Title: Child maintenance reforms: CSA case closure, introducing CMS fees, supporting family-based arrangements. **IA No:** DWP0031 **Lead department or agency:** Department for Work and Pensions **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 31/03/2013 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary legislation

Summary: Intervention and Options

RPC Opinion: GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£90m	£0.5m	-£0.03m	Yes	OUT

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

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

What are the policy objectives and the intended effects?

Following the successful introduction of the new statutory Child Maintenance Service (CMS):

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

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

1. Do nothing: introduce the CMS without further reforms. This is the baseline against which the other options are considered.
2. Option 1 plus: close all existing CSA cases.
3. Option 2 plus: better co-ordinated support services and incentives for parents to make family-based arrangements. Introduce fees for use of the CMS - application fees: £20 for all, with an exemption for victims of domestic violence; collection fees: 4% of maintenance liability for the parent with care, 20% for the non-resident parent; enforcement fees to encourage compliance and payment of arrears.

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

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 10/2016

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

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: .... Date: 10/4/13

Summary: Analysis & Evidence — Policy Option 3

Description: £20 CMS application fee; 4% parent with care and 20% non-resident parent CMS collection fees; CMS enforcement fees; CSA case closure; co-ordinated support services, compulsory Gateway, CMS Direct Pay choice.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 20	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £90m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional	17	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£3,032m		£190m	**£2,482m**

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

DWP: CSA case closure: £236m transition; administration of residuary arrears: £123m transition; increase in annual reviews: £124m transition; increase in appeals: £20m transition; support for separating and separated families: £250m transition, £16m annually; the Gateway: £53m transition, £4m annually. **HMCTS:** increase in appeals: £6m transition. **Employers:** increase in CMS DEOs which require more regular updating: £0.6m transition. **Parents:** application fees: £30m transition, £1.4m annually; collection fees: £2,124m transition, £164m annually; enforcement fees: £66m transition, £4m annually.

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

Parents: Costs to parents in dealing with and understanding communications regarding the ending of the CSA maintenance liability, evaluating and deciding on child maintenance options, negotiating arrangements with other parent. Costs/benefits to parents from ending the existing CSA liability, in terms of quality of arrangements subsequently made and amount of maintenance received/paid, depending on circumstances and decisions made at the time the liability is ended.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional	17	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£3,154m		£240m	**£2,572m**

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

DWP: Fewer CMS applications: £72m transition, £4m annually; saving on case maintenance costs: £849m transition, £54m annually; fewer annual reviews: £6m transition, £9m annually; fewer appeals: £4m transition, £2m annually; application fees: £30m transition, £1.4m annually; collection fees: £2,124m transition, £164m annually; enforcement fees: £66m transition, £4m annually; **HMCTS:** fewer appeals: £1.2m transition, £0.6m annually. **Employers:** DEOs: £1.2m transition, £0.1m annually.

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

Parents: More effective arrangements in place overall. More family-based arrangements made following use of Help and Support for Separated Families, the Gateway and the behavioural influence of fees. Those CSA clients who apply to the CMS will benefit from a quicker, more transparent, efficient service and more will have positive outcomes. Those CSA clients who apply to the CMS will also benefit from a new assessment of maintenance liability, more reflective of their current circumstances.

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

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

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0.03m	**Benefits:** £0.07m	**Net:** -£0.03m	Yes	OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	Great Britain				
From what date will the policy be implemented?	2012-2013				
Which organisation(s) will enforce the policy?	DWP				
What is the annual change in enforcement cost (£m)?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	**Traded:** N/A	**Non-traded:** N/A			
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	**Costs:** 0	**Benefits:** 0			
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro**	**< 20**	**Small**	**Medium**	**Large**
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	Yes	28-31
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	Yes	21
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

References

No.	Legislation or publication
1	Internal analysis using the Labour Force Survey 2011, 2008 Families and Children Study and March 2012 Child Support Agency administrative data
2	Child Support Agency – Quarterly Summary Statistics, December 2012 http://statistics.dwp.gov.uk/asd/index.php?page=csa
3	Child Maintenance and Enforcement Commission Annual Report and Accounts 2011/12 http://www.dwp.gov.uk/docs/cmec-report-and-accounts-11-12.pdf
4	Survey of Child Maintenance Options Outcomes November 2012 http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2012/Survey_of_Child_Maintenance_Options_Outcomes.pdf
5	Sir David Henshaw's report: "Recovering Child Maintenance: Routes to Responsibility", July 2006. http://www.dwp.gov.uk/policy/child-maintenance/sir-david-henshaws-report/
6	White Paper: A new system of child maintenance: http://www.dwp.gov.uk/docs/csa-report.pdf
7	Child Maintenance and Other Payments Act 2008: http://www.opsi.gov.uk/acts/acts2008/ukpga_20080006_en_1
8	Child Maintenance and Other Payments Act 2008 - Regulatory Impact Assessment http://www.dwp.gov.uk/docs/cm-bill-ria1.pdf
9	Green Paper: Strengthening families, promoting parental responsibility: the future of child maintenance, January 2011 – Paper and Impact Assessment: http://www.dwp.gov.uk/consultations/2011/strengthening-families.shtml
10	Government's response to the consultation on Strengthening families, promoting parental responsibility: the future of child maintenance: http://www.dwp.gov.uk/docs/strengthening-families-response.pdf
10a	Command Paper 'Supporting separated families; securing children's futures', http://www.dwp.gov.uk/docs/childrens-futures-consultation.pdf
11	The Child Support Maintenance Calculation Regulations 2012: A technical consultation on the draft regulations http://www.dwp.gov.uk/consultations/2011/cmec-regs-tech-consultation.shtml
12	Final Stage Impact Assessment: The Child Support Maintenance Calculation Regulations 2012: http://www.dwp.gov.uk/docs/cmec-annual-profile-costs-benefits-ia.pdf
13	The Child Support Collection and Enforcement Amendment Regulations 2012: A technical consultation on the draft regulations http://www.dwp.gov.uk/consultations/2012/child-support-new-calc-regs.shtml
14	Final Stage Impact Assessment: The Child Support Collection and Enforcement Amendment Regulations 2012 http://www.legislation.gov.uk/uksi/2012/2785/pdfs/uksifia_20122785_en.pdf
15	Relationship Separation and Child Support Study, 2008. DWP Research Report No 503: http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep503.pdf
16	Estimating the impacts of Child Support Agency cases having their liabilities ended and fees for the new Child Maintenance Service 2012 http://www.dwp.gov.uk/docs/estimating-impacts-csa-case-closure-and-charging.pdf
17	Analysis of the British Crime Survey 2009/10 (Crime Survey for England and Wales)
18	Department for Work and Pensions – Research Report No 529: "Child Support Agency – employers' views on setting up and processing Deduction from Earnings Orders", 2008 http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep529.pdf
19	Department for Work and Pensions – Research Report No 530: "Informing the piloting of Deduction from Earnings Orders as the primary method of collecting child maintenance" http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep530.pdf

20	Estimated cost of enforcement actions 2012 http://www.dwp.gov.uk/docs/csa-enforcement-actions-submission.pdf

Evidence Base (for summary sheets)

Problem under consideration

1. There are an estimated 2.5 million separated families in Great Britain and no more than half have effective child maintenance arrangements in place. There are 1.1 million statutory cases and 1.4 million families outside of the statutory service.[1]
2. Of the 1.4 million separated families not within the statutory scheme an estimated:
   - 600,000 have family-based arrangements of which 500,000 are effective[1]
   - 100,000 have court arrangements the majority of which are effective[2]
   - 600,000 families have no arrangement.[3] [1]
3. The Child Support Agency (CSA), part of the Department for Work and Pensions (DWP), administers the 1.1 million statutory cases on two separate schemes.[4] The 2003 scheme operates for cases starting from March 2003 and the 1993 scheme for cases which started prior to March 2003. The two schemes are provided for by separate legislation, operate according to different statutory rules and have separate IT systems. The Child Maintenance Service (CMS), also part of the DWP, operates a further statutory maintenance scheme, introduced for a limited number of new applicants in December 2012.
4. As of December 2012, 882,000 CSA cases had a positive child maintenance liability and 80% of these were compliant.[5] There were 903,000 children benefiting from child maintenance collected through the CSA or money arranged through it. [2]
5. In 2011/12 the CSA collected or arranged £1,187m in child maintenance at a cost of £420m. This equates to a cost of 35p for every £1 collected. [3]
6. There are ongoing problems with the CSA computer systems, resulting in a number of cases being subject to costly clerical handling. There were 106,000 of these cases at December 2012 and this figure is growing. [2]
7. Currently the Child Maintenance Options service, an impartial information and support service administered by the Department, provides information and support to help separated parents make effective decisions about their child maintenance arrangements.
8. There have been 1,114,000 inbound or outbound phone calls with the Child Maintenance Options service since it launched in July 2008 up to December 2012.
9. Up to December 2012 an estimated 15% of all parents who spoke to Child Maintenance Options went on to make or change a family-based arrangement with 157,000 children benefiting. A similar number of parents went on to make applications to the CSA.

Policy objectives

10. Following on from Sir David Henshaw's review of child maintenance, the previous Government started the design of a new system based on the Child Maintenance and Other Payments Act 2008. Central to the new design was a new statutory scheme with a gross income maintenance calculation using HM Revenue and Customs (HMRC) tax returns and a new IT system to address issues including the current need for separate costly off-system case handling. [5] [6] [7] [8]

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

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

3 Figures do not sum to total due to rounding.

4 In addition there are approximately 500,000 cases with arrears but no ongoing child maintenance liability.

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

11. The Coalition Government reviewed child maintenance policy in 2010, leading to the Green Paper 'Strengthening families, promoting parental responsibility' which was published in January 2011.
12. The Green Paper proposed a set of reforms to re-balance child maintenance policy further towards supporting parents to work collaboratively, as well as making the statutory scheme more cost effective. [9] [10]
13. Details of the firm set of child maintenance policies which were developed following Green Paper consultation were published in the Command Paper 'Supporting separated families; securing children's futures' in July 2012. [10a] These policies and the related regulations or legislation as applicable are:
    a. Introduction of the Child Maintenance Service (CMS) – a new annual gross-income based statutory scheme with supporting IT (Child Support Maintenance Calculation Regulations 2012).
    b. Alignment of deduction from earnings orders regulations with the new gross income scheme (part of the Child Support (Meaning of Child and New Calculation Rules) (Consequential and Miscellaneous Amendment) Regulations 2012).
    c. Closure[6] of existing CSA cases (proposed Child Support (Ending Liability in Existing Cases and Transition to New Calculation Rules) Regulations 2013).
    d. Development of better co-ordinated support services through the Help and Support for Separated Families programme (no new regulation required).
    e. Introduction of mandatory information and support Gateway that parents will need to visit before applying to the new statutory service (Welfare Reform Act 2012).
    f. Fees for parents with care (PWCs) and non-resident parents (NRPs) to use the new statutory scheme (proposed Child Support Fees Regulations 2013).
    g. Giving NRPs the choice to pay the PWC directly and thereby avoid collection service fees (Welfare Reform Act 2012).
14. In response to the Command Paper consultation, refinements have been made to a number of policy elements. In particular, the level of CMS collection fees for PWCs has been reduced, the process for closing existing CSA cases and Direct Pay choice proposals have also been amended to minimise the risk of payment disruption when a PWC makes an application to the CMS following CSA case closure.[7]

Related impact assessments, baselines and transition time period used

Impact assessments

15. Regulations have been laid and final impact assessments published for two key elements of the reforms:
    a. The Child Support Maintenance Calculation Regulations 2012 (i.e. element 'a' above). [11] [12]
    b. Child Support Collection and Enforcement Amendment Regulations 2012 (these regulations are now part of the regulations in element 'b' above). [13] [14]
16. This impact assessment covers the final, post-consultation versions of the other elements of the policy reforms.

Baselines for assessing costs and benefits

17. In the baseline for this impact assessment the new CMS scheme has been introduced and collection and enforcement regulations have been amended (see paras 13 & 15).[8]

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[6] It is important to note that while the existing CSA maintenance liability will be brought to an end in all cases, a case will only "close" where no application to the 2012 scheme is made. Where an application is made, clients are exercising their choice to remain in the statutory maintenance scheme. In such cases, the CSA case effectively transfers to the 2012 scheme, administered by CMS.

[7] With Direct Pay the NRP pays the PWC the CMS calculated maintenance amount directly i.e. outside the collection service.

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

Time period for assessing impacts

18. The first two impact assessments do not include a systematic process for CSA case closure or the introduction of CMS fees.
19. Without systematic CSA case closure, it would take up to 20 years for the last CSA cases to close (after that time the youngest child remaining in a CSA case would be too old for the parent with care to claim child maintenance). Only at that stage would it be possible to shut down the CSA IT systems and steady state costs and benefits be realised.
20. In practice a large majority of CSA cases will have closed naturally after 17 years. Therefore the time period for the policy reforms presented in the first two IAs is 20 years: 17 years of transition and 3 years to establish stable annual average costs and benefits in the post transition period. A shorter post transition time period would not allow steady state costs and benefits to be assessed.
21. For consistency with previous IAs, the 17 year transition and 3 year post-transition time period has also been used for this impact assessment.
22. Also for the purposes of consistency, the more gradual approach to implementation of ‘Phase 1’ (i.e. the new service minus fees and ending liability on 1993 and 2003 schemes) over 2012/13 which has been developed since the Command Paper was published is not reflected in this impact assessment.

Operational planning and implementation

23. In December 2012 the CMS opened for a small pathfinder group of new applicants with four or more qualifying children. Over 2013 the CMS will be extended to cover all new applicants seeking a statutory arrangement. In this first implementation phase (Phase 1), no fees will apply but a requirement to have a Gateway conversation will be introduced.
24. Once the new system is seen to be working well Phase 2 will start. In Phase 2 CMS fees and Direct Pay choice will be introduced. The CSA case closure process will also begin with the first clients being given six months notice that their CSA maintenance liability will end.
25. The current plans are for Phase 2 to start in March 2014, but this is dependent on the new system working well. It is expected to take around three years from September 2014 for all CSA cases with a liability to be closed with remaining arrears only cases being dealt with subsequent to this. The CSA IT systems will then be shut down once all outstanding arrears have been moved onto the new system.
26. Development of the Help and Support for Separated Families programme will continue through 2013/14.
27. The DWP is currently planning for the potential impact of the introduction of Universal Credit on the CSA and CMS schemes. It has not been possible to consider any potential impacts in this IA.

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

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

29. Using gross income data from HMRC leads to simpler, more transparent and timely assessments enabling money to flow quicker to parents with care. Annual reviews of maintenance liability ensure that the calculation is much more up to date compared to the 2003 and 1993 CSA schemes.

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

31. The full costs and benefits of this option compared to continuing with the old CSA statutory schemes are outlined in the final Child Maintenance Calculation Regulations 2012 impact assessment and the Child Support Collection and Enforcement Amendment Regulations 2012 impact assessment. [12],[14]

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

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

Policy Option 2: Introduce new scheme, amend collection and enforcement regulations and CSA Case Closure

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

35. However, like Option 1, this policy option would not address the fundamental issue of encouraging collaboration and incentivising parents to make more family-based arrangements. Additionally without the behavioural change higher costs would exist with more statutory scheme cases as well as no revenue generated from fees.

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

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

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

37. Without the Gateway and fees, the size of the statutory caseload will be larger, increasing Departmental costs. In addition, without collection fees, an incentive will not be in place to encourage parents to cooperate and the non-resident parent to pay the parent with care directly using the Direct Pay facility. Direct Pay is the new name for what is currently known as Maintenance Direct in the CSA. Fewer Direct Pay cases mean higher costs to the Department through maintaining cases on the collection service (where maintenance is collected from the non-resident parent and then passed on to the parent with care).

38. The combination of a higher statutory scheme caseload and the absence of the fees revenue mean that Option 2, from a DWP cost point of view would not be workable under present funding.

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

39. Following the introduction of the new Child Maintenance Service, this option involves:

    a. Closing all existing CSA cases[2] using the proposed Child Support (Ending Liability in Existing Cases and Transition to New Calculation Rules) Regulations 2013.

    b. Encouraging and supporting more parents to make family-based arrangements through the provision of an integrated programme of Help and Support for Separated Families.

    c. Requiring prospective CMS statutory scheme applicants to have a Gateway conversation on their maintenance options, ensuring that they have at least been informed of their options for making a family-based arrangement before making an application – using powers in the Welfare Reform Act 2012.

    d. Implementing application, collection and enforcement fees using the proposed Child Support Fees Regulations 2013.

    e. Enabling NRPs to avoid collection fees by giving them the option of paying the PWC directly rather than paying through the CMS collection service (this choice will not be available if the CMS has reason to believe that the NRP is ‘unlikely to pay’ and the PWC does not wish to use direct pay) – using powers in the Welfare Reform Act 2012.

CSA case closure

Phase 1

40. The CMS opened for a pathfinder group of new applicants at the beginning of Phase 1 in December 2012 and will be extended over time to cover all new applicants seeking a statutory arrangement. The Gateway will be introduced and the Help and Support for Separated Families programme will begin.

41. During this time the Department will only move existing CSA cases to the CMS if there is a link to a CMS application by virtue of a common non-resident parent. These ‘reactive transition’ cases will have an automatic calculation under CMS rules within 9 days. The ending of the CSA liability will be followed by a CMS liability being created automatically with parents not subject to the gateway conversation.

Phase 2

[2] It is important to note that while the existing CSA maintenance liability will be brought to an end in all cases, a case will only “close” where no application to the 2012 scheme is made. Where an application is made, clients are exercising their choice to remain in the statutory maintenance scheme. In such cases, the CSA case effectively transfers to the 2012 scheme, administered by CMS.

42. Once it has been determined that the CMS is working well, Phase 2 will begin. Fees will be introduced and the process of systematically closing all existing CSA cases will begin using powers within Schedule 5 of the Child Maintenance and Other Payments Act 2008.

43. PWCs and NRPs will be given six months notice that their CSA maintenance liability will be brought to an end. This notice will allow them the opportunity to access the Gateway and consider their future child maintenance arrangements. They will receive a reminder one month before the"liability end" date and then, following this, a confirmation that the statutory child maintenance liability on the case has ended.

44. The original proposal was to close expensive to maintain clerical cases first. The remainder of the CSA caseload would then be closed systematically, beginning with the oldest cases, with the entire process to be completed in about three years.

45. Concerns were expressed during the Command Paper consultation that this process could lead to payment disruption in some cases where maintenance payments are currently flowing, particularly where enforcement action has been taken.

46. To reduce this risk, CSA cases will now be closed over the same three-year period but in a number of different tranches, starting with those cases not currently assessed to pay maintenance, followed by those cases that are not currently compliant and then the remaining compliant cases not subject to enforcement action. Within each of these tranches, clerical cases will be closed first, followed then by an 'oldest first' approach.

47. Cases where compliance is being secured through enforcement action will be retained on the CSA until last. 'Enforced compliant' NRPs will be invited to demonstrate voluntary compliance 6 months prior to case closure. Those who do not demonstrate voluntary compliance in this period will not be given the option of using Direct Pay in the event that their case is transferred to the 2012 scheme. In such cases, any pre-existing form of enforcement will continue. Regulations will be amended to ensure that deduction from earnings orders and regular deduction orders can be re-imposed immediately, following the case transferring to the new scheme.

48. CSA clients who choose to apply to the CMS during this process, will be subject to the same regulations as any new CMS applicant – they will be required to have a Gateway conversation and be subject to the same fees in the same circumstances.

49. Cases will close 'reactively' in Phase 2 if there is a link to a CMS case. The client journey from notification of impending CSA case closure to commencement of CMS liability (should the CSA PWC choose to apply) will be 30 days. This balances the need for maintenance to flow quickly to the new PWC who has applied to the CMS and for the existing CSA PWC(s) to make a decision regarding their future maintenance arrangements. Phase 2 'reactive' cases will also be required to access the Gateway and pay fees if they decide to apply for a CMS case.

50. In both Phase 1 and Phase 2, if a client decides to close their CSA case outside the systematic process they will have to wait 13 weeks before they can then make an application to the CMS. It is anticipated that volumes of such cases will be low as most people with existing CSA cases where maintenance is flowing will not want to lose out on 3 months worth of maintenance in order to get into the CMS.

51. Cases where the youngest qualifying child will reach the age of 20 before the end of the three year case closure period will be retained on the CSA until they close naturally.[3] The rationale for this is that these cases would be disproportionately impacted by fees and the case closure process. However, PWCs in these cases, will be able to close their case and wait 13 weeks to apply to the CMS. This is in spite of any application to pay maintenance from the NRP inside the 13 week period.

52. The order of cases selected to have their CSA liability ended and the timings of these will be specified in an accompanying schedule rather than in the regulations themselves. As a general principle, the Department will have flexibility to select cases to accommodate variations in case frequency and volumes.

[3]. The new maximum age of qualifying children of 20 was commenced across all schemes when the CMS was launched on 10 December 2012.

Case clean up and treatment of arrears

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

54. All PWCs will be asked how they wish to proceed with regards to arrears owed to them. PWCs will be offered the choice of writing the arrears off or for the balance to remain outstanding after the CSA liability has ended.

Help and Support for Separated Families

55. The Government is coordinating existing support services that can help parents work together after separation in the best interests of their children. The Government will act as an enabler in providing the necessary infrastructure, rather than providing services directly. The infrastructure will harness the support that works for parents.

56. An expert steering group comprised of voluntary and community sector experts as well as academics outlined delivery architecture that will help coordinate existing support services.

57. This included the 'Sorting out separation' web app, launched in November 2012 that provides general help to separated parents, giving general advice on subjects such as parenting apart, housing and employment and access to other services and organisations who can offer support .

58. This will be followed by a co-ordinated network of telephony services in the summer of 2013. The Help and Support for Separated Families Quality Mark will provide reassurance to parents that when they use the services of an organisation with the Mark, they can trust it to help them collaborate with their ex partner as they go through separation. Organisations applying for the Mark will need to meet a set of standards which demonstrate that they promote collaboration between parents and help them focus on the interests of their children.

59. The Government has established an *Innovation fund: Support for Separated Families* that will test and evaluate innovative ideas from 3rd parties that help parents to work in the best interests of their children.

60. Improving the co-ordination of support services to separating and separated parents is a cross-government initiative. The Department has worked closely with the Department for Education and the Ministry of Justice in developing proposals. The web app also meets the requirements outlined in Family Justice Review for an 'online hub' that provides information and support for couples to resolve issues following both divorce and separation outside courts.

The Gateway

61. Clients will be invited to have a conversation with a Gateway service agent prior to making an application to the CMS. Following the Gateway conversation, the agent will give the client a unique reference number to use as part of the CMS application.

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

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

Fees

64. Fees will be applied from the beginning of Phase 2:

    a. An application fee of £20 for all applicants with an exemption for those who are aged 18 or under or who declare themselves to be victims of domestic violence (including where children in the household have been subject to abuse).

b. Collection fees of 4% of the maintenance assessment amount for the PWC and 20% for the NRP. Following concerns expressed by stakeholders through the Command Paper consultation about affordability and fairness of the PWC collection charge, this has been reduced from 7%.

c. No collection fees will be payable where payment of maintenance is made directly by the NRP to the PWC through the Direct Pay facility.

d. The NRP will be charged according to a tariff when certain enforcement measures (for example, a liability order) are required.

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

66. The application fee will apply to all clients including those who have gone through the CSA case case closure programme. The only exemptions will be for those who are aged 18 or under or have suffered domestic violence (including where children in the household have been subject to abuse).

67. Collection and enforcement fees will apply to all CMS clients from the start of Phase 2 including those that applied during Phase 1.

Domestic violence exemption

68. There is particular concern for families who have experienced domestic violence. Therefore, any applicant who declares that they have previously reported domestic violence to one of a prescribed list of organisations will be exempt from the application charge and fast tracked through the Gateway. This extends to where children in the household have been subject to abuse.

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

Collection fees

70. When maintenance is collected from the NRP and then paid to the PWC through the CMS collection service, fees will be payable by both parents. Fees are set at 4% of the maintenance assessment amount for the PWC and 20% for the NRP.

71. The NRP will be required to pay the 20% charge in addition to the maintenance assessment amount i.e. the charge made against the NRP will be for 120% of the assessment amount. The collection fees payable by the PWC will be deducted from maintenance payments as they are received so that the PWC will receive 96% of the maintenance assessment amount.

72. The following example illustrates how this will work. A maintenance liability is calculated as £100 per month. The PWC collection charge is £4 per month and the NRP collection charge is £20 per month. The NRP's payment schedule is then set up as £120 per month. When the monthly payment of £120 is received, £20 is allocated to the NRP collection charge, £100 to maintenance paid. £4 is then allocated to the PWC collection charge and £96 is passed to the PWC.

Direct Pay choice

73. In most cases, either parent will have the choice to elect for the NRP to pay maintenance directly to the PWC and in such circumstances collection fees will not be payable by either parent. This facility is known as Maintenance Direct in the CSA and will be known as Direct Pay in the CMS. To safeguard PWCs who do not wish their details to be known to the NRP, a free to use money transfer option will be available to enable payments to be made between parents without the need for any contact information to be divulged.[4]

74. If the CMS has good reason to believe that the NRP is 'unlikely to pay' (i.e. outright statement of intention not to pay), then the NRP will not be allowed to use Direct Pay. Previous compliance in a CSA case will generally not be used by the CMS as evidence that the NRP is unlikely to pay. This is based on the principle that all parents should have the opportunity to have a fresh start in the new service.

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

75. Exceptions to this general principle will be for the specific group of enforced compliant NRPs who are invited to demonstrate compliance voluntarily prior to the ending of their CSA liability and fail to do so.

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

77. Where an application is made in Phase 1, NRPs are being advised that compliance behaviour in Phase 1 will be taken into account when assessing eligibility for Direct Pay in Phase 2.

Enforcement fees

78. Where enforcement action is required the CMS will impose appropriate fees on the NRP with a primary aim of driving behavioural change rather than generating revenue (which is a secondary aim of the policy). Therefore the proposed fee levels will increase in line with the severity of the action taken rather than the actual cost. The following table shows the proposed fee levels which have been used in this impact assessment together with the estimated costs of each action [20]:

Table 1: Estimated costs of enforcement actions and proposed fees

	Estimated cost per action	**Proposed charge**
Deduction from Earnings Order	£200	£50
Regular deduction order	£1,400	£50
Lump sum deduction order	£1,400	£200
Liability order	£600	£300

COSTS AND BENEFITS OPTION 3

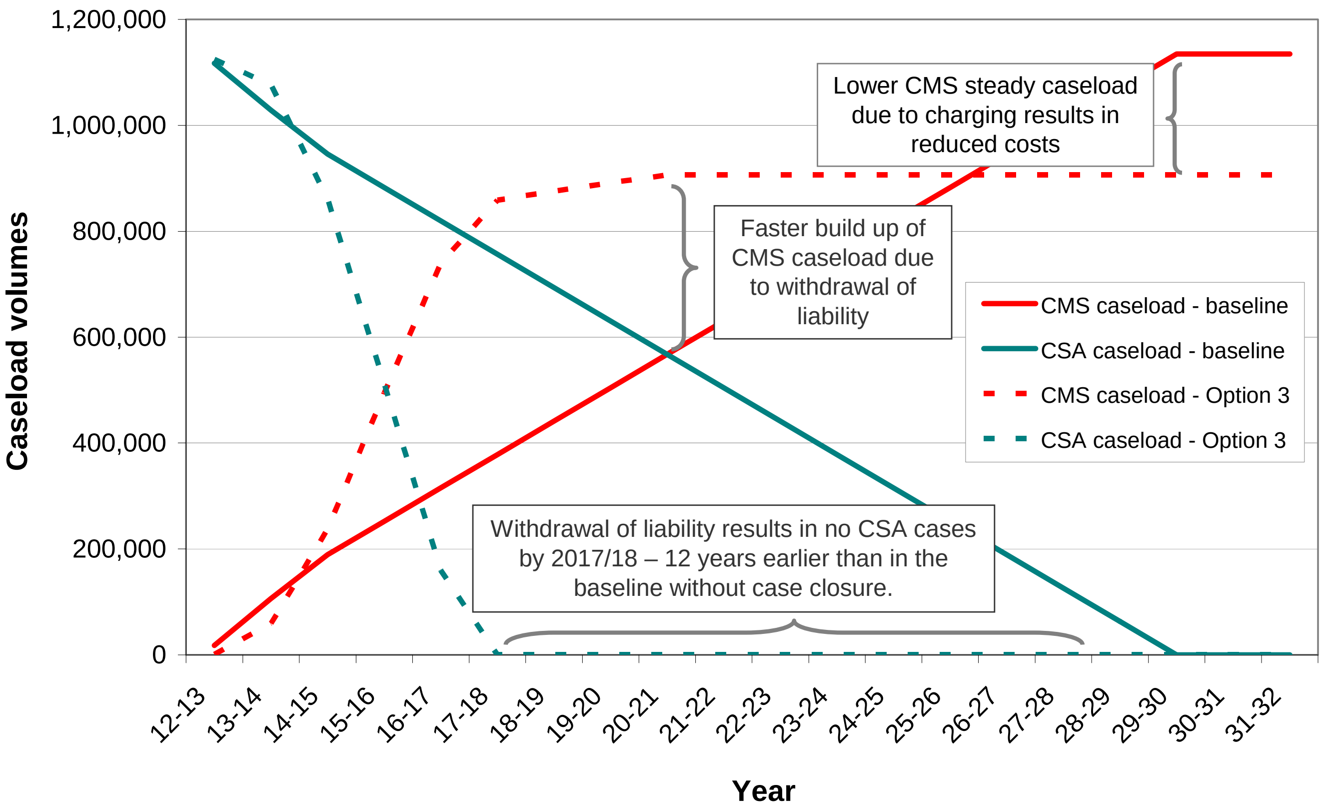
Annual and transition costs and benefits

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

80. With Option 1, the CMS is launched but without systematic CSA case closure. This means that, as outlined in paragraphs 15-22, it will take 17 years for a post transition steady state to be reached where all cases are on the CMS and annual costs and benefits are fully realised.

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

Chart 1: Comparing the build up of CMS caseload in the Option 1 baseline ('Do Nothing') and Option 3



Costs and benefits summary table

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

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

Summary of Option 3

Policy	Government – DWP	Government – HMCTS[5]	Parents	Employers
NET IMPACTS	**Overall quantified net benefit of £220m annually when policy fully embedded.** **This comprises total annual recurring benefits of £240m per year offset by extra costs of £20m per year.**	**HMCTS net benefit of £0.6m annually**	**Benefit from more with effective arrangements; more family-based arrangements; more benefiting sooner from CMS with up to date assessments and fewer nil assessed;** **Offset by quantified annual costs from fees of £170m per year.**	**Overall net benefit to employers of £0.1m annually with no ongoing annual costs.**
Ending maintenance liabilities on existing child maintenance schemes	*Costs:* 1. Direct costs – preparing cases, communicating with clients, managing cases choosing to apply to CMS **£236m transition** 2. Managing residuary arrears **£123 transition** 3. Increase in appeals in transition through process of ending CSA liabilities and subsequent increase in CMS caseload **£20m transition** 4. Cases where the CSA liability has ended transferring to CMS following an application to CMS leads to more annual reviews in transition **£124m transition** *Benefits:* 1. Quicker build-up of caseload on CMS (following ending of CSA liabilities) where case maintenance costs are significantly lower; fewer statutory cases overall (partly due to fees) **£849m transition, £54m annually** 2. Smaller steady state	*Costs:* Increase in appeals through Phase 2 and subsequent increase in transition CMS caseload **£6m transition** *Benefits:* Smaller caseload in long run means fewer appeals: **£1.2m transition, £0.6m annually**	*Costs:* 1. Costs of understanding and dealing with process to end liabilities on CSA cases, negotiating family-based arrangements or time to make an application to CMS. 2. Circa 100k CSA clients who were positively assessed before liability ended will not make alternative arrangements, at least not initially. *Benefits:* 1. Circa 185k CSA clients will make family-based arrangements after their liabilities are ended 2. The circa 570k cases which will apply to the CMS will benefit from (a) an updated assessment, (b) a quicker, more transparent, efficient	*Costs:* 1. Implementing CMS DEOs following Phase 2 **£0.2m transition** 2. More CMS DEOs (earlier in transition) requiring updates following annual case review: **£0.5m transition** *Benefits:* 1. Smaller caseload in long run means fewer DEOs requiring set up and amending compared to baseline **£1.2m transition, £0.1 annually**

5 Her Majesty's Courts and Tribunal Service.

Policy	Government – DWP	Government – HMCTS[5]	Parents	Employers
	caseload means fewer annual reviews in long run **£6m transition, £9m annually** 3. Smaller steady state caseload means fewer appeals in long run **£4m** transition**, £2m** annually		service. 3. Circa 50k of those who apply to the CMS will be positively assessed, where they previously were nil assessed. 4. In long run – more effective arrangements overall and more family-based arrangements.	
Help and Support for Separated families; the Gateway	*Costs:* HSSF: Provision of web and telephone services, coordinating and providing direct support **£250m transition, £16m annually** The Gateway: providing the Gateway service £**53m transition, £4m annually** *Benefit:* Greater numbers of parents making family-based arrangements rather than using the statutory scheme.	*Benefits:* Greater numbers of parents making family-based arrangements resulting in fewer statutory scheme cases will mean fewer appeals.	*Benefits:* 1. Information, guidance and support to make positive decisions for their children, including making family-based arrangements. 2. More family-based arrangements.	*Benefits:* Greater numbers of parents making family-based arrangements resulting in fewer statutory scheme cases will mean fewer DEOs.
Application fees	*Benefits:* 1. Application fee: **£30m transition, £1.4m annually** 2. Reduction in applications to CMS: **£72m transition, £4m annually**	*Benefits:* Fewer statutory scheme cases as a result of application fees will mean fewer appeals.	*Costs:* 1. Application fee: **£30m transition, £1.4m annually** 2. Some PWCs who will not be able to agree family-based arrangements will be put off applying to CMS. *Benefits:* More PWCs will make family-based arrangements. In aggregate, the costs of application fees will be counter-balanced by more effective statutory and family-based arrangements. *Note: Costs and benefits of CSA case closure to parents outlined above are partly due to behavioural influence of application fees.*	*Benefits:* Smaller caseload means fewer DEOs (incorporated in CSA case closure benefits)
Collection	*Benefits:*	*Benefits:*	*Costs:*	*Benefits:*

Policy	Government – DWP	Government – HMCTS[5]	Parents	Employers
fees	1. NRP collection fees: **£1,770m transition, £137m annually** 2. PWC collection fees: **£354m transition £27m annually** 3. Encourages parents to use Direct Pay, which has lower case maintenance costs than the collection service. *Note: includes fees to be paid by former CSA clients who apply to CMS following the CSA case closure process.*	As with application fees, collection fees will also have a downward influence caseload size and therefore reduce appeal volumes.	1. NRP collection fees: **£1,770m transition, £137m annually** 2. PWC collection fees: **£354m transition £27m annually** *Benefits:* Encourages Direct Pay which is more collaborative than the collection service In aggregate, the modest costs of collection fees to PWCs (and children) will be counter-balanced by more effective and collaborative statutory direct pay and family-based arrangements. *Note: Costs and benefits of CSA case closure to parents outlined above are partly due to behavioural influence of collection fees.*	Smaller caseload means fewer DEOs (incorporated in CSA case closure benefits)
Enforcement fees	*Benefits:* 1. NRP enforcement fees: **£66m transition £4m annually** 2. Acts as an incentive for NRPs to be compliant, pay arrears.		*Costs:* NRP enforcement fees: **£66m transition £4m annually** *Benefits:* The deterrent effect enforcement fees will have on NRPs and therefore it will encourage maintenance payments	
Direct Pay choice	*Benefits:* Higher proportion of CMS caseload expected to use Direct Pay (circa 40% v 20%), influenced by collection fees. This contributes to the lower case maintenance costs outlined in CSA case closure section above.		*Benefits:* PWCs and NRPs have the opportunity to avoid paying collection fees. *Costs:* If PWCs experience payment gaps through NRP non-compliance on Direct Pay.	

Impact on public sector

DWP

Costs

CSA case closure process

84. The process will begin with both the NRP and PWC being given six months notice that their maintenance liability based on the current CSA calculation will end. Cases will then be processed in tranches over approximately three years in the order of: not currently assessed to pay maintenance, not currently compliant, compliant, compliant through enforcement action.

85. Enforced compliant NRPs will be invited to display voluntary compliance six months prior to the CSA liability ending. If they do not comply voluntarily over this period they will not be given the option of using Direct Pay in the event that the PWC applies to the CMS.

86. There will be about 1 million open CSA cases at the start of the process of which around 900,000 will be selected for systematic ending of liability.[6] The remainder are expected to close naturally during this period due to the age of the youngest child and therefore will not be included in the systematic process.

87. It is estimated that around 570,000 (63%) of the 900,000 cases that have their CSA liability ended will transfer to the new scheme following an application being made to the CMS.

88. This estimate is based on the results of a 2011 survey of a representative cross-section of CSA clients. Respondents were asked about their intentions in the context of fees and the Gateway. They were also asked if they had experienced domestic violence.

89. The estimate of 63% was derived through analysis of the raw survey results combined with administrative data. It also takes into account that an estimated 32% of all potential CMS applicants will be willing to declare that they have reported domestic violence to one of a prescribed list of organisations – and will therefore be fast tracked through the Gateway to the CMS without having to pay the application fee.[7] [16] [17]

90. Chart 1 above shows how the CMS caseload builds up and the CSA caseload declines in the Option 1 baseline and Option 3 fees and ending of liability scenarios.

91. It is estimated that the total costs associated with CSA case closure and subsequent applications to the CMS will be £236m, with the bulk of the costs in the three years to 2016/17 before the costs tail off again in 2017/18 after the process is completed. [8]

92. The £236m total can be broken down by:

    a. the costs of communicating in writing, providing support and guidance to each NRP and PWC in the 900,000 cases having their CSA liability ended: £36m;

    b. the costs of tidying up each case including change of circumstances, contacting clients and potential reassessments: £53m.

    c. the costs to process the 570,000 former CSA clients transferring to the new scheme following applications to the CMS being made are estimated at £73m.

    d. additional post consultation costs associated with changes to CSA case closure order and introduction of a compliance invitation are estimated at £74m. These costs are due to keeping the Clerical Case Database (CCD) open longer following the recent changes to case closure

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

[7] The figure of 32% of PWCs declaring domestic violence is cautious, assuming that 100% of CMS applicants declare. Therefore we have not adjusted this estimate upwards to take account of the inclusion of child abuse as part of the domestic violence exemption post consultation.

[8] Costs in 2012/13 relate to costs of preparing cases for ending CSA liabilities and preparatory work in advance of communication with CSA clients. Costs in 2017/18 will mainly be due to CMS application costs related to former CSA clients.

order, and the design and implementation of system changes associated with the compliance invitation for 'Enforced Compliant' cases.

Managing residuary arrears

93. Administrative work required on CSA case arrears is expected to cost in the region of £123m. The bulk of this cost (£103m) is due to the caseworker activity required to review and update estimates of arrears on the existing systems for the circa 1.2m cases expected to have arrears at the point the CSA liability is ended. This figure includes the closure of all CSA cases with arrears, including those that may opt not to transfer to the new scheme, or may not be eligible because they no longer have an ongoing liability. The costs to set up arrears on the CMS system are expected to be around £20m.

Increase in appeals

94. The process of tidying up and preparing each CSA case for closure could result in a CSA decision which can be appealed by either the NRP or the PWC.[9] Similarly the actual closure of CSA cases and the build up of the CMS caseload as former CSA clients transfer to the new scheme following an application to CMS, will generate more appeals from: the initial calculation, changes of circumstances which result in changes to maintenance liability and annual case reviews.

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

Increase in annual reviews

96. The substantial shift in the volume of cases in the CMS as a result of the CSA case closure process compared to the baseline means that there will be more annual reviews undertaken over the early part of the transition period. Annual reviews are undertaken to ensure that the maintenance calculation is an up to date reflection of the NRP's income and the overall circumstances relevant to the case. Cumulatively over the transition period there will be in the region of 3 million additional annual reviews at a total cost of £124m. This is based on the expected total number of extra CMS cases, the number of annual reviews they will have over the transition period and the expected cost of an annual review.

Help and Support for separated families

97. A web app was launched in November 2012 and a network of helplines is being established as part of developing better support for separating families. The design plans are flexible to allow the addition of a range of new services once they are tested and evaluated. Further resources will initially be applied researching the evidence base and testing what works in supporting separated and separating parents to collaborate.

98. To realise these plans, up to £20m of funding has been allocated. From 2015/16 an annual budget of £16m is planned to cover these services. Total spending over the transition period is expected to be £250m.

The Gateway

99. The extra costs which will be associated specifically with Gateway conversation activity are estimated at £53m over the transition period and £4m annually in the post transition steady state, with in excess of 100,000 Gateway conversations per year.

Benefits

CSA case closure process

100. CMS case management costs will be significantly lower than for the CSA, with the advantages of the new IT system and the direct link to HMRC gross income data for the maintenance calculation. The link to HMRC income data will reduce the need for employer contact and calculations will be

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

largely automated. There will be fewer client queries, because of simpler, more transparent and timely assessments. Periodic reviews and the 25% income change threshold will mean fewer in-year recalculations.[10] A case is expected to be about £80 cheaper (approximately 25%) to maintain per year. The closure of the CSA and the transfer of an estimated 570,000 CSA cases to the CMS will therefore result in significant savings compared to the baseline, both in transition and post transition. The expected savings are £849m in transition and £54m annually in the post transition steady-state.

Application fees

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

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

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

104. The reduction in costs through the resultant lower level of applications and subsequently lower caseload are £72m in transition and £4m annually post transition.

Collection fees

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

106. With collection fees set at 20% for the NRP and 4% for the PWC, the revenue generated is expected to be £1,770m from NRP fees and £354m from PWC fees over the 17 year transition period for this impact assessment. Annually post transition the figures are £137m from NRPs and £27m for PWCs covering around half a million collection service cases.

Enforcement fees

107. The enforcement actions by type for which fees will be applied together with the provisional fee levels are as follows:

Table 1 Provisional enforcement fees and expected revenue

	Charge per order	**Expected annual revenue post transition**	**Expected revenue - transition total**
Deduction from Earnings Order or Request	£50	£1.5m	£22m
Deduction Orders (regular/lump sum)	£50/£200	£0.2m	£3m
Liability Order	£300	£2.8m	£42m

108. This leads to an estimated £66m of revenue generated over transition and £4m annually post transition. Approximately one third of this income is estimated to be from Deduction from Earnings Orders, around 63% from Liability Orders and the remainder from Deduction Orders.

[10] The full detail of the savings from the CMS compared to the current CSA schemes is outlined in the Impact Assessment: The Child Support Maintenance Calculation Regulations 2012 [12].

Reduction in Annual Reviews

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

Reduction in Appeals

110. Appeal volumes are proportional to the size of the caseload. Therefore, the smaller CMS caseload compared to the baseline late in transition and in the post-transition steady state, will have a direct impact on the number of decisions that can be appealed and therefore appeal volumes. At the end of the transition period the resultant saving is expected to be in the region of £4m and £2.3m each year post-transition where a reduction of approximately 5,000 appeals annually is expected.

Direct Pay choice

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

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

Help and Support for separated families / the Gateway

113. Help and Support for Separated Families services are in their early stages and the Gateway has yet to launch. Therefore the likely benefits are difficult to quantify at present. In directional terms however, the services are expected to have a positive influence on the number of parents making family-based arrangements and therefore contribute to a lowering of Departmental costs through reducing the statutory caseload.

Other Government Departments – HM Courts and Tribunal Service

Costs

CSA case closure process

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

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

Benefits

Application fees

116. Application fees will result in a smaller CMS caseload overall towards the end of transition and in the post-transition steady state. As appeal volumes are proportional to the size of the caseload, this will mean fewer appeals in the long run compared to the baseline. As the lower caseload effect begins towards the end of transition, there are estimated benefits of £1.2m in transition with £0.6m benefits annually post transition.

Help and Support for Separated Families

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

Parents

Estimating costs and benefits to parents of the reforms

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

119. There is likely to be a significant gap between spontaneous survey responses and real behaviour when actually faced with CSA case closure and CMS fees. As a result, likely client behaviour was estimated using a combination of initial survey responses, information on the level of the current CSA maintenance assessment and survey-based indicators of the ability of parents to cooperate. Therefore, while the figures on changes to volumes of arrangements represent the best possible view based on the available evidence, they should be considered indicative of the direction of costs and benefits rather than definitive.

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

Costs:

CSA case closure process

121. There will be costs to parents in responding to notices that their CSA liability will end. It will take parents time to understand their options, agree a family-based arrangement or to understand and apply to the CMS.

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

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

123. Application, collection and enforcement fees as outlined in the DWP benefits section represent direct corresponding costs to parents – NRP application fees: £30m transition, £1.4m annually; NRP collection fees: £1,770m transition, £137m annually; PWC collection fees: £354m transition £27m annually; NRP enforcement fees: £66m transition £4m annually.

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

124. The survey estimates, after allowing for the impact of the domestic violence exemption, are that 88% of current CSA applicants would apply to the CMS with application fees. This means that 105,000 (88% of 120,000) applications will be made to the CMS annually. Of the 15,000 who

choose not to apply to the CMS because of fees, an estimated 5,000 will make alternative family-based arrangements while 10,000 will make no arrangement.

125. Being required to pay the £20 application fee is a direct cost to the applicant. Collection fees represent a direct cost of failing to cooperate for both the PWC (charge of 4% of the maintenance received) and the NRP (20% in addition to the maintenance due). Enforcement fees represent a direct cost to the non-compliant NRP while providing an incentive for future compliance.

126. The table below shows the fees two particular cases with the current CSA average lifetime of 9 years can expect to pay:

- £7 weekly assessment: the NRP is on benefit or has gross income less than £100 per week and there is no shared care.
- £48 weekly assessment: the NRP has median gross annual income of £21,000, there is one qualifying child, no relevant other children and no shared care.[11]

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

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

	£20 Application Charge, 4% PWC Charge and 20% NRP Charge.	
Weekly Assessment	PWC Fees	NRP Fees
£7	£150	£655
£48	£920	£4,495

Affordability of fees – parent with care

127. As the PWC 4% collection charge is applied to the maintenance assessment amount which in turn is calculated on the NRP's income, the impact on the parent with care of the charge will vary depending on the NRP's income. This has been lowered from the original proposal of 7% following public consultation.

128. The following table shows the likely impact of collection fees as a PWC's income varies for two levels of maintenance: the flat rate of £7 for an NRP on benefit/with an income less than £100; and a weekly assessment of £48:

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

	£7 Flat Rate Maintenance			£48 Assessment		
PWC Gross Annual Income	PWC Weekly Collection Charge	PWC Weekly Collection Charge (% of post - maintenance net income)	% Increase in income due to maintenance received compared to pre - maintenance income	PWC Weekly Collection Charge	PWC Weekly Collection Charge (% of post - maintenance net income)	% Increase in income due to maintenance received compared to pre - maintenance income
Benefit - £140 p.w.*	£0.28	0.2%	5%	£1.92	1.0%	33%
10k	£0.28	0.2%	4%	£1.92	0.9%	27%
£15k	£0.28	0.1%	3%	£1.92	0.7%	20%
£21k	£0.28	0.1%	2%	£1.92	0.5%	15%
£25k	£0.28	0.1%	2%	£1.92	0.5%	13%
£30k	£0.28	0.1%	2%	£1.92	0.4%	11%

* Benefit rate based on single parent with 1 child with 'average' housing costs sourced from DWP Tax Benefit Model, using hypothetical situations.

129. A non-resident parent on benefit will typically have a weekly maintenance assessment of £7 per week.[12] This would result in a £0.28 PWC collection charge.

[11] NRP median income of £21,000 based on analysis of a representative sample of CSA cases matched to 2010 HMRC gross income data.

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

130. A non-resident parent with a median gross income of £21,000 per year and 1 qualifying child will typically have a weekly maintenance assessment of £48 per week. This would result in a £1.92 weekly PWC collection charge.

131. Although PWC collection fees are anticipated to amount to £27m annually, these examples illustrate that the collection charge will represent a small proportion of a PWCs net income including maintenance received (at most 1%) and that the maintenance when received less the collection charge still represents a significant contribution to PWC net income.

132. In aggregate PWC collection fees will not have a significant negative impact on the welfare of PWCs and their children.

Affordability of fees – non-resident parent

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

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

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

	1 Qualifying Child		2 Qualifying Children		3 Qualifying Children	
NRP Gross Annual Income	NRP Weekly Collection Charge (£)	NRP Weekly Collection Charge (% of net income)	NRP Weekly Collection Charge (£)	NRP Weekly Collection Charge (% of net income)	NRP Weekly Collection Charge (£)	NRP Weekly Collection Charge (% of net income)
Benefit (£71 p.w) *	£1.40	2.8%	£1.40	2.8%	£1.40	2.8%
10k	£4.60	2.7%	£6.00	3.5%	£7.00	4.1%
£15k	£7.00	3.0%	£9.20	3.9%	£11.00	4.7%
£21k	£9.60	3.0%	£12.80	4.1%	£15.40	4.9%
£25k	£11.60	3.2%	£15.40	4.2%	£18.20	4.9%
£30k	£13.80	3.2%	£18.40	4.2%	£21.80	5.0%

* Benefit rate based on 2012 rate for single person on Income Support or JSA with no children.

135. This table illustrates that, as expected given that the NRP collection charge is 20% (versus the 4% PWC collection charge), collection fees have a greater impact on NRP income.

Benefits:

CSA case closure process

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

137. For the 2012/13 CSA caseload cohort of 1.1 million, effective arrangements as a percentage of all arrangements are expected to have increased from 60% to 69% upon the completion of the case closure process in 2017/18.[13]

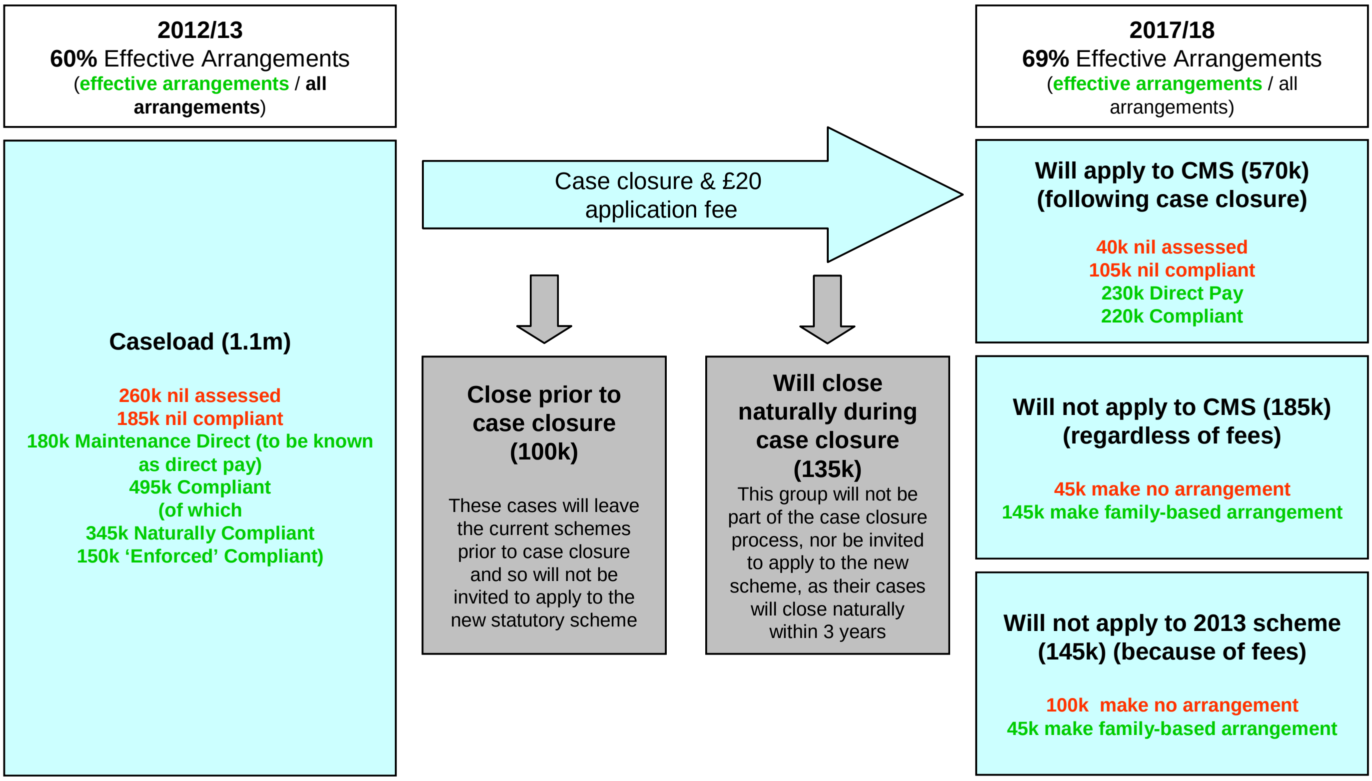
138. Of the 330,000 cases which are not expected to apply to the CMS following the ending of their existing CSA liability, an estimated 185,000 will make alternative family-based arrangements. Of the 570,000 who do apply to the CMS, around 50,000 previously nil assessed cases are likely to be positively assessed.

139. In addition, the CMS will not have the complexities and unfairness inherent in running multiple schemes alongside a third party administered Clerical Case computer system. All statutory cases

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

will be on the more efficient, responsive CMS, and a higher proportion will be using Direct Pay arrangements, with a greater proportion of PWCs and dependents benefiting from an effective maintenance arrangement. It is also estimated that the proportion of family-based arrangements will increase as outlined below.

Diagram 1: Outcomes for the cohort of 1.1m CSA clients after the process to end CSA liabilities



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

Effect of the new CMS gross income calculation on former CSA cases

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

141. If the CSA assessment is not up to date there could be significant variations between the old CSA and CMS assessments.

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

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

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

143. While this distribution is not necessarily fully representative of those CSA cases which will apply to the CMS after the systematic process, it does give an indication of the direction of changes in aggregate: 73% of cases had a positive change after being assessed using the new calculation, with only 18% having a decrease.

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

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

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

a. Option 1 statutory case mix (with no end to CSA liabilities, and no other reforms).

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

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

Arrangement status	2012/13 case mix	2031/32 case mix Option 1	2031/32 case mix Option 3
Nil Assessed (statutory)	23%	9%	6%
Nil Compliant (statutory)	17%	24%	16%
No arrangements (non-statutory)	0%	0%	9%
Maintenance Direct/Direct Pay (statutory)	16%	16%	32%
Compliant (statutory)	44%	51%	33%
Family-based arrangements	0%	0%	4%
Effective Arrangements %	**60%**	**67%**	**70%**

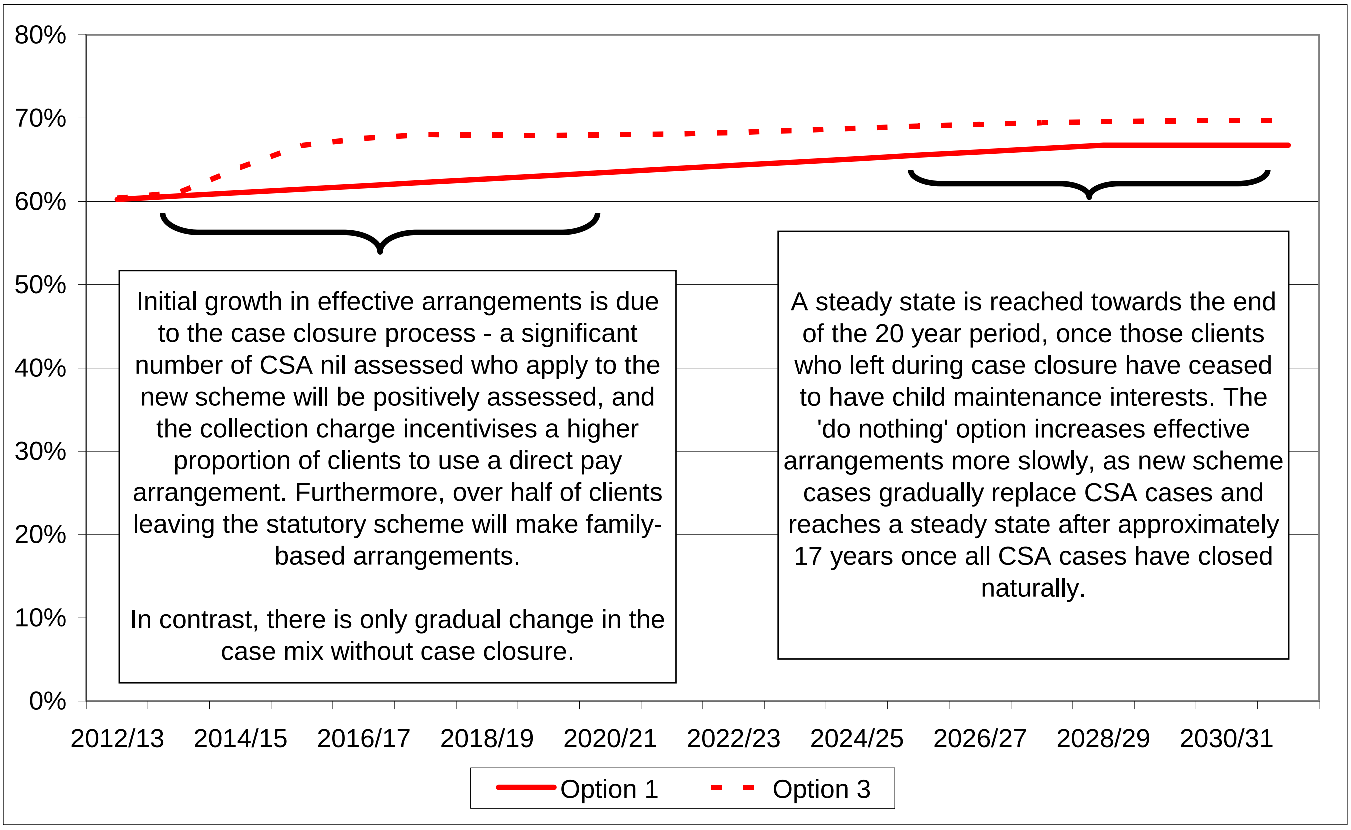
146. Comparing the 2031/32 columns in table 6 shows the benefit to parents of Option 3 over the baseline: more effective arrangements overall and significant numbers with family-based arrangements.

147. No attempt has been made to model the impact of the reforms on those who would not have used the statutory scheme under Option 1 i.e. positive impacts are expected on the 1.4m separated families who under the current system remain outside the statutory service. However the long-term impact of Help and Support for Separated Families, CM Options information and advice, fees, Direct Pay and an efficient statutory service are all expected to contribute to further positive behavioural change in the general population and an increase in collaboration and effective arrangements.

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

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

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



Help and Support for Separated Families and the Gateway

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

Enforcement fees

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

Employers

Costs

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

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

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

154. Of the 130,000 active DEOs, 115,000 are expected to close as a result of the systematic process to end existing CSA liabilities (the others will be excluded from the process, mainly because the cases will close naturally before the end of Phase 2). 35,000 of the 115,000 DEOs would be expected to close over that period in any case (due to employees changing jobs, employees moving to another method of payment etc.). This means that employers will be requested to close around 80,000 DEOs earlier than they would otherwise be required to do. Since all of these DEOs would close at some time in any case, this early closure is not counted as a cost to employers.[14]

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

156. The best estimate, post consultation, is that 66% of the expected 80,000 CSA cases with a DEO at case closure will end up in the CMS and that around half of these will end up with a DEO again.[15] This gives an estimate of 27,000 NRPs with DEOs on the CSA ending up on the CMS with a DEO. The costs to employers of these are worked out as follows:

Table 7 Estimated costs to employers of setting up DEOs for old CSA cases transferring to CMS

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

Note: the unrounded total is £151,000 which therefore rounds to £0.2m as presented in the summary table on page 15.

157. The number of DEOs expected to open up a new case in the CMS and those which subsequently require another DEO are based on a combination of administrative data and client insight work [16]. Results from client insight work estimate the proportion of cases by compliance type which will open up a new case in the CMS. A sample of administrative data has previously been used to estimate the number of DEOs which are imposed and those which the NRP has volunteered to be put in place. By applying the proportions to different types of DEO it is estimated that around 66% of cases with a DEO will apply to the CMS.

158. Client Insight work also estimates the number of cases which will apply for Direct Pay and then remain on Direct Pay to avoid collection charging. Taking this into account with those DEOs which are voluntarily put in place, it is estimated that around half of the current DEO caseload opening up a CMS case will require a DEO in the CMS.

159. The assumptions underlying these estimates are as follows:

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

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

[15] Assumptions based on analysis of CSA administrative data.

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

161. Cumulatively over the transition period there will be an estimated 200,000 extra changes to DEOs that employers will have to deal with compared to the baseline. The cost of this to employers is estimated as follows:[16]

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

Employer size	Number of extra DEO changes	Staff time to change a DEO (minutes)	Cost per hour of staff time	Total cost
Micro	77,000	10	£20.9	£270,000
Other	123,000	10	£10.7	£220,000
Total	199,000	-	-	£485,000

162. The assumptions underlying these estimates are as follows:

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

163. Since the total costs of £635,000 outlined in tables 7 and 8 are a consequence rather than a direct requirement of the proposed regulations it is not possible to mitigate the impact on micro business. However, these costs are outweighed by the benefits to micro business as outlined in the following section.

164. The cost to business across the transition period of employers setting up DEOs for cases transferring to the CMS and the cost of extra DEO changes compared to the baseline is estimated to be around £635,000 (£375,000 for micro employers and £265,000 for larger employers). There are no annual recurring costs.

Benefits

165. While ending CSA liabilities means more cases will end up in the CMS compared to the baseline during the transition period, because of the influence of fees, the longer term steady state CMS caseload will be lower (see chart 1 above). The costs and benefits to business related to the operation of DEOs will track this process: with higher costs compared to the baseline in the earlier part of the 17 year transition period but lower costs at the end of transition and in the post transition steady state.

166. The benefits to employers from the point in transition when the volume of DEOs falls below that of the baseline are estimated are as follows:

- Transition: £1.2m (£820,000 for micro employers and £370,000 for larger employers).
- Annually post transition: £0.12m (£80,000 for micro employers and £45,000 for larger employers)

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

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

Net Benefit

168. Given the cost and benefit information outlined above, the net benefit position is:

- Transition: £0.5m (£0.4m for micro employers and £0.1m for larger employers).
- Annually post transition: £0.12m (£80,000 for micro employers and £45,000 for larger employers)
- Across the 20 year period benefits are £0.9m (£0.7m for micro employers and £0.2m for larger employers.

One-in, two-out

169. The 20 year cumulative total business net present value of these policies is estimated as +**£0.49m.** This estimate reflects the modest costs to business which are a consequence of closing current scheme DEOs and subsequently opening DEOs on the CMS. It is a small reduction from the consultation IA estimate resulting from the revised case closure order, with cases with DEOs being closed later than originally planned. It also reflects the DEO costs which are consequential to the quicker build-up of CMS cases following case closure. These costs are then more than balanced by the fact that, due to a long run smaller caseload, there are fewer DEOs in the long run steady state.

170. This means there is a very small estimated net benefit to business per year – on an equivalent annual net cost to business (EANCB) basis of **-£0.03m** (unchanged after rounding from the consultation stage estimate)**.** See the following section for sensitivities related to this estimate.

Review and Monitoring

Sensitivities / Risks

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

Costs and benefits to employers

172. The small benefits to business estimated in this impact assessment are based on the available information about likely client behaviour. If the CMS case mix which develops following ending CSA liabilities and fees is less compliant than expected, a higher volume of DEOs will result.

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

Existing CSA clients applying to CMS

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

Application volumes to the CMS

175. CMS application volumes following the introduction of fees are currently assumed to be at 88% of current CSA levels. Any parental behaviour which leads to an increase in application levels will have

an impact on the costs associated with dealing with applications, as well as additional impacts on the steady state CMS caseload. This will lead to higher case maintenance and annual review costs while also increasing the income received from application and collection fees. A similar reduction in applications will have the opposite effect. A change in application volumes of +/- 20% could lead to net Departmental costs differing by somewhere in the region of +/- 5%.

CMS case mix

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

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review , or there could be a political commitment to review (PIR)]; The impact of the policy changes will be reviewed and monitored regularly as roll-out takes place. A specific commitment was made in the House of Lords during the passage of the Welfare Reform Bill that a report on the impact of fees will be completed within 30 months of its implementation.
Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] To monitor implementation and ensure the department can evaluate the extent to which the reforms achieve their aims over time. To evaluate in social and economic cost-benefit terms, according to Treasury best practice guidelines, the impact of each of the key policy elements.
Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] 1. Management information will be used to monitor impacts of the statutory schemes and wider arrangements, for example, the effect of charging and wider number of effective arrangements. 2. Existing customer surveys will be used and new surveys developed to monitor impacts of reforms.
Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] For our purposes the counterfactual will be derived from current CSA and CM Options performance information, in terms of outcomes for parents and children and Government costs, adjusted for expected performance and other trends if the reforms were not implemented
Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] Criteria will include increased collaboration between parents, increased number of effective arrangements, reduced cost to the taxpayer and improved statutory scheme efficiency.
Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review] Regular management information will be available from the new IT systems. Customer surveys will be developed.
Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here] N/A

Annex A

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

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

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

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

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

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

Table A4: Overall Costs & Benefit Breakdown (£m)

		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Transition totals	Post transition annual	20 year Totals
TRANSITION COSTS		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20			
New IT system (change programme)		Included in original baseline																						
HMRC IT development (included in change programme costs)		Included in original baseline																						
CS2/CSCS Decommissioning																								
Transition			£6.3m	£59.3m	£92.3m	£63.7m	£13.6m	£1.1m														£236.2m		
Case Maintenance (Excluding Annual Reviews)																						£0.0m		
Periodic reviews					£1.9m	£9.7m	£17.0m	£19.2m	£17.4m	£15.5m	£13.5m	£11.0m	£8.5m	£6.0m	£3.5m	£0.9m						£124.1m		
Calculation Service																								
Residuary Body		£0.1m	£1.7m	£33.6m	£35.5m	£38.0m	£13.6m	£0.9m														£123.4m		
Employers Re-opening DEOs		£0.0m	£0.0m	£0.0m	£0.0m	£0.0m																£0.2m		
Employers - amending DEOs more regularly						£0.0m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.0m	£0.0m	£0.0m	£0.0m							£0.5m		
Information & Support / Supporting Families		£2.7m	£13.1m	£10.3m	£18.9m	£19.1m	£19.3m	£19.5m	£19.7m	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m				£302.299m		
Appeals Department		£0.1m	£0.1m	£2.5m	£3.3m	£4.0m	£3.6m	£2.4m	£1.3m	£1.0m	£0.8m	£0.5m	£0.1m									£19.7m		
Appeals Tribunal Service		£0.0m	£0.0m	£0.7m	£0.9m	£1.1m	£1.0m	£0.7m	£0.4m	£0.3m	£0.2m	£0.1m	£0.0m									£5.5m		
Fees costs to parents		£0.0m	£1.3m	£32.7m	£73.0m	£118.0m	£145.0m	£155.0m	£162.9m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m				£2220.7m		
ANNUAL RECURRING COSTS																								
New IT system (change programme)		Included in original baseline																						
HMRC IT support (included in change programme costs)		Included in original baseline																						
Calculation Service																								
Information & Support / Supporting Families																			£20.0m	£20.0m	£20.0m		£20.0m	
Fees costs to parents																			£170.3m	£170.3m	£170.3m	£510.9m		
TRANSITION BENEFITS																								
Case Maintenance (Excluding Annual Reviews)		£12.6m	£1.0m	£5.6m	£5.5m	£32.9m	£87.9m	£69.6m	£70.2m	£68.2m	£67.0m	£65.3m	£63.8m	£62.3m	£60.9m	£59.7m	£58.5m	£57.5m				£848.5m		
Periodic reviews																	£1.6m	£4.1m				£5.7m		
Fees		£0.0m	£1.3m	£32.7m	£73.0m	£118.0m	£145.0m	£155.0m	£162.9m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m	£170.3m				£2220.7m		
Employers - setting up New DEOs		£0.0m	£0.0m	£0.0m	£0.0m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m				£1.0m		
Employers - amending DEOs more regularly		£0.0m	£0.0m	£0.0m	£0.0m											£0.0m	£0.0m	£0.0m				£0.1m		
Employers - reduction in income information provision																						£0.0m		
Appeals Department														£0.2m	£0.5m	£0.9m	£1.2m	£1.5m				£4.4m		
Appeals Tribunal Service														£0.1m	£0.2m	£0.2m	£0.3m	£0.4m				£1.2m		
ANNUAL RECURRING BENEFITS																								
New Applications		£4.2m	£8.4m	£5.0m	£4.0m	£3.9m	£3.9m	£4.0m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£3.9m	£72.1m	£3.9m	
Case Maintenance (Excluding Annual Reviews)																			£56.5m	£54.0m	£54.0m		£54.0m	
Periodic reviews																			£6.6m	£9.2m	£9.2m		£9.2m	
Fees																			£170.3m	£170.3m	£170.3m		£170.3m	
Employers - setting up New DEOs																			£0.1m	£0.1m	£0.1m		£0.1m	
Employers - reduction in income information provision																							£0.0m	
Employers - amending DEOs more regularly																			£0.0m	£0.0m	£0.0m		£0.0m	
Appeals Department																			£1.9m	£2.3m	£2.3m		£2.3m	
Appeals Tribunal Service																			£0.5m	£0.6m	£0.6m		£0.6m	
Totals																								
TRANSITION COSTS		£2.9m	£22.4m	£139.1m	£225.8m	£253.6m	£213.1m	£199.0m	£201.7m	£207.2m	£204.9m	£201.9m	£199.0m	£196.3m	£193.7m	£191.2m	£190.3m	£190.3m				£3032.4m		
ANNUAL RECURRING COSTS		£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£190.3m	£190.3m	£190.3m		£190.3m	
SUM		£2.9m	£22.4m	£139.1m	£225.8m	£253.6m	£213.1m	£199.0m	£201.7m	£207.2m	£204.9m	£201.9m	£199.0m	£196.3m	£193.7m	£191.2m	£190.3m	£190.3m	£190.3m	£190.3m	£190.3m			£3603.3m
TRANSITION COSTS - discounted		£2.8m	£20.9m	£125.5m	£196.8m	£213.5m	£173.4m	£156.4m	£153.2m	£152.0m	£145.2m	£138.3m	£131.7m	£125.5m	£119.7m	£114.1m	£109.7m	£106.0m	£0.0m	£0.0m	£0.0m			£2184.8m
ANNUAL RECURRING COSTