	19
Delivery	519	500
New services (1)		
Investment	37	40
Delivery	10	13
Total	**605**	**572**

(1) New services began when the Commission was established in July 2008.

Headcount

During 2009/10 the average number of staff (full time equivalent) was 8,924, down from 9,571 in 2008/09.

Non-Executive Functions Committee

Report on discharge of functions

The Child Maintenance and Other Payments Act 2008 requires the Non-Executive Functions Committee to prepare a report on the discharge of its functions. Those functions are:

(a) To determine the terms and conditions as to remuneration and other matters on the appointment of a subsequent Commissioner. Such terms and conditions are subject to the approval of the Secretary of State and the Minister of the Civil Service (paragraph 9(4)(b) of Schedule 1).

(b) To determine the terms and conditions as to remuneration and other matters of the executive directors. Such terms and conditions are subject to the approval of the Minister for the Civil Service (paragraph 10(2) of Schedule 1).

(c) To determine the terms and conditions as to remuneration and other matters of members of a committee or sub-committee of the Commission who is not a member of the Commission or its staff (paragraph 12 of Schedule 1).

(d) To keep under review the question whether the Commission's internal financial controls secure the proper conduct of its financial affairs (paragraph 19 of Schedule 1).

The members of the Committee are Maeve Sherlock (Chair), Rosemary Carter, Deborah Absalom, Bill Griffiths, Heather Jackson and Janet Paraskeva.

The Committee met on 23 June 2009, where they:

- approved the recommendations from the Remuneration Committee on the Commissioner and Executive Director's Remuneration,
- approved the Annual Report of the Non-Executive Functions Committee for inclusion in the Commission's Report to the Secretary of State,
- discussed guidance on remuneration for external members of the Remuneration and Audit Committees,
- discussed the update on the recruitment of an additional external member for the Remuneration Committee, and
- approved the Audit Committee's recommendation to appoint the two identified external members.

The Remuneration Committee was established to consider the matters referred to in paragraphs (a) to (c), and is chaired by Rosemary Carter. Deborah Absalom is a member and Elizabeth McMeikan is a co-opted member. The decision-making body for these matters will remain the Non-Executive Functions Committee.

The Non-Executive Functions Committee delegated the function referred to in paragraph (d) to the Audit Committee. This Committee is chaired by Bill Griffiths. Maeve Sherlock is a member, Dawn Johnson and Peter Conway are co-opted members.

Remuneration Committee

At the meeting of the Non-Executive Functions Committee on 23 September 2008, it was decided to recruit one additional member to the Remuneration Committee from outside the Commission. Elizabeth McMeikan took up her role on 1 May 2009.

Activity during the year

The Committee met four times during 2009/2010, on 7 May 2009, 10 June 2009, 16 July 2009 and 19 November 2009.

At these meetings the Committee considered various papers and presentations. Chief among these were:

- At its inaugural meeting a tutorial session was held, which gave the Committee the opportunity:
  - to have a clear understanding of what the Committee is required to deliver
  - to explore and discuss what the Committee considers appropriate activities within its remit, and
  - to agree the Committee's working arrangements.
- Subsequent meetings included the drafting and agreement of the Committee's Terms of Reference and Protocol on Directors' Remuneration.
- The Commissioner invited the Committee additionally to consider all recommendations made by the Commissioner on remuneration for all SCS Pay Band 2 members including those who are not Executive Directors on the Commission Board.
- The Committee considered all recommendations and provided advice to the Commissioner in relation to SCS Pay Band 2 members who are not Executive Directors on the Commission Board.
- The Committee made recommendations to the Non-Executive Functions Committee on the following:
  - consolidated remuneration packages;
  - non-consolidated remuneration;
  - for the SCS Pay Band 2 members who are Executive Directors on the Commission Board, taking into account recommendations from the Commissioner;
  - building capacity to enable it to undertake its first review of SCS Pay Band 2 members' remuneration after the end of the financial year; and
  - evaluate and refine processes for the coming year.

Full Terms of Reference for the Committee are available on request.

Audit Committee report

The Committee's Terms of Reference require it to advise the Accounting Officer and the Board on:

- risk management, security, internal control and governance of the Commission;
- the accounting policies, the accounts and the annual report of the organisation, including the processes for delivering these products;
- the quality of decision making in child support cases;
- the planned activity and the results of both Internal Audit and the National Audit Office (NAO) (including the adequacy of management responses to issues identified by audit activity); and
- the effectiveness and independence of the NAO and the Internal Audit Service.

In 2009/10 the Committee had four members: two Commission Board Non-Executive Directors – Bill Griffiths and Maeve Sherlock – and two co-opted members – Dawn Johnson and Peter Conway. The Committee was supported by officials from the Commission and the Department for Work and Pensions (DWP) sponsorship team, plus NAO and DWP Risk Assurance Division.

Full Terms of Reference for the Committee are available on request.

Activity during the year

The Committee met six times during 2009/10, on 22 June 2009, 6 July 2009, 23 November 2009, 14 December 2009, 2 February 2010 and on 8 March 2010.

At these meetings the Committee considered various papers and presentations. Chief among these were:

- **Internal Audit Strategy**. The Committee discussed the future direction of the Commission's internal audit strategy;
- **External Audit Strategy.** The Committee discussed key audit risks and the audit approach to be taken;
- **Client Fund Accounts.** The Committee discussed the issues that had delayed the publication of the Client Funds Account for 2008/09;
- **Administration Accounts.** The Committee discussed the implications that the International Financial Reporting Standards would have.

Foreword to the Accounts for the year ended 31 March 2010

Foreword

Statutory background

The Child Maintenance and Enforcement Commission (the Commission) was established in July 2008 as a Crown non-departmental public body, sponsored by the Department for Work and Pensions (DWP), to take responsibility for the child maintenance system in Great Britain. The DWP transferred the functions of the Child Support Agency to the Commission on 1 November 2008.

The Commission presents its accounts for the financial year ended 31 March 2010. The accounts have been prepared in accordance with the direction given by the Secretary of State in pursuance of Section 18(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008.

Principal activities

The Commission exists to maximise the number of effective child maintenance arrangements in place for children who live apart from one or both of their parents. These may be arranged privately, through the courts or through the statutory scheme. Its main objective is supported by the following subsidiary objectives under the Child Maintenance and Other Payments Act 2008:

- to encourage and support the making and keeping by parents of appropriate voluntary maintenance arrangements for their children;
- to support the making of applications for child support maintenance under the Child Support Act 1991 (c.48) and to secure compliance when appropriate with parental obligations under that Act.

These accounts record the costs incurred by the Commission in pursuing these objectives and include those incurred in administering the calculation and collection of child maintenance. Client monies are held and accounted for separately in the Client Funds Account.

Performance targets for 2009/10 were agreed with the Secretary of State and set out in the Commission's Business Plan, published in May 2009.

Financial results

The Commission is required, under the Child Maintenance and Other Payments Act 2008, to prepare its accounts for the period from 1 April 2009 to 31 March 2010, and in accordance with Directions made by the Secretary of State with the consent of Her Majesty's Treasury. The Secretary of State has required the Commission to comply with the requirements of the Financial Reporting Manual (FReM).

The Commission's net operating costs for 2009/10 were £571.9m. 2008/09 restated operating costs were £605.3m. The Commission's net liabilities at 31 March 2010 were £50.4m; net liabilities at 31 March 2009 were £50.1m.

Going concern

The Commission receives its funding from the DWP, as part of the Government's Spending Review 2007. The funding settlement for the Commission was agreed in February 2008 providing funding through to 2010/11.

As a Department for Work and Pensions sponsored non-departmental public body the Commission's Statement of Financial Position at 31 March 2010 indicates more liabilities than assets. The Commission continues to be financed via the DWP, by drawings from the UK Consolidated Fund. The application for future financing of the DWP, which sponsors the Commission, will be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Parliamentary funding

The Commission is a Crown non-departmental public body and, as such, remains subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Commission's operations will be accounted for within the Statement of Parliamentary Supply (Schedule 1) in the Resource Account of the Department for Work and Pensions. This account is published separately.

The Commission's work programme and expenditure plans are published in the Child Maintenance and Enforcement Commission's Business Plan for 2010/11 which was published in March 2010.

Employment of disabled people

Disabled people, as defined in the Disability Discrimination Act 1995, are employed across all parts of the Child Maintenance and Enforcement Commission. The Commission has adopted the DWP guidance and has now, in its own right, obtained the two ticks disability symbol; the principles of diversity and equality are key to developing and delivering the good quality, accessible public services we give our clients, partners and internal customers. The Commission's vision for equality is that the services we deliver to our clients, and the contribution of our people, celebrate the diversity and individual talents of all members of our society.

Sickness absence data

86,334 days were lost due to sickness absence during 2009/10. This is equivalent to an average of 9.92 days per person (full-time equivalent). This is an improvement on days lost in 2008/09, which stood at an average of 11.08 days per person. The number of days lost in the last year were increased by the outbreak of swine influenza. Excluding days lost due to swine influenza, a total of 80,307 days were lost in 2009/10, equivalent to 9.23 per person.

Personal data related incidents

There were no incidents reported to the Information Commissioner's Office in 2009/10.

Summary of other protected personal data related incidents in 2009/10

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Commission would be recorded in the table below. There are no incidents to report. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

The Commission has implemented a series of information security requirements to ensure compliance with Cabinet Office recommendations and those advised by internal audit. There is now an established Senior Information Risk Officer and an Information Asset Owner, both of whom have been briefed on their responsibilities. There is a Security and Information Governance Forum, whose role includes addressing issues of information risk. The information asset inventory is being further developed. Large pieces of work have been undertaken on improving information assurance maturity and this has included the establishment of a Security Working Group. There are further pieces of work identified that can support the overall management of information risk across the Commission.

Commitment to equality and valuing diversity

The Commission is committed to providing services which embrace diversity and which promote equality of opportunity. As an employer, the Commission is committed to equality and valuing diversity within its workforce. Our goal is to ensure that these commitments, reinforced by our values, are embedded in our day-to-day working practices with all our clients, colleagues and partners.

Sustainable development

The Commission contributes to and supports the Department for Work and Pensions' strategy & policy for Sustainable Development and the achievement of its targets for Sustainable Operations on the Government Estate (SOGE). Although the Commission is a Crown non-departmental public body, it shares much of its estate and centralised procurement processes with the DWP. Full details of the departmental targets can be found in the DWP's sustainable development report http://www.dwp.gov.uk/docs/sd-annual-report2009.pdf.

Under SOGE the Commission contributes to the Department's target to reduce carbon emissions from both offices and vehicles, reduce the waste that goes into landfill and increase the percentage of waste recycled. The Commission partakes in a number of initiatives including:

- The Departmental Avoid Waste And Reduce Energy (AWARE) scheme which is based on the Relaunched Initiative Saving Energy (RISE) scheme and encourages all staff members to take responsibility for reducing waste and conserving energy;
- The Sustainable Print Service which is an IT project designed to achieve significant environmental benefits for the Commission;
- The Newcastle Estate Sustainable Development Policy which forms the basis for continually improving the management of environmental and sustainable issues surrounding the Newcastle Estate;
- Under the RISE scheme, the installation of water-saving devices in many of the Commission's buildings; and
- The recycling of all the Commission's paper waste and an increase in the percentage of other office waste which is recycled.

The current Sustainable Development on Government Estate targets will be replaced in 2011 by the Sustainable Development in Government framework (SDiG). SDiG has explicitly extended certain targets to NDPBs, for example sustainable procurement and sustainable communities.

Employee involvement

Our people have access to welfare services, which support them and promote well-being in the workplace.

Our people also have access to trade union membership. The Commission has procedures for consulting its trade unions and supports representation in the workforce by trade union representatives.

The Commission is committed to ensuring that its people at all levels can contribute towards decisions affecting the day-to-day business of the Child Maintenance and Enforcement Commission.

Pension liabilities

Commission employees are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The Principal Civil Service Pension Scheme is the main pension scheme for all civil servants, including those of the Child Maintenance and Enforcement Commission. It is a defined benefit scheme, with benefit expenditure borne on the Civil Superannuation Vote.

Details of the Pension Scheme are disclosed in Note 1.12 and the Remuneration Report.

Payments to suppliers

The Commission is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, they should be paid within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whatever is later. From 1st November 2008 this target payment period was revised to 10 days for small companies.

The ‘Late Payment of Commercial Debts (Interest) Act 1998’, which came into effect from 1 November 1998, and the ‘Late Payment of Commercial Debts Regulations 2002’ which came into force on 7 August 2003, provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

In 2009/10, no interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998. In 2008/09, £214.39 was paid to suppliers.

Public interest

There are no company directorships or other significant interests held by Board members that may conflict with their management responsibilities.

External Audit

The accounts presented within this report have been subject to audit by the Comptroller and Auditor General, whose certificate and report can be found on pages 45-46.

The Accounting Officer confirms that, so far as he is aware, there is no information relevant to the audit of the accounts of which the auditors are unaware. The Accounting Officer has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Events after the reporting date

There have been no material events after the reporting date that require disclosure in these accounts. The accounts reflect the conditions that existed at the reporting date.

Signed

Stephen Geraghty
Accounting Officer
19 July 2010

Management

Appointment and remuneration of the Commissioner

The Commissioner was appointed by the Secretary of State for Work and Pensions. The appointment is for a fixed term under the terms of the Child Maintenance and Other Payments Act 2008 Schedule 1 Paragraph 9(3)(a).

On appointment the Commissioner's pay was determined by the Secretary of State in line with the Senior Civil Service pay arrangements.

Further details of remuneration are set out in this report and Note 4 to the Accounts.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Apart from Stephen Geraghty, the Commissioner, who was appointed on a three year contract commencing on 1 January 2008, all of the directors covered by this report hold permanent appointments. All directors are required to provide three months notice of their resignation in writing.

In the event of early termination where the Chair considers that there are circumstances which make it right for that person to receive compensation, then compensation can be payable and the amount to be paid is to be determined by the Chair subject to approval by the Secretary of State.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.org.

Non-Executive Directors

Appointment and remuneration of Non-Executive Directors

The Non-Executive Directors of the Child Maintenance and Enforcement Commission were appointed by the Chair of the Commission with the approval of the Secretary of State for Work and Pensions under paragraph 3(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008. The appointments are all for fixed terms.

The remuneration of the Non-Executive Directors was, in accordance with paragraph 4(2) of Schedule 1 to the 2008 Act, set by the Chair with the approval of the Secretary of State for Work and Pensions.

Further details of remuneration are set out in this report and Note 4 to the Accounts.

Where a Non-Executive Director ceases to be a member of the Commission otherwise than on the expiry of their term of office, and it appears to the Chair of the Commission that there are circumstances which make it right for that person to receive compensation, the Commission may make a payment to that person of such amount as the Chair of the Commission may determine with the approval of the Secretary of State.

Contracts

The appointments of the Non-Executive Directors were made on merit on the basis of fair and open competition.

All appointments were made on a three-year fixed term, unless terminated earlier in accordance with the agreement. The Chair, subject to Secretary of State approval, may extend the appointment by one further term of four years.

If the Commission is dissolved, wound up or ceases to exist for any other reason, the appointment will be terminated within six months of the termination of the Commission. Any compensation associated with this termination will only be payable in accordance with the Child Maintenance and Other Payments Act 2008.

A Non-Executive Director is required to give the Chair at least one month's notice of their resignation in writing.

Remuneration policy

The Commission follows the remuneration guidance for Senior Civil Servants as determined by the Cabinet Office. Within those parameters, Executive Directors' pay will be determined by the Non-Executive Functions Committee, made up of the Commission's Non-Executive Directors on the advice of the Remuneration Committee. Other senior officials' pay may be referred to the Remuneration Committee.

In reaching its recommendations the Remuneration Committee, taking account of the conclusions of the Review Body on Senior Salaries following their work on senior civil servants' pay, has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of people;
- The absolute levels of pay, linked to the performance of the individual and the organisation.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Each year the independent Senior Salaries Review Body makes recommendations to the Prime Minister on Senior Civil Servants' pay which cover the pay bands, increases to base salary and variable pay in light of economic evidence and movements in the private and wider public sector markets for senior executives. Delivery of in-year performance against objectives is rewarded through non-consolidated pay. Individuals who make the biggest contribution receive the largest payments, individuals who make the weakest contributions receive the smallest payments or none at all.

Methods used to assess performance

There are four stages involved in the assessment of performance:

1. Self-assessment
2. Performance review discussion with line manager
3. Recommendations by line manager to the Remuneration Committee
4. Remuneration Committee.

How these operate in practice is discussed below.

1. Although there is no requirement formally to record a self-assessment, senior civil servants are encouraged to consider their own assessment in preparation for their performance review discussion. They would reflect on, and collect, a reasonable amount of examples or evidence that would be helpful in assessing their contribution in relation to the measures and required outcomes they signed up to either at the beginning of the year or as their role developed during the year.
2. The performance review discussion is an opportunity for the senior civil servant and their line manager to address performance in relation to:
   - the achievement of objectives;
   - contribution to organisational objectives;
   - growth in competences; and
   - the application of skills and knowledge.

   They will also discuss issues for the forthcoming year, which would include:
   - the objectives for the forthcoming year;
   - the range of sources to be used in assessing their performance in the forthcoming year; and
   - the potential and development needs of the senior civil servant.

Remuneration and pension entitlements (audited)

The following sections provide details of the remuneration and pension entitlements of the Board members of the Child Maintenance and Enforcement Commission and also other senior officials. These have been subject to audit.

Salary

Salaries quoted relate to individuals who served on the Commission Board during the period or other senior officials and are accounted for in the month they are paid. Non-Executive Directors receive fees rather than a salary.

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance that is subject to UK taxation and is in substance salary. 'Taxable expenses' include any allowances or expenses that are subject to UK taxation and are not covered by the definition of 'salary'.

The tax included has yet to be finalised and the amounts subject to taxation remain under discussion with Her Majesty's Revenue and Customs. This presentation is based on payments made by the Commission and thus recorded in these accounts.

Other expenses for directors and other senior officials, incurred as part of carrying out official duties but which are not subject to UK taxation, are disclosed quarterly on the Commission website www.childmaintenance.org.

Non-Executive Directors		Total fees in 2009/10 £'000	Total taxable expenses in 2009/10 £'000	Total remuneration in 2009/10 £'000	Total fees in 2008/09 £'000
Janet Paraskeva	Chair	95–100	–	95–100	95–100
Deborah Absalom (from 10 June 2008)		20–25	–	20–25	15–20
Rosemary Carter (from 10 June 2008)		25–30	–	25–30	15–20
Bill Griffiths		20–25	–	20– 25	30–35
Maeve Sherlock (from 10 June 2008)		20–25	–	20–25	15–20
Heather Jackson (from 10 June 2008)		20– 25	–	20–25	10–15

Executive Directors		Total salary in 2009/10 £'000	Total taxable expenses in 2009/10 £'000	Total remuneration in 2009/10 £'000	Total remuneration in 2008/09 £'000
Stephen Geraghty	Commissioner	225–230	20–25	245–250	270–275
Alan Hardy	Finance and Assurance	145–150	25–30	175–180	190–195
Susan Park	Corporate Affairs	135–140	–	135–140	135–140
Keith Woodhouse	Change	135–140	0–5	135–140	180–185
Stephen Leonard (from 1 June 2009)	Customer and Commissioning	130–135	25–30	155–160	–

Other Senior Officials		Total salary in 2009/10 £'000	Total taxable expenses in 2009/10 £'000	Total remuneration in 2009/10 £'000	Total remuneration in 2008/09 £'000
Simon McKinnon (from 8 September 2008)	Information and Technology	130–135	40–45	170–175	70–75
Mark Grimshaw	Managing Director CSA division	170–175	35–40	205–210	215–220
Ian Pavey	Human Resources	125–130	30–35	155–160	180–185
Ian Wright (from 1 February 2009)	Corporate Services	110–115	–	110–115	15–20

Total fees and salary for 2008/09 include fees and salaries paid pre and post establishment of the Commission where appropriate.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument. There were no benefits in kind provided for any of the Board members or other senior officials in the period.

Non-cash remuneration

All remuneration of the directors of the Commission is disclosed. No director was in receipt of any non-cash benefits during 2009/10. The 2008/09 equivalent was nil.

Compensation to former senior managers

The Commission did not make any awards to former senior managers in 2009/10. The equivalent for 2008/09 was nil.

Payments for loss of office

The Commission did not make any payments for loss of office in 2009/10. The equivalent for 2008/09 was nil.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002, calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/my-civil-service/pensions

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV (audited)

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension entitlements

	Accrued pension at pension age as at 31 March 2010 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2010 £'000	CETV at 31 March 2009 restated £'000	Real increase in CETV £'000	Employer contribution to Partnership pension account £'000
Stephen Geraghty Commissioner	20–25	2.5–5	422	324	73	–
Alan Hardy Finance and Assurance Director	5–10	0–2.5	105	70	26	–
Susan Park Corporate Affairs Director	45–50 plus 145–147.5 lump sum	2.5–5 plus 12.5 -15 lump sum	839	713	79	–
Keith Woodhouse Change Director	5–10	0–2.5	135	87	38	–
Stephen Leonard Customer and Commissioning Director	0–5	2.5–5	29	–	25	–
Simon McKinnon Information and Technology Director	0–5	2.5–5	56	19	32	–
Mark Grimshaw Managing Director Child Support Agency	10–15 plus 35–37.5 lump sum	0–2.5 plus 5–7.5 lump sum	215	168	35	–
Ian Pavey Human Resources Director	5–10	0–2.5	126	82	35	–
Ian Wright Corporate Services Director	0–5	0–2.5	56	25	29	–

There is no related lump sum if none is shown because the director is a member of the Premium Scheme.

Janet Paraskeva and the other non-executive directors do not receive a pension as part of their role in the Child Maintenance and Enforcement Commission.

Signed

Stephen Geraghty
Accounting Officer
19 July 2010

Statement of Accounting Officer's responsibilities

Under Section 18(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008, the Secretary of State for Work and Pensions has directed the Commission to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission at the year-end and of its net operating cost, changes in taxpayers' equity and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual*, and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis.

The Principal Accounting Officer of the Department for Work and Pensions has appointed the Commissioner for Child Maintenance as Accounting Officer for the Child Maintenance and Enforcement Commission.

The responsibilities of an Accounting Officer, including responsibility for:

- the propriety and regularity of the public finances for which the Accounting Officer is answerable;
- keeping proper records; and
- safeguarding the Child Maintenance and Enforcement Commission's assets

are set out in *Managing Public Money*, published by Her Majesty's Treasury.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer for the Child Maintenance and Enforcement Commission (the Commission) I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, while safeguarding the public funds and Commission assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Under the Commission's Framework Document (paragraph 3.4.2), which sets out the respective responsibilities and delegations of the Commission and Accounting Officer agreed with the Department for Work and Pensions, I am responsible to Parliament for signing a Statement on Internal Control, which sets out the key control challenges facing the Commission.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Commission policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the Commission throughout 2009/10, and the system accords with Her Majesty's Treasury guidance, except for the matters noted below.

3. Capacity to handle risk

The Commission's Board and Executive Team have a broad range of skills and experience from the public and private sectors, and recognise the importance of risk management of which each of its members has relevant practical experience. The team has actively managed the risks that have emerged during the year and demonstrated leadership through a series of measures. These included conducting regular risk workshops; setting a risk-based forward meeting agenda; and holding regular programme board meetings specifically addressing risks to the successful delivery of major programmes.

The Commission has a number of tools including a risk management framework, standardised guidance, templates, desk aids and a risk management intranet site. These tools continued to be used to drive up the quality of risk management during the year through a programme of awareness sessions and risk workshops. A recent external risk management bench-marking exercise was performed by Internal Audit, with Deloitte, to highlight where the Commission can make improvements in its risk management methodology. The conclusion drawn was that the Commission's risk management processes were mature and comparable with other government departments, but that risk controls were operating inconsistently across the Commission and that the true risk portfolio should be more visible. The recommendations of the exercise were that the board ensure that risks are visible across the organisation, driven by a well-documented and understood risk policy and a defined appetite for risk in each business area. The recommendations will be implemented during 2010/11.

4. The risk and control framework

The Commission operates within a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. The Commission has clear risk processes and structures across all levels of the organisation through a comprehensive set of risk registers and team risk discussions at all key governance and management forums.

Information risks remained an important area of focus during 2009/10. Information security featured as a risk on the Commission's strategic risk register, which was regularly reviewed by the Executive Team. As well as the overall risk register review, the Executive Team also looked at specific aspects of the information security risk during the year.

During the year progress continued to be made, specifically in the following areas: Inception of a Security and Information Governance Forum, chaired by the Senior Information Risk Owner, which brings together all subject matter experts across the Commission in the security arena; and continued focus on security awareness during 2009/10, with ongoing programmes of communications and presentations to senior management, supported by the implementation of a security e-learning course across the Commission.

At the end of 2009/10, directors provided letters of assurance confirming that they had complied with the Commission risk procedures. Specific concerns raised have been reflected as appropriate within Section 6 of this Statement.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. In 2009/10 my review was informed by the work of our internal auditors, the Audit Committee, executive managers across the organisation with responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The paragraphs below set out the Commission's main governance structure, which was in place throughout the year to 31 March 2010.

The Commission Board. The Commission Board is required to satisfy itself that effective arrangements are in place to secure assurance on risk management, governance and internal control. The Commission Board met eleven times in 2009/10.

Non-Executive Functions Committee. This body comprises all the Commission Board Non-Executive Directors. It is established under Schedule 1 paragraph 20 of the Child Maintenance and Other Payments Act 2008. The Non-Executive Functions Committee oversees the work of the principal non-executive committees, the Audit Committee and the Remuneration Committee, and met once in 2009/10.

Audit Committee. The Audit Committee had four full meetings in the year to 31 March 2010, in addition to two ad hoc meetings to discuss specific issues relating to client funds accounting. In line with HM Treasury guidance, the Audit Committee comprises non-executive members. During the year, the Audit Committee recruited two additional non-executive members, not members of the main Board, to the Committee.

Remuneration Committee. The Remuneration Committee met four times in 2009/10. During the year, the Remuneration Committee recruited an additional member, although not a member of the main Board. Its primary function is to determine the pay of Executive Directors and advise on remuneration for other senior appointments as requested

The Commission's executive governance comprises the following bodies:

- Executive Team. In 2009/10 this met on average every two weeks and is the primary operational decision-making forum for the Commission. It consists of the Commissioner, the executive members of the Commission Board, the Managing Director of the CSA division and the Directors of Information Technology, Human Resources and Corporate Services.
- Strategy and Policy Forum. The role of the Commission's Strategy and Policy Forum is to recommend policy decisions to the Commission Board and provide assurance that decisions made are being implemented as intended across the full organisation. The Forum also oversees the Commission's legislative programme. The Strategy and Policy Forum met on a monthly basis in 2009/10.
- Change Programme Board. All major programmes are managed through a Change Programme Board. In 2009/10 the Change Programme Board met monthly and was supported by various programme sub-committees which met on a weekly or two-weekly basis as necessary.
- Management Forums. The above forums are complemented by a set of management forums as laid out in a comprehensive Corporate Governance Handbook, which is available to all Commission employees via the intranet.

The majority of 2009/10 internal audit recommendations have been implemented during the year and in the opening months of 2010/11. One recommendation, on the sign-off and publication of all service level agreements (SLAs) is significantly overdue. The SLA in question, with the DWP's Information Directorate, is tabled for sign-off after the publication of the 2009/10 accounts.

There were many sources of assurance available to the Commission during 2009/10, including periodic and ad-hoc management monitoring, externally commissioned reviews and an independent, risk-based internal audit programme. The findings from internal audit work have continued to reflect the improving trend in governance, risk management and control, but overall internal audit provides only a limited assurance that material risks are identified and managed effectively. This reflects the inherently challenging risk management agenda for the Commission and some of the longstanding and deep-rooted systems issues inherited from the Child Support Agency.

6. Significant internal control challenges

From the various assurances available to the Commission, significant control challenges have been identified as follows:

Stuck and off-system cases. The CSA division of the Commission operates two principal child maintenance computer systems: CSCS, which was implemented in 1993, and CS2, implemented in 2003. A major historical problem with the CS2 system was that cases became unprogressable or 'stuck' on the system due to data issues, software defects or both. These cases became invisible to caseworkers unless and until clients complained about the lack of progress on their cases at which point they would be referred for off-system or "clerical" management. The September 2008 upgrade to CS2 fixed some known software defects and introduced for the first time a system of validation and error trapping so that cases experiencing problems have since then been systematically identified and either rectified by caseworkers or referred to an 'initially stuck' queue for technical fixes. From there problems are either fixed and the cases transferred back to caseworkers for normal progression or, where that is not possible, referred onwards for either 'wholly clerical' or 'partially clerical' processing. Around 4,000 cases per week enter the initially stuck queue and approximately 25% of these cannot be returned to business as usual and require some degree of clerical processing.

The term "clerical" is not strictly accurate as such cases are managed using a number of small systems; however, these systems are very limited in their functionality compared to CS2 and the manual effort required in and hence cost of managing them is higher than fully on-system cases, by at least a factor of two. By March 2010 there were some 86,000 cases in the 'wholly clerical' category and a further 45,000 'partially clerical'. Every effort is being made to stem the flow of new stuck cases, but so far with only limited success. The reason for this is that the software and data problems which cause cases to stick are very deep rooted in the system and very difficult and costly to fix.

Various potential solutions have been considered to load existing clerical cases back on to CS2. The only potential solution that was considered viable involved developing and implementing functionality to delete such cases (together with any other cases involving one or more of the same persons) from the system and start them again. Development of this solution was stopped once the scale of the required deletion (up to a third of the CS2 caseload) and the enormous difficulty of implementing and tracking the process became clear; and in the context of limited life for CS2 before it is replaced by the planned future IT system it was considered to represent too great a risk operationally and for clients, the majority of whom are now receiving a good level of service. Hence, the Commission is left with an ever increasing number of 'clerical' cases representing an increasing proportion of the caseload and continuing upwards pressure on the overall cost of running the statutory schemes.

Client Funds Accounts. In November 2008 the Commission inherited responsibility from the Department for Work and Pensions for the management of client funds relating to the two existing statutory maintenance schemes and for the pursuit of the accumulated arrears of maintenance owed by non-resident parents.

The last Child Support Agency Annual Report and Accounts (for 2007/08) incorporated a client funds account, which reported a balance of £3,806 million arrears owing at 31 March 2008 of which £1,518 million was estimated to be potentially collectable. The account was qualified in respect of this balance due to errors caused by inaccurate maintenance assessments over the life of the Agency. The Commission is required by the Secretary of State for Work and Pensions to produce a client funds account, which is separate from its Annual Report and Accounts.

During the audit of the 2008/09 client funds account weaknesses were identified in the information available to support the overall arrears balance reported at 31 March 2009. The child maintenance computer systems were not capable of providing a full list of balances owed at an individual case level or non resident parent level. It has taken considerable time and effort during 2009/10 to design and run suitable reports for this purpose. For cases where the balance is held on the CS2 system this was a relatively straightforward task; for the remainder, which are either clerically managed cases (those which became stuck on CS2 and are now managed on small systems) or CSCS cases, particularly those for which collection has been suspended and the arrears balances archived (mostly very old balances on cases where there has been little or no activity for a number of years), a considerable amount of data extraction, manipulation and reconciliation has been necessary.

The basis for determining the amount of the arrears potentially collectable and the (lesser) amount likely to be collected in practice also required review; previous estimates were based on extrapolations from samples, but revised figures are being prepared, supported by case level listings. We expect that the revised figures for collectable arrears will be substantially lower than amounts previously disclosed by the Child Support Agency. The audit of this work has not yet been completed, and consequently the 2008/09 account has not yet been finalised or laid before Parliament. We expect to publish the 2008/09 and 2009/10 client funds accounts together in the autumn of 2010.

Adjustments to assessments and arrears. It is estimated that up to £83m of arrears have been incorrectly adjusted downwards rather than suspended. Suspended arrears are not actively chased. An internal audit report in April 2010 assessed the scale of the issue; although the impact on collections is minimal, the Commission has addressed the matter by introducing clearer guidelines and education for caseworkers. The Commission refunded £9.7m to clients during 2009/10 due to short term timing differences in confirming changes of circumstances. In 2010/11 there will be an increased focus to reduce the value of these refunds, primarily by speeding up the process of verifying and implementing the changes.

Change Programme Funding. The Commission is part of the way through a major change programme to deliver a new statutory maintenance system. The key elements of the programme are: a new maintenance scheme using gross taxable income from HMRC (to be updated annually) as the basis of assessments; a new IT platform built from proven industry standard "off-the-shelf" customer relationship management and banking software packages; a high level of process automation drawing data directly from other government systems wherever possible; a supported transition of existing scheme clients either to private maintenance arrangements or to the new statutory scheme; a clear separation or "clean break" from existing schemes so that inaccurate legacy data and arrears are not carried over to the new scheme but rather are managed separately; a new operating model with an optimal blend of insourced and outsourced service delivery to drive efficiency and innovation.

The design of the new statutory maintenance system draws on the lessons learned from the implementation of the current systems. The current system was built on a bespoke basis, and experience has shown that both the design and the system are not fit for purpose. The IT system is currently being built with launch of the new scheme planned for late 2011. The transition of existing clients is planned to start in 2012 with "clerical" or off-system cases likely to be the first to transition, principally because this will realise the maximum cost reduction. There are risks associated with the case transition process, and a formal programme structure is in place to draw on specialist knowledge and make sure that risks are anticipated and managed.

If the change programme were either cancelled or reduced in scope due to cuts in funding, the Commission would be left without a solution to the stuck or "clerical" case problem and will lose the opportunity to address the £3.7 billion legacy arrears through the clean break approach. This funding risk therefore represents a major control risk for the Commission.

Information Security. In recent years there has been continuing public and media focus on information security. The Cabinet Office requirements are set out in Data Handling Procedures in Government, June 2008, in addition to the HM Government Security Policy Framework, revised October 2009.

The Commission holds a wide range of personal data relating to its clients. The 2009/10 Information Assurance Maturity Model analysed the approach to information risk management across the Commission. The model incorporates the requirements of the HMG Security Policy Framework and the 2008 Data Handling Review and is aligned with the International Standard for Information Security (ISO27001). For a relatively new organisation, the overall level of maturity was positive at level 1, which shows an awareness of the criticality of information assurance to the business and its legal requirements. Some progress has also been made at level 2, in that information assurance processes are institutionalised, and business critical information systems and the information assurance status of all such systems has been identified. Action plans have been identified and agreed with senior management, and a major security awareness initiative was launched in April 2010 'Protecting Our Clients: Protecting Ourselves'.

Of the Commission's two main operating systems: CS2 gained full security accreditation during 2008/09; CSCS has always had stronger security features than CS2 and DWP has since confirmed that as a legacy system, it is no longer required that we seek full security accreditation.

Management Information. Robust management information had long been an issue for the Child Support Agency and continues to be for the CSA division of the Commission. Action has been taken by the Commission to improve the ability of managers to drive performance improvement. However, some issues remain over the robustness, timeliness and completeness of this information, in particular over:

- Complaints information. The computer system used to manage complaints was slow and inflexible. A system release in 2009/10 partially addressed this issue, however detailed information on escalated complaints remains an area for improvement; and
- Team level information. A known lack of system-generated management information below geographical area level, particularly around case status and performance, was confirmed in an internal audit report. The Management Information portal, designed to address this gap, was released in January 2010 and provided operational managers with more data to support performance monitoring.

The child maintenance computer systems lack the functionality to age old scheme arrears. The cost of remedying this issue would be punitive; the design of the future scheme allows for the production of ageing data.

Manual payments. A weakness has been identified in the end-to-end process for making certain types of payment via the Department's Shared Services. Revised processes have been implemented which will tighten control in this area

7. Conclusion

The Commission continues to operate in an inherently challenging environment. Real and lasting benefits in performance and control have been delivered, but some serious underlying problems accumulated over the 17-year life of the Child Support Agency have been inherited by the Commission following transfer of the Child Support Agency's functions in November 2008. The Commission is designing and building a future statutory scheme, planned for launch in 2011, which will not be burdened with the historical problems of the Child Support Agency, but the Commission will also continue to improve the existing schemes in the meantime.

Despite these challenges, during 2009/10, its first full operational year, the Commission collected or arranged over £1,141m in child maintenance, the highest since the inception of the Child Support Agency in 1993. The Commission has also met or exceeded most of its Secretary of State targets and Client Service Standards. This was achieved by the introduction of a number of improvements to the child maintenance system, at the same time as the Commission faced significant internal control challenges throughout a year of significant organisational and process change. It has also delivered further improvements to the existing statutory maintenance schemes.

I can confirm that the key areas for improvement will be regularly monitored by the Commission during the year to ensure that progress continues to be made.

Signed

Stephen Geraghty
Accounting Officer
19 July 2010

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

I certify that I have audited the financial statements of the Child Maintenance and Enforcement Commission (the Commission) for the year ended 31 March 2010 under the Child Maintenance and Other Payments Act 2008. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Commission's affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Child Maintenance and Other Payments Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Child Maintenance and Other Payments Act 2008; and
- the information given in About the Child Maintenance and Enforcement Commission, Performance against Secretary of State Targets, Management Commentary and Foreword to the Accounts for the year ended 31 March 2010 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

22 July 2010

Operating Cost Statement for the year ended 31 March 2010

	Notes	2009/10 £'000	2008/09 (Restated) £'000
Administration Costs			
Staff costs	4	240,379	258,154
Other administration costs	5	334,726	351,840
Gross administration costs		**575,105**	**609,994**
Operating income	6	(3,179)	(4,683)
Net Operating Cost		**571,926**	**605,311**

All income and expenditure is derived from continuing operations.

The Notes on pages 51 to 96 form part of these accounts.

Statement of Financial Position
as at 31 March 2010

	Note	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Non-current assets:				
Intangible assets	7	25,959	6,473	492
Property, plant and equipment	8	235	5,570	3,960
Trade and other receivables	10	49	66	92
Total non-current assets		**26,243**	**12,109**	**4,544**
Current assets:				
Trade and other receivables	10	6,211	8,494	3,045
Cash and cash equivalents	11	504	1,993	–
Total current assets		**6,715**	**10,487**	**3,045**
Total assets		**32,958**	**22,596**	**7,589**
Current liabilities				
Trade and other payables	12	(76,473)	(62,579)	(48,106)
Total assets less net current liabilities		**(43,515)**	**(39,983)**	**(40,517)**
Non-current liabilities				
Provisions	13	(6,892)	(10,132)	(3,500)
Other payables			-	-
Total non-current liabilities		**(6,892)**	**(10,132)**	**(3,500)**
Assets less liabilities		**(50,407)**	**(50,115)**	**(44,017)**
Taxpayers' Equity				
General Fund		(53,369)	(50,159)	(44,061)
Revaluation Reserve		2,962	44	44
Total Taxpayers' Equity		**(50,407)**	**(50,115)**	**(44,017)**

Signed

Stephen Geraghty
Accounting Officer
19 July 2010

The Notes on pages 51 to 96 form part of these accounts.

Statement of Cash Flows
for the year ended 31 March 2010

	Note	2009/10 £'000	2008/09 £'000 (Restated)
Net cash outflow from operating activities	14(a)	(554,759)	(519,909)
Net cash outflow from investing activities	14(b)	(22,848)	(6,864)
Net cash inflow from financing activities	14(c)	576,118	528,766
Net cash (outflow)/inflow for the year		**(1,489)**	**1,993**
Cash and cash equivalents at 1 April 2009	11	**1,993**	**-**
Cash and cash equivalents at 31 March 2010	11	**504**	**1,993**

The Notes on pages 51 to 96 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2008		**(39,701)**	**44**	**(39,657)**
Restatement under IFRS		**(4,360)**	**–**	**(4,360)**
Restated balance at 1 April 2008		**(44,061)**	**44**	**(44,017)**
Changes in Taxpayers' Equity for 2008/09				
Non-cash charges – cost of capital	5	(1,767)	–	(1,767)
Non-cash charges – non-cash capital additions		22	–	22
Non-cash charges – notional charges	5	72,245	–	72,245
Net operating cost for the year		**(605,311)**	**–**	**(605,311)**
Total recognised income and expense for 2008/09		**(534,811)**	**–**	**(534,811)**
Net Parliamentary Funding	14c	**529,995**	**–**	**529,995**
CFERs payable to the Consolidated Fund	6	**(1,282)**	**–**	**(1,282)**
Restated balance at 1 April 2009		**(50,159)**	**44**	**(50,115)**
Changes in Taxpayers' Equity for 2009/10				
Non-cash charges – cost of capital	5	(2,692)	–	(2,692)
Asset transfer to DWP	8	(5,250)	–	(5,250)
Non-cash charges – notional charges		–	–	–
Net operating cost for the year		(571,926)	–	(571,926)
Total recognised income and expense for 2009/10		**(579,868)**	**–**	**(579,868)**
Revaluation of licences			3,535	3,535
Net Parliamentary Funding	14c	576,521	–	576,521
CFERs payable to the Consolidated Fund	6	(480)	–	(480)
Transfer from Revaluation Reserve to General Fund		617	(617)	–
Balance at 31 March 2010		**(53,369)**	**2,962**	**(50,407)**

a. The General Fund represents the total assets less liabilities of the Commission to the extent that the total is not represented by other reserves and financing items.

b. The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

The Notes on pages 51 to 96 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

1.1 Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with the 2009/10 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting standards (IFRS) adapted or interpreted as appropriate for the Public Sector context.

These financial statements are the first Commission financial statements to be prepared in accordance with IFRS and accordingly IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied in preparing these financial statements. Reconciliations disclosing the effect of the transition from UK GAAP to IFRS on the Commission's financial statements are shown in Note 2. Comparative figures in respect of 2008/09 have been restated to reflect these adjustments.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Commission are set out below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

The Commission has prepared these financial statements on a going concern basis. The Commission receives its funding from the Department for Work and Pensions as part of the Government's Spending Review 2007. The funding settlement for the Commission provides funding through to 2010/11.

The Commission continues to be financed, via the Department for Work and Pensions, by drawings from the Consolidated Fund. The application for future financing of the DWP will be approved annually by Parliament. As there is no reason to believe that future approvals will not be forthcoming, it has been considered to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Standards, Interpretations and Amendments

(i) Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 1 April 2009, have been adopted for the first time in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

(ii) Effective for future Financial Years

Two IFRSs, IFRIC Interpretations and Amendments applicable to the Commission, listed below, have been issued but are not yet effective and have not been adopted early by the Commission, whereas the amendment to IFRS 8, "Operating segments", has been adopted early. IFRS8 requires entities to report financial and descriptive information on the components of the organisation about which separate financial information, evaluated by decision makers in allocating resources is available:

IAS 24 *Related Party Transactions* (effective 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and is not expected to impact the current exemption allowed within the FReM. IAS 24 also extends the definition of a related party to include relationships where joint control exists.

IFRS 9 *Financial Instruments: Classification and Measurement* (effective 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of financial assets, together with the elimination of two categories. The Standard does not include financial liabilities. Further proposals are to be introduced during 2010 and the Commission will undertake an assessment of the impact of IFRS 9 once these are known and have been incorporated into the FReM.

In addition, the FReM for 2010/11 includes other changes, of which one is expected to affect the Commission, being the removal of Cost of Capital charging. This will affect the Operating Cost Statement, which for 2009-10 includes a credit for £2.692 million, and the Statement of Changes in Taxpayers' Equity (where that sum is reversed).

1.3 Basis of accounts

The Commission is required, under the Child Maintenance and Other Payments Act 2008, to prepare its Accounts in accordance with Directions made by the Secretary of State with the consent of Her Majesty's Treasury. The Secretary of State has required the Commission to comply with the requirements of the Financial Reporting Manual. The Commission was established on 24 July 2008 and the Department for Work and Pensions transferred the functions of the Child Support Agency on 1 November 2008.

There are some limited transactions between the Commission's Administration account and its Client Funds account, which is published separately, and these are accounted for in both sets of accounts. The main areas are in Note 5 included in refunds and deferred debt payments, bad debts written off and in the trade receivables and other current assets Note 10 for monies due from clients (included in other receivables).

1.4 Accounting convention

These accounts have been prepared under the historical cost convention modified for the revaluation of fixed assets at fair value, as determined by the relevant international accounting standard.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement used in the preparation of these accounts can be found at Note 1.24.

1.5 Intangible assets

Intangible assets are initially measured at cost. Where an active market exists for the asset, it is carried at a revalued amount based on fair value at the reporting date. Where no active market exists, assets are revalued using appropriate indices to indicate amortised replacement cost as a proxy for fair value.

Experts across the Department have liaised extensively to establish a considered and informed view of the most appropriate basis on which to perform a revaluation. There is a consensus of opinion that there is no index currently available that provides a flawless result and due to organisational and pricing structure changes among software suppliers, no trend information is available on the specific licences held by The Commission. As the next best alternative, the index viewed by management as most appropriate in achieving the requirement of IAS 38 and the FReM to establish a suitable proxy for fair value is MM 17: Price Index Numbers for Current Cost Accounting – Indices PQEK Computers & other information processing equipment. The main assumption being that although this includes movements in IT hardware as well as licence prices it adequately reflects the movements in costs of licences during the changing market conditions experienced over this period.

Purchased software

Purchased software licences and applications covering a period of more than one year which are above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently measured at amortised replacement cost as a proxy for fair value. In view of the large number of software licences purchased across the Commission, those capitalised are accounted for on a pooled basis with any items/pools amounting to over £100,000 identified individually.

Licences with a finite life are amortised, on a straight-line basis, over the licence period. Should the Commission purchase licences in advance they are only subject to amortisation once they are available for use.

Expenditure on annual software licences is charged to the Operating Cost Statement.

Internally Developed Software

Internally developed software is capitalised if it meets the criteria specified in IAS 38 *Intangible Assets*. Internally developed software that has a finite useful life is amortised on a straight-line basis over the life of the software.

Expenditure which does not meet the criteria for capitalisation is recognised as an expense in the year in which it is incurred. Costs associated with the maintenance of software are also expensed when incurred.

Website development costs

Website development costs are capitalised in line with the requirements of SIC 32 *Web Site Costs* and the specific criteria as determined by IAS 38 *Intangible Assets*. Costs are categorised as research or development costs and accounted for accordingly (see Note 1.9).

1.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated amortisation and accumulated impairment losses, as permitted by the FReM. Where assets are carried at fair value, revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Computer hardware over the capitalisation threshold of £1,000 is treated as capital assets. For all other tangible assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation level, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered prohibitive and therefore the majority of these items are recorded on a pooled basis.

On initial recognition assets are measured at cost, including any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Operating Cost Statement during the financial period in which it is incurred.

1.7 Depreciation and Amortisation

Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Depreciation commences one month after an asset is available for use and continues until the asset is decommissioned or categorised as held for sale or written down to nil value. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until the asset is brought into use.

Estimated useful asset lives, amended following a review of depreciation rates as indicated below, are normally in the following ranges:

Freehold Buildings	50 years or remaining life as assessed by the valuers
Information Technology	3 to 7 years (2008/09 – 3 to 5 years)
Plant and Machinery	5 to 10 years
Furniture and Fittings	2 to 15 years (2008/09 – 7 to 10 years)

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Amortisation

Amortisation is calculated on intangible assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Amortisation commences one month after an asset is available for use and continues until the asset is decommissioned, categorised as held for sale or written down to nil value. No amortisation is charged in the month of disposal. Assets in the course of construction are not amortised but are subject to impairment reviews until the asset is brought into use.

Estimated useful asset lives are normally in the following ranges:

Software licences	shorter of licence period and 5 years

The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.8 Inventories

The Commission holds inventories of stationery, computer spares and similar consumable materials for its own use. Due to the nature of these items the Commission does not consider it appropriate to reflect their value in the Statement of Financial Position. Accordingly, the Commission charges all expenditure on consumable items to the Operating Cost Statement on receipt.

1.9 Research and Development expenditure

Expenditure on research is charged to the Operating Cost Statement in the year in which it is incurred. Development expenditure is also recognised in the Operating Cost Statement when incurred unless it meets the specific criteria for capitalisation within IAS 38 *Intangible Assets*. Development costs previously recognised as an expense, prior to the relevant criteria being met, are not recognised as an asset in a subsequent period.

1.10 Operating income

Operating income is income which relates directly to the operating activities of the Commission. It principally comprises charges for services provided on a full-cost basis to external clients as well as charges to the Department for Social Development in Northern Ireland for IT and telephony services. It includes both income appropriated in aid of the estimate and income to be surrendered to the Consolidated Fund which in accordance with the Government Financial Reporting Manual is treated as operating income. (See Note 6).

1.11 Capital charge

A charge reflecting the cost of capital utilised by the Commission is included in net expenditure. The charge is calculated at the real rate set by HM Treasury, currently 3.5% (2008/09 3.5%), on the average carrying amount of all assets less liabilities, except for:

a. cash balances with the Office of the Paymaster General (OPG), where the charge is nil; and

b. assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge will be at a nil rate.

1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 4. The defined contribution plans are unfunded and are non-contributory except in respect of dependant's benefits. The Commission recognises the expected cost of these elements, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

1.13 Early departure costs

The Commission meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme benefits, in respect of employees who retire early, by paying the required amounts annually to the Principal Civil Service Pension Scheme over the period between early departure and normal retirement date. The Commission provides for this in full when the early retirement programme becomes binding on the Commission by establishing a provision for the estimated payments, discounted by HM Treasury discount rate of 1.8% (2008/09, 2.2%) in real terms.

1.14 Provisions

Provisions are recognised when the Commission has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the reporting date, are included on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury currently 2.2% (2008-09, 2.2%). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Operating Cost Statement.

1.15 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless they are remote.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Commission discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

These comprise:

- Items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Commission entering into the agreement; and
- All items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the *FReM* to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.16 Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.17 Private Finance Initiative (PFI) transactions

Where the Commission does not have control over the PFI asset and the balance of risks and rewards of ownership are borne by the Department, the assets are recognised on the Department's Statement of Financial Position and any related payments or charges are recorded as an expense.

1.18 Value Added Tax

Most of the activities of the Commission are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

The Commission has been granted dispensation for VAT chargeable on services provided from the Department for Work and Pensions.

The Commission is registered for VAT and any VAT balances due are shown in the accounts (Note 10).

1.19 Financial assets and liabilities

Financial assets and liabilities are recognised when the Commission becomes party to the contracts that give rise to them. The Commission determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by IAS 39 as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or the Commission has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. It is, and has been, the Commission's policy that no trading in financial instruments is undertaken.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost net of any impairment. The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the Operating Cost Statement. Loans and receivables are included in current assets, except for those maturing more than 12 months after the end of the reporting period, which are classed as non-current assets.

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Financial liabilities measured at amortised cost

Financial liabilities within trade and other payables and accruals are non interest-bearing and are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost.

Impairment of financial assets

The Commission assesses at each reporting date whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the reporting date. If such events have had an adverse impact on the estimated future cash flows of the financial asset they are impaired and the value within the Statement of Financial Position is reduced by the amount of the impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and is recognised in the Operating Cost Statement. Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

For the purpose of measuring the impairment loss, interest income is recognised using the original rate of interest used to discount the future cash.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between informed and willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

1.20 Third-party assets

The Commission holds temporarily, as custodian, monies belonging to third parties, relating to maintenance collected under the existing statutory child maintenance schemes. These are not recognised in the accounts, as neither the Commission nor government more generally has a direct beneficial interest in them. These are disclosed in Note 19 and also in the Client Funds Account which is published separately.

1.21 Northern Ireland Child Maintenance and Enforcement Division

The Commission's Belfast-based operations are housed in Great Northern Tower along with the Northern Ireland Child Maintenance and Enforcement Division of the Department for Social Development in Northern Ireland. All people working in the Child Maintenance and Enforcement Commission's Belfast centre are employees of the Department for Social Development Northern Ireland. The costs for processing of the Commission's cases by the Department for Social Development Northern Ireland are reimbursed by the Commission and are included in the Operating Cost Statement.

1.22 Employee benefits

Short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that the Commission has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to Senior Civil Servants employees are not recognised until payments to individuals have been determined. The policy in relation to employee pensions is disclosed in Note 1.12.

1.23 Operating Segments

Following the amendment to the requirements of IFRS 8, as implemented by the International Accounting Standards Board in April 2009, it has been agreed by Treasury's Financial Reporting Advisory Board that early adoption of the proposed amendments can be taken in 2009/10. The amendment changes 'total assets' from a mandatory reporting requirement to only being required where total assets for segments are regularly reported to the chief operating decision maker. As these are regularly reported by the Commission, early adoption has been implemented with no changes to the required disclosure.

IFRS 8 applies in full to the Commission. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Commission management board.

1.24 Estimation techniques

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Commission's accounting policies.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

a. Administration receivables

The impairment provision reflects the aged profile characteristics of the receivable balances falling due within one year and after one year and the recoverability thereof.

The impairment provision is calculated by applying the actual recovery rates of receivables within similar characteristics to the total amounts due at the reporting date. Balances owed by the Department for Social Development in Northern Ireland are considered to be fully recoverable.

b. Employee leave accrual

IAS 19 requires the Commission to recognise the true short-term employee benefit liability for employee leave. The estimate of this liability is based on a statistically valid sample of Commission employees' leave records, the results of which may be extrapolated across the population to establish reliable estimates for each reporting date.

2. First-time adoption of IFRS

This is the first year that the Commission has presented its financial statements under IFRS.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2010, the restated comparative information presented for the year ended 31 March 2009 and in the preparation of an opening IFRS Statement of Financial Position as at 1 April 2008, the Commission's date of transition to IFRS.

The effect of the transition on the Commission's financial position, operating costs and cash flows is set out in the following tables and the accompanying notes.

(a) Reconciliation of net operating costs for the year ended 31 March 2009

	£'000
Net operating cost for 2008/09 under UK GAAP	**(601,440)**
Adjustments for:	
IAS 19 Employee Benefits – Employee leave accrual	21
IAS 36 Impairment of Assets – Impairment of Callendar Gate Estate	(4,065)
Cost of capital	173
Operating Cost Statement for 2008-09 under IFRS	**(605,311)**

- Commission employees benefit from flexi-leave and holiday pay entitlements of 22 to 30 days. The figure of £0.021m reflected above represents the movement of the deferred benefits of this at the Statement of Financial Position date.
- A valuation of Callendar Gate was carried out and indicated a market value of £5.25m at March 2009. Under UK GAAP the asset was valued at Value In Use, whereas under IFRS the appropriate valuation basis is Existing Use Value, which is the same as market value, and gives rise to an impairment of £4.065m in 2008/09. The Callendar Gate property belonged to the operating segment supporting the delivery of existing services.

(b) Reconciliation of Financial Position as at 31 March 2008

The table below shows the impact of applying IFRS to the opening balances and costs contained within the published 2007-08 accounts.

	Note	UK GAAP Published accounts at 31 March 2008 £'000	IFRS Adjustments £'000	IFRS Statement of Financial Position as at 1 April 2008 £'000
Non-current assets:				
Property, plant and equipment	8	3,960	–	3,960
Intangible assets	7	492	–	492
Trade and other receivables falling due after one year	10	92	–	92
Total non-current assets		**4,544**	**–**	**4,544**
Current assets:				
Trade and other receivables falling due within one year	10	3,045	–	3,045
Cash and cash equivalents	11	–	–	–
		3,045	**–**	**3,045**
Total assets		**7,589**	**–**	**7,589**
Current liabilities:				
Trade and other payables	12	(43,746)	(4,360)	(48,106)
Non-current assets less net current liabilities		**(36,157)**	**(4,360)**	**(40,517)**
Non-current liabilities:				
Provisions	13	(3,500)	–	(3,500)
Assets less liabilities		**(39,657)**	**(4,360)**	**(44,017)**
Taxpayers' Equity				
General Fund		(39,701)	(4,360)	(44,061)
Revaluation Reserve		44	–	44
		(39,657)	**(4,360)**	**(44,017)**

(c) Reconciliation of Taxpayers' Equity at 31 March 2009

The table below shows the impact contained within the 2008/09 accounts of applying IFRS to the balances and costs contained therein.

	General Fund £'000	Revaluation Reserve £'000	Total £'000
Taxpayers' Equity at 31 March 2009 under UK GAAP	**(41,755)**	**44**	**(41,711)**
Adjustments for:			
IAS 19 Employee Benefits – Employee leave accrual	(4,339)		(4,339)
IAS 36 Impairment of Assets – Impairment of Callendar Gate Estate	(4,065)		(4,065)
Taxpayers' Equity at 31 March 2009 under IFRS	**(50,159)**	**44**	**(50,115)**

(d) Reconciliation of Cash Flows for the year ended 31 March 2009

	Note	UK GAAP 2008/09 £'000	IFRS Adjustment £'000	Restated 2008/09 for IFRS £'000
Cash flows from operating activities				
Net operating cost		(601,440)	(3,871)	(605,311)
Depreciation	8	361	–	361
Amortisation	7	298	–	298
Fixed asset impairment	8/9	851	4,065	4,916
Notional recharges	5	72,245	–	72,245
Cost of capital credit	5	(1,594)	(173)	(1,767)
Increase in trade and other receivables	10	(5,423)	–	(5,423)
Increase in trade payables	12	8,161	(21)	8,140
Use of provisions		6,632	–	6,632
Net cash outflow from operating activities		(519,909)	–	(519,909)
Cash flows from investing activities				
Purchase of property, plant and equipment	8d	(6,864)	–	(6,864)
Net cash outflow from investing activities		**(6,864)**	**–**	**(6,864)**
Cash flows from financing activities				
Net Parliamentary funding		529,995	–	529,995
Payments of amounts due to Consolidated Fund		(1,229)	–	(1,229)
Net financing		**528,766**	**–**	**528,766**
Net increase in cash and cash equivalents in the period				
Cash and cash equivalents at the beginning of the period		–	–	–
Net increase in cash and cash equivalents in the period		1,993	–	1,993
Cash and cash equivalents at the end of the period	11	1,993	–	1,993

(e) Impact of transition to IFRS

The most significant adjustments arising from the transition to IFRS are set out below.

Lease and Service Concession Arrangements (IAS 17, IFRIC 12 and IFRIC 4) – the main impact has been the reclassification of some lease arrangements. No finance leases have been identified but some contracts give rise to an operating lease. These include service level agreements with the Department for Work and Pensions for serviced accommodation, fleet transport and photocopiers.

Impairments (IAS 36) – See note on page 62.

Intangible Assets (IAS 38) – Retrospective application of IAS 38 has identified no intangible assets which have previously been expensed in the Operating Cost Statement.

Employee Benefits (IAS 19) – The Commission has recognised accruals in relation to holiday leave and flexi-leave which has been earned by employees as at the reporting date. In-year movements in the accrual are reflected within the Operating Cost Statement.

3. Analysis of Net Operating Cost by Segment

IFRS 8 requires the Commission to disclose costs and balances by operating segment as reported to the Commission Board. The costs of the Commission are reported to the board on a monthly basis, and are analysed as existing statutory services and new services. The monthly Board update includes capital on an expenditure, rather than an accruals basis.

Existing statutory services is the operation of the existing statutory maintenance schemes, which are due to close in 2014. Delivery costs cover the costs of running the statutory maintenance schemes. Investment on the existing statutory service includes non-contracted out expenditure under the operational improvement plan.

New services include the marketing campaigns to promote child maintenance, the Child Maintenance Options service and the future statutory maintenance service. The costs of providing these services are recorded as delivery costs.

Investment costs cover:

- the implementation of the new legislation;
- developing, building and launching the future statutory scheme;
- recruiting and training the additional people needed during the transition period;
- setting up and managing the first residual arrears cases;
- redesigning and restructuring the organisation and its processes.

The net operating costs in the period were deployed on the following activities:

	2009/10 £'000	2008/09 (Restated) £'000
Existing statutory service		
Investment	18,985	38,935
Delivery	499,890	518,517
New services (1)		
Investment	40,020	37,368
Delivery	13,031	10,491
Total	**571,926**	**605,311**

Assets and liabilities in the year were deployed on the following activities:

	Existing Scheme		New Scheme		
	Investment £'000	Delivery £'000	Investment £'000	Delivery £'000	Total £'000
Tangible/Intangible Assets	235	–	25,959	–	26,194
Total Assets	235	6,760	25,959	4	32,958
Total Liabilities/Assets	(1,455)	(56,348)	(3,430)	(22,132)	(83,365)
Net Liabilities/Assets	**(1,220)**	**(49,588)**	**22,529**	**(22,128)**	**(50,407)**

(1) New services began when the Commission was established in July 2008.

4. Staff numbers and related costs

a) Staff costs consist of:

	2009/10 Total £'000	2009/10 Permanently employed staff £'000	2009/10 Other £'000	2008/09 Total (Restated) £'000
Wages and salaries	195,866	188,866	7,000	211,883
Employer's National Insurance	12,140	12,060	80	12,896
Superannuation and pension costs	32,373	32,318	55	33,386
Total	**240,379**	**233,244**	**7,135**	**258,165**
Less recoveries in respect of outward secondments	–	–	–	(11)
Total net costs	**240,379**	**233,244**	**7,135**	**258,154**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details are published in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £32.2 million were payable to the PCSPS (2008/09 £33.4 million) at one of four rates in the range 16.7% to 24.3% (2008/09 – 16.2% to 24.6%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £3.1 million (2008/09, £3.2 million) were payable to the Civil Superannuation Vote at 31 March 2010 and are included in trade and other payables (Note 12).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £121,932 (2008/09, £ 87,684) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £7,908 (2008/09, £6,309), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £8,541 (2008/09, £8,420). Contributions prepaid at that date were £ nil (2008/09, £nil).

During the year, 9 people (2008/09, 13 people) retired on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £12,790 (2008/09, £23,921).

b) Average number of people employed

The average number of full-time equivalent people employed (including senior management, staff on secondment or loan into the Commission and agency/temporary staff, but excluding staff on secondment to other organisations) during the year was as follows:

	2009/10	2008/09
Directly employed permanent staff	8,753	9,332
Other	171	239
Total	**8,924**	**9,571**

5. Other administration costs

	Notes	2009/10 £'000	2008/09 (Restated) £'000
Computer systems costs and IT service charges	5b/5f	151,235	155,883
Hire of plant and machinery		193	272
Other operating leases	5a	13,068	11,354
Special payments	5d/20	3,765	6,098
Accommodation costs	5a	23,001	19,513
Contracted out services		36,021	35,427
General office expenses		10,663	7,726
Consultancy		8,615	6,432
Printing, postage, publicity and stationery		8,121	4,063
Professional fees		501	1,144
Staff expenses		9,527	13,200
Refund payments and deferred debt payment		9,718	7,594
Bad debts written off		2,120	3,345
Impairment charges – receivables		983	282
Impairment charges – assets	9	–	4,916
Services provided by Northern Ireland Child Maintenance and Enforcement Division	5e	25,627	28,546
Corporate charges	5f	26,583	34,972
Depreciation and amortisation	7/8	4,061	659
Other		2,697	4,728
Movement in provisions for the period	13d	282	6,879
Cost of capital credit		(2,692)	(1,767)
Auditor remuneration and expenses	5g	637	574
		334,726	**351,840**

The above totals comprise of:

	2009/10 £'000	2008/09 (Restated) £'000
Cash items – directly charged	329,972	265,281

Non-cash items – provided without the transfer of cash:

	2009/10 £'000	2008/09 (Restated) £'000
Notional – recharged	–	72,245
Other	4,754	14,314
Total	4,754	86,559
	334,726	351,840

a. The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation. As part of this provision, the Commission has an operating lease arrangement in place with the Corporate Centre for the properties, or parts thereof, which they occupy. A similar arrangement is in place for properties held under the Newcastle Estates Accommodation Agreement.

b. DWP has a contract with Hewlett Packard Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services. The Commission receives its share of these services via a rental arrangement in place with the Corporate Centre.

c. The Department has a contract with BT Syntegra for its fully serviced IT and telephony network. The assets used to provide the service are an integral part of a network serving DWP sites across the country and are recognised at Departmental level. The Commission pays service charges for its use of these assets.

d. Figure consists of compensation payments £2.615 million (2008/09, £3.876 million), advance payments of maintenance £0.753 million (2008/09, £1.098 million), special payments to staff/contractors/public £6 thousand (2008/09, £659 thousand) and interest payable at £391 thousand (2008/09, £465 thousand) which represents payments to clients in lieu of bank interest lost due to late maintenance payments.

e. Services are provided through a Service Level Agreement by the Northern Ireland Child Maintenance and Enforcement Division, on behalf of the Child Maintenance and Enforcement Commission. The costs are reimbursed during the course of the period. These costs represent the cost of people and other associated costs.

f. From 1 November 2008 all costs for services provided by the Department for Work and Pensions and received by the Commission were invoiced and paid in cash. Some of the equivalent costs of the services received by the Child Support Agency, prior to the transfer of functions, were classed as notional. Those services are listed below:

- IT costs, incurred by the Department for Work and Pensions Corporate IT function.
- Corporate centre costs such as internal audit and planning.
- All other services provided by the Department of Work and Pensions.

g. Auditors' remuneration, which represents the cost of the audit of the Administration and Client Funds Accounts carried out by the Comptroller and Auditor General. Costs for the Administration Account were £202,000 (2008/09, £149,000) and for the Client Funds Account were £435,000 (incl. VAT) (2008/09, £425,500 (incl. VAT)).

6. Operating Income

	2009/10			2008/09		
	Appropriated-in-aid £'000	Payable to Consolidated Fund £'000	Total £'000	Appropriated-in-aid £'000	Payable to Consolidated Fund £'000	Total £'000
Operating income						
Fees and charges to clients	(860)	–	(860)	(840)	–	(840)
Fees and charges to other government departments	(1,839)	–	(1,839)	(2,561)	–	(2,561)
Consolidated Fund Extra Receipts	–	(480)	(480)	–	(1,282)	(1,282)
	(2,699)	**(480)**	**(3,179)**	**(3,401)**	**(1,282)**	**(4,683)**

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes and not for the purposes of IFRS 8.

	2009/10			2008/09		
	Income £'000	Full cost £'000	Surplus/ Deficit £'000	Income £'000	Full cost £'000	Surplus /Deficit £'000
Sundry income	(860)	860	–	(840)	840	–
Income from other government departments	(1,839)	1,839	–	(2,561)	2,561	–
	(2,699)	**2,699**	**–**	**(3,401)**	**3,401**	**–**

Fees and Charges to Clients – recovery of charges from Commission clients for ex-gratia items, principally charges for DNA tests. The Commission sets the level of the charges to achieve full recovery of the costs incurred by the Commission through its DNA testing contract.

Fees and Charges to other government departments – represents the recovery of IT service charges for the administration of Northern Ireland legislative cases on the Child Support Great Britain Mainframe and Telephony Systems. The Commission's target was to recover the full cost of the Department For Social Development (Northern Ireland) use of its systems. This target was achieved in 2009/10 with a full recovery.

Consolidated Fund Extra Receipts – this income, due or already paid to HM Treasury, relates to ongoing activities of the Commission. The above disclosures principally relate to interest earned on the Client Fund bank balances where the individual amount due to any single parent with care falls below the *de minimis* limit of £5.00.

7. Intangible assets

	Software Licence £'000	Assets Under Construction £'000	Total £'000
Cost or valuation			
As at 1 April 2009	7,080	–	7,080
Additions	17,918	2,008	19,926
Revaluation in year	3,535	–	3,535
As at 31 March 2010	**28,533**	**2,008**	**30,541**
Amortisation			
As at 1 April 2009	607	–	607
Charged in year	3,975	–	3,975
As at 31 March 2010	**4,582**	**–**	**4,582**
Net book value as at 31 March 2010	**23,951**	**2,008**	**25,959**
Net book value as at 31 March 2009	**6,473**	**–**	**6,473**

	Software Licence £'000
Cost or valuation	
As at 1 April 2008	801
Additions	6,279
As at 31 March 2009	**7,080**
Amortisation	
As at 1 April 2008	309
Charged in year	298
As at 31 March 2009	**607**
Net book value as at 31 March 2009	**6,473**
Net book value as at 1 April 2008	**492**

All assets in the above table are owned by the Commission.

(c) Cash flow reconciliation	Notes	2009/10 £'000	2008/09 £'000
Capital accruals as at 1 April	12	6,279	–
Capital additions		19,926	6,279
Capital accruals as at 31 March	12	(3,358)	(6,279)
		22,847	**–**

Software licences have been revalued at 31 March 2010 using the PQEK Computer and other Operating Information Processing Equipment Index. Had revaluation not taken place, software licences as at 31 March 2010 under amortised historical cost would have been valued at £21.033 million.

8. Property, plant and equipment

	Notes	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Buildings £'000	Total £'000
Cost or valuation						
As at 1 April 2009 (Restated)		3,482	463	682	5,274	9,901
Additions	8b	–	–	1	–	1
Transfers out		(1)	–	–	–	(1)
Transfers to DWP		–	–	–	(5,274)	(5,274)
As at 31 March 2010		**3,481**	**463**	**683**	**–**	**4,627**
Depreciation						
As at 1 April 2009		3,470	452	385	24	4,331
Charged in year		9	4	73	–	86
Transfers out		(1)	–	–	–	(1)
Transfers to DWP		–	–	–	(24)	(24)
As at 31 March 2010		**3,478**	**456**	**458**	**–**	**4,392**
Net book value as at 31 March 2010		**3**	**7**	**225**	**–**	**235**
Net book value as at 31 March 2009		**12**	**11**	**297**	**5,250**	**5,570**

	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Buildings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation						
As at 1 April 2008	3,459	463	648	–	2,509	7,079
Additions	–	–	34	–	6,830	6,864
Transfers in	23	–	–	–	–	23
Reclassification	–	–	–	9,339	(9,339)	–
As at 31 March 2009	**3,482**	**463**	**682**	**9,339**	**–**	**13,966**
Depreciation						
As at 1 April 2008	2,353	446	320	–	–	3,119
Charged in year	266	6	65	24	–	361
Impairment	851	–	–	4,065	–	4,916
As at 31 March 2009	**3,470**	**452**	**385**	**4,089**	**–**	**8,396**
Net book value as at 31 March 2009	**12**	**11**	**297**	**5,250**	**–**	**5,570**
Net book value as at 1 April 2008	**1,106**	**17**	**328**	**–**	**2,509**	**3,960**

a. Property, plant and equipment are stated at valuation, which is obtained by the use of appropriate indices. However, as permitted by the FReM, the Department has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery, and furniture.

b. Total additions in the year were £1.0 thousand (2008/09 £6.86 million).

c. The Commission is a beneficiary of a number of "orders for sale" over property currently owned by non-resident parents under which it holds the right to take a non-resident parent's property if an obligation to a parent with care is not discharged. The Commission holds an exercisable right to order the sale of these properties, although the mortgage lender holds the first charge over the proceeds of the sale. The Commission believes that the substance of the arrangement is that of a legal mortgage, under which it holds the right to take a non-resident parent's property if an obligation is not discharged. The value of the properties over which the Commission holds a legal mortgage, which number fewer than ten, have consequently not been disclosed in the balance sheet.

(d) Cash flow reconciliation	2009/10 £'000	2008/09 £'000
Purchases of property, plant and equipment	1	6,864
Capital expenditure accruals as at 31 March	–	–
	1	**6,864**

9. Non-Current Assets: Impairment

	Note	2009/10 £'000	Restated 2008/09 £'000
Charged to Operating Cost Statement			
Property, Plant and Equipment	8	–	4,916
Total		**–**	**4,916**

No impairments to tangible or intangible assets were identified by the Commission during 2009/10. See Note 20 for details of the impairment of buildings in 2008/09.

10. Trade and other receivables

(a) Analysis by type

Administration receivables	Notes	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Amounts falling due within one year				
Trade receivables		103	689	7
Deposits and advances	10a	145	289	180
Other receivables		16,125	16,987	15,390
Gross trade receivables		**16,373**	**17,965**	**15,577**
Less: provision for impairment	10b/10c	**(14,074)**	**(13,091)**	**(12,857)**
Net trade receivables		**2,299**	**4,874**	**2,720**
Value Added Tax		3,700	3,620	–
Prepayments and accrued income		212	–	325
		6,211	**8,494**	**3,045**
Amounts falling due after more than one year				
Deposits and advances	10a	49	66	92
		6,260	8,560	3,137

a. Deposits and advances due include £59,791 (2008/09, £78,175) of house purchase advances due from 11 employees (2008/09, 12 employees).

b. An impairment provision was made in earlier years, reflecting non-payment of fees. There has been no change on this provision in the period.

	Receivables £'000	Provision £'000	Net £'000
Balance as at 1 April 2009	12,350	(12,350)	–
Net movement during the period	–	–	–
Balance as at 31 March 2010	**12,350**	**(12,350)**	**–**

c. An impairment review has been carried out for all the debts against payments recoverable from clients and ex-employees. At 31 March 2010 the impairment provision was £1,724,000 (2008/09, £741,000).

(b) Intra-Government Balances

The following tables analyse total trade and other receivable balances across the categories shown:

Amounts falling due within one year

	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Balances with other central government bodies	4,675	7,687	1,917
Balances with bodies external to government	1,536	807	1,128
	6,211	**8,494**	**3,045**

Amounts falling due after one year

	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Balances with other central government bodies	–	–	–
Balances with bodies external to government	49	66	92
	49	**66**	**92**

Total

	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Balances with other central government bodies	4,675	7,687	1,917
Balances with bodies external to government	1,585	873	1,220
	6,260	**8,560**	**3,137**

11. Cash and cash equivalents

	2009/10 £'000	2008/09 (Restated) £'000	2007/08 £'000
Balance at 1 April	1,993	–	–
Net change in cash and cash equivalents balances	(1,489)	1,993	–
Balance as at 31 March	**504**	**1,993**	**–**

	31 March 2010 £'000	31 March 2009 (Restated) £'000	1 April 2008 £'000
The following balances at 31 March were held at:			–
Office of HM Paymaster General	222	1,964	–
Commercial banks	282	29	–
	504	**1,993**	**–**

The Commission holds its own bank accounts with the Office of Paymaster General and HSBC and they are reported above.

12. Trade and other payables

(a) Analysis by type

Administration Payables	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Amounts falling due within one year:			
Taxation and National Insurance	4,296	4,303	3,784
Superannuation	3,050	3,168	3,628
Trade payables	1,512	1,923	3,407
Other payables	32,732	11,863	42
Accruals and deferred income – non-capital	31,392	34,987	37,243
Accruals and deferred income – capital	3,358	6,279	–
CFERs due to be paid to the Consolidated Fund – received	133	56	2
	76,473	62,579	48,106

(b) Intra-government balances

The following tables analyse total trade payables across the categories shown:

Amounts falling due within one year

	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Balances with other central government bodies	40,081	27,525	7,439
Balances with bodies external to government	36,392	35,054	40,667
	76,473	**62,579**	**48,106**

13. Provision for liabilities and charges

(a) Administration provisions

	As at 31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Early departure and pension provision	133	72	–
Other provisions	6,759	10,060	3,500
	6,892	**10,132**	**3,500**

Early departure and pension provision

	2009/10 Gross Provision £'000
Balance as at 1 April 2009	72
Amounts utilised in period	(40)
Increase in provisions:	
New entrants	96
Movement	(1)
Uplift	3
	130
Unwinding of discount	**3**
Balance as at 31 March 2010	**133**

Where departures are funded by the Commission, there is a requirement to provide for the estimated future early departure costs of employees, discounted at the HM Treasury discount rate, in these accounts. The discount rate used is 1.8% (2008/09, 2.2%).

Other Provisions

	Parklands Remedial Work £'000 Note (a)	Contractual Provisions £'000 Note (b)	Office closure costs £'000 Note (c)	2009/10 Total other Provisions £'000
Balance as at 1 April 2009	3,456	4,263	2,341	10,060
Increase in provisions				
New provision	-	833	1,443	2,276
	3,456	**5,096**	**3,784**	**12,336**
Amounts utilised in the period	(2,487)	(995)	–	(3,482)
Amounts released in the period	–	(2,095)	–	(2,095)
Balance as at 31 March 2010	**969**	**2,006**	**3,784**	**6,759**
Balance as at 1 April 2008	3,500	–	–	3,500
Increase in provisions				
New provision	200	4,263	2,341	6,804
	3,700	4,263	2,341	10,304
Amounts utilised/released in period	(244)	–	–	(244)
Balance as at 31 March 2009	**3,456**	**4,263**	**2,341**	**10,060**

a. In 1998 the Department (formally the Department of Social Security) entered into a sale and leaseback agreement with Telereal Trillium for the Departmental estate. At that point the Department committed to make good known defects at the Falkirk Parklands site. The Department and Telereal Trillium have agreed the scale and scope of the remedial work at Parklands which commenced at the end of the 2008/09 financial period. The remaining costs of the remedial work are £0.969 million and this amount has been fully provided at 31 March 2010.

b. Other contractual provisions represent principally the termination costs payable by the Commission on the contract with Vertex Data Science Ltd for the administration of clerical maintenance cases and some minor provisions (relating to Tax, Policy and Information Technology). The timing and value of these remain uncertain and the estimate included of £2.006 million represents management's best estimate of the amounts eventually due.

c. The increased provision for office closure costs relates to the Commission's plans to vacate four buildings. The costs relate to decommissioning the information technology infrastructure and termination payments to the accommodation provider. Notice was given in March 2009 for one of the buildings and in March 2010 for the remaining three. All costs will be incurred before March 2011.

d. The total new provisions created in 2009/10 were £0.101m early departure provision (2008/09 £0.075m) and £2.276m other provisions (2008/09 £6.804m); totalling £2.377m (2008/09 £6.879m). £2.095m (2008/09 £nil) of provisions created in prior periods were not utilised and credited to the operating cost statement. This led to a net charge to non-staff costs of £0.282m (2008/09 £6.879m).

(b) Analysis of expected timing of discounted flows

	Early Departure Costs £'000	Parklands Remedial Work £'000	Contractual Provisions £'000	Office Closure Costs £'000	Total £'000
In the remainder of spending Review period (to 2011)	85	969	2,006	3,784	6,844
Between 2012 and 2016	48	–	–	–	48
Between 2017 and 2021	–	–	–	–	–
Balance as at 31 March 2010	**133**	**969**	**2,006**	**3,784**	**6,892**

14. Notes to the Statement of Cash Flows

	Note	2009/10 £'000	2008/09 Restated £'000
a) Cash flows from operating activities			
Net operating cost		(571,926)	(605,311)
Depreciation	8	86	361
Amortisation	7	3,975	298
Fixed asset impairment	8/9	–	4,916
Notional recharges	5	–	72,245
Cost of capital credit	5	(2,692)	(1,767)
Decrease/(Increase)in trade and other receivables	10	2,300	(5,423)
Increase in trade payables	12	16,738	8,140
(Decrease)/Increase in provisions		(3,240)	6,632
Net cash outflow from operating activities		**(554,759)**	**(519,909)**
b) Cash flows from investing activities			
Purchase of property, plant and equipment	8d	(1)	(6,864)
Purchase of intangible assets	7c	(22,847)	–
Net cash outflow from investing activities		**(22,848)**	**(6,864)**
c) Cash flows from financing activities			
Net Parliamentary funding		576,521	529,995
Payments of amounts due to Consolidated Fund		(403)	(1,229)
Net financing		**576,118**	**528,766**
d) Net (decrease)/increase in cash and cash equivalents in the period			
Cash and cash equivalents at the beginning of the period	11	1,993	–
Cash and cash equivalents at the end of the period	11	504	1,993
Net (decrease)/increase in cash and cash equivalents in the period		**(1,489)**	**1,993**

15. Capital Commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements

	31 March 2010 £'000	As at 31 March 2009 (Restated) £'000	As at 1 April 2008 (Restated) £'000
Property, plant and equipment	–	410	6,400
Intangible assets	–	–	–
	–	**410**	**6,400**

No capital commitments existed in relation to the future scheme IT system at the reporting date.

16. Commitments under non-PFI leases

(a) Operating Leases

Total future minimum lease payments under operating leases are given in the table below.

	31 March 2010			31 March 2009 Restated		
	Land £'000	Buildings £'000	Other £'000	Land £'000	Buildings £'000	Other £'000
Due within one year	4,673	7,445	576	4,269	7,242	442
Due after one year but not more than five years	–	1,037	833	4,269	7,242	441
Due thereafter	–	–	–	–	–	–
	4,673	**8,482**	**1,409**	**8,538**	**14,484**	**883**

Restated 1 April 2008

	Land £'000	Buildings £'000	Other £'000
Due within one year	4,125	7,094	522
Due after one year but not more than five years	8,251	14,187	673
Due thereafter	–	–	–
	12,376	**21,281**	**1,195**

Details of the most significant contracts assessed under IAS 17 *Leases* and determined as an operating lease are provided below.

Private sector Resource Management of the Estate (PRIME)

The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation until 2018. Within the accommodation provision, the Commission has a separate operating lease arrangement in place with the Department for the properties, or parts thereof, which it occupies. This is provided by means of a Memorandum of Terms of Occupation which includes a maximum commitment of three years for the Commission at any given time. The amounts shown reflect this commitment for the three year period.

Newcastle Estates Accommodation

The Department entered into an arrangement for the provision of accommodation on the Newcastle Estate from 1 April 1999. Within the accommodation provision, the Commission has a separate operating lease arrangement in place with the Department for the properties, or parts thereof, which it occupies. This is provided by means of a Memorandum of Terms of Occupation, which includes a maximum commitment of 3 years for the Commission at any given time. The amounts shown reflect this commitment for the 3 year period.

Fleet contract

The Commission has an arrangement in place with Inchcape, via a Departmental contract, for the use and associated maintenance of motor vehicles over a four-year period.

Photocopiers

The Commission has an arrangement in place with Ricoh, via a Departmental contract, for the use and maintenance of photocopiers over a three year rental period. From March 2010, the current photocopiers are being replaced with multi-function devices on a rolling basis. The contract with Ricoh has therefore been temporarily extended to cover the rollout period. The figures included above reflect the reduced commitments as photocopiers are removed from the estate.

Sustainable Print Project

The Commission has entered into a contract, via the Department, with Xerox for the supply of multi-function devices that will replace the current photocopiers and printers in place within the Commission on a rolling basis by June 2011. The contract runs from January 2010 until the end of June 2014. No machines were rolled out to the Commission in this financial year.

Other

The Commission has entered into an operating lease contract for the lease of the 6th floor of Stockley House, London.

17. Financial instruments

(a) Financial instruments by category

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 April 2008 £'000
Financial assets			
Deposits and advances	194	355	272
Balances with Department for Work and Pensions	14	493	349
Other government departments	961	2,201	322
Trade receivables	103	689	7
Other receivables	1,076	1,202	1,862
Cash and cash equivalents	504	1,993	–
Total	**2,852**	**6,933**	**2,812**

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 April 2008 £'000
Financial liabilities at amortised cost			
Superannuation	3,050	3,168	3,628
Trade payables	1,512	1,923	3,407
Other payables	223	645	17
Other government departments	32,509	943	25
Accruals	34,750	41,266	37,243
Balances with Department for Work and Pensions	–	10,275	–
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund – received	133	56	2
Total	**72,177**	**58,276**	**44,322**

(b) Fair value of financial instruments

The book values of the Commission's financial assets and liabilities at 31 March 2010 are not materially different from their fair values. They have accordingly not been shown separately.

(c) Exposure to risk

Due to the largely non-trading nature of its activities and the fact that the cash requirements of the Commission are met through the Estimates process, the Commission is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size. Financial instruments that relate to contracts to buy non-financial items in line with the Commission expected purchase and usage requirements expose the Commission to little credit, liquidity or market risk.

Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Minimal deposits are held with commercial banks.

The Commission exposure to credit risk is limited due to the majority of administrative related debt being with other government departments.

Liquidity risk

The net revenue resource requirements or the Commission are financed by resources voted annually by Parliament. It is not, therefore, exposed to significant liquidity risk.

Market risk

Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Commission in achieving its objectives.

Interest rate risk

The Commission has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates. The interest profile of the Commission financial assets and liabilities has therefore not been disclosed.

Foreign currency risk

The Commission does not have any significant exposure to foreign currency risk.

(d) Aged Analysis of Financial Assets

Financial Assets that are past due but not impaired are analysed by age and set out below:

	0–30 days past due	30–60 days past due	60–90 days past due	90–180 days past due	180–360 days past due	360+ days past due	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade Receivables	–	–	–	37	2	–	39
Amounts due from Other Government Departments	438	6	–	1	1	–	446
Other receivables	120	48	4	25	7	–	204
At 31 March 2010	**558**	**54**	**4**	**63**	**10**	**–**	**689**

18. Contingent liabilities disclosed under IAS 37

The Commission had one contingent liability at 31 March 2010. It had no contingent liabilities at 31 March 2009. The contingent item at 31 March 2010 relates to costs associated with the Commission's planned exit from one of its sites; consultation with trade unions had commenced at the balance sheet date. The value of the contingent liability is estimated at £1.6m and more than £1m of the liability is expected to crystallise during 2010/11.

19. Third Party Assets

Some monies are held on behalf of third parties and relate to maintenance collected from non-resident parents and due to be paid to either parents with care or the Secretary of State. These are not Commission assets and are not included in the accounts, but are accounted for in the separate Client Funds Account. The cash balance held at the reporting date is set out in the table below:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Client funds	**16,255**	**17,432**	**18,528**

20. Losses and special payments

	2009/10			2008/09
	£'000	Number of cases	(Restated) £'000	Number of cases
Losses	11,838	18,706	15,004	31,579
Special payments	3,765	12,265	6,098	17,742
	15,603	**30,971**	**21,102**	**49,321**

Losses

Losses consist of salary-related losses and overpayments of maintenance to clients and refund payments described below, plus a single loss incurred in 2008/09 and relating to the diminution in value of the Commission's Callendar Gate property in Falkirk.

Salary related losses totalled 312 cases amounting to £86,643 (2008/09, 295 cases amounting to £182,845) and relate to monies the Commission is unable to recover from former employees. Non-salary losses included 1,294 cases, amounting to £2.034m, where maintenance paid to incorrect parents with care was written off (2008/09, 18,302 cases amounting to £3.162m), and 17,100 cases, amounting to £9.718m, where maintenance was overpaid to the correct parent with care, refunded to the non-resident parent and subsequently written off (2008/09, 12,981 cases amounting to £7.594m).

Refund payments arise where a non-resident parent has a change in circumstances notified to the Commission and where a delay has occurred in implementing the new maintenance assessment, leading to an overpayment. In these circumstances, rather than clawing back overpayments made to parents with care the Commission funds the refund to the non-resident parent. Following analysis of this expenditure the prior year figures have been restated to analyse these payments as losses.

Details of losses over £250,000

The Commission's Callendar Gate office, in Falkirk, was valued by external surveyors in April 2009. A diminution in market value from its previous balance sheet carrying value of £9.3m to £5.25m was identified. Under UK GAAP the asset was valued at Value In Use, whereas under IFRS the appropriate valuation basis is Existing Use Value, which is the same as market value, and gives rise to an impairment of £4.065m in 2008/09. The Callendar Gate property was absorbed into the DWP's PRIME estates contract at 1 April 2009, and consequently no longer features on the Commission's balance sheet.

Special payments

	2009/10		2008/09	
	£'000	Number of Cases	£'000	Number of Cases
Compensation payments	2,615	10,740	3,876	13,086
Advance payments of maintenance	753	190	1,098	307
Special payments to staff/contractors/public	6	5	659	2,557
Interest	391	1,330	465	1,792
	3,765	**12,265**	**6,098**	**17,742**

Special payments are compensatory amounts paid to parents with care on an ex-gratia basis where delays or administrative errors have resulted in lower than expected service standards.

Details of special payments over £250,000

There are no individual cases over £250,000 (2008/09, nil).

21. Related party transactions

The Department for Work and Pensions is regarded as a related party. During the year, the Commission has had a number of material transactions with the Department for Work and Pensions and with other entities for which the Department for Work and Pensions is regarded as the parent. The Commission has therefore relied upon the exemption available under IAS 24 and has not disclosed transactions between these entities which are shown in the Department for Work and Pensions Consolidated Resource Accounts.

The Commission has had a number of material transactions with other Government Departments and other central Government bodies, mainly Her Majesty's Revenue and Customs, the Cabinet Office and Northern Ireland Child Maintenance and Enforcement Division.

All Directors (including the Child Maintenance and Enforcement Commission's Non-Executive Directors) have provided confirmation that they have no related interests through other directorships/non-executive directorships.

The Commission maintains a register of Directors' interests in third-party organisations and other than already disclosed there were no material transactions with key management during the financial period.

No Board member, key management person or other related party has undertaken any material transaction with the Commission during the period.

22. Restatement of 31 March 2009 Financial Position

Restatement of Statement of Financial Position and Operating Cost Statement at 31 March 2009

Statement of Financial Position

	UK GAAP Published accounts as at 31 March 2009 £'000	First–time adoption of IFRS £'000	Restated at 31 March 2009 £'000
Non-current assets:			
Intangible assets	6,473	–	6,473
Property, plant and equipment	9,635	(4,065)	5,570
Trade and other receivables due after more than one year	66	–	66
Total non-current assets	**16,174**	**(4,065)**	**12,109**
Current assets:			
Trade and other receivables	8,494	–	8,494
Cash and cash equivalents	1,993	–	1,993
Total current assets	**10,487**	**–**	**10,487**
Total assets	**26,661**	**(4,065)**	**22,596**
Current liabilities			
Trade and other payables	(58,240)	(4,339)	(62,579)
Non-current assets less net current liabilities	**(31,579)**	**(8,404)**	**(39,983)**
Non-current liabilities			
Provisions	(10,132)	–	(10,132)
Other payables	–	–	–
Total non-current liabilities	(10,132)	–	(10,132)
Assets less liabilities	**(41,711)**	**(8,404)**	**(50,115)**
Taxpayers' Equity			
General Fund	(41,755)	(8,404)	(50,159)
Revaluation Reserve	44	–	44
Total Taxpayers' Equity	**(41,711)**	**(8,404)**	**(50,115)**

Operating Cost Statement

	UK GAAP Published accounts as at 31 March 2009	First–time adoption of IFRS note 2 (a)	Restated at 31 March 2009
Administration Costs			
Staff costs	258,186	(21)	258,165
Other administration costs	347,948	3,892	351,840
Gross administration costs	606,134	3,871	610,005
Operating income	(4,694)	–	(4,694)
Net Operating Cost	**601,440**	**3,871**	**605,311**

23. Late Payment of Commercial Debt

The ‘Late Payment of Commercial Debts (Interest) Act 1998’ which came into effect from I November 1998 and the ‘Late Payment of Commercial Debts Regulations 2002’ which came into force on 7 August 2003 provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

In 2009/10, £ nil of interest (2008/09 £214.39) was paid under the Late Payment of Commercial Debts (Interest) Act 1998. These are included in other administration costs (see Note 5).

24. Events after the Reporting Date

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Commission provides to employees but has no impact on these accounts. IAS 10 requires the Commission to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

The authorised date for issue is 27 July 2010.

How to contact the Commission

Child Maintenance and Enforcement Commission

The Commissioner
Child Maintenance and Enforcement Commission
PO Box 239
Holbeck
LS11 1EB

www.childmaintenance.org

Child Maintenance Options

National helpline: **0800 988 0988**

www.cmoptions.org

For impartial information and support on the range of options for making child maintenance arrangements.

Child Support Agency

National helpline: 08457 133 133
(textphone: 08457 138 924)

www.csa.gov.uk

For information about existing child maintenance cases and the current statutory service.

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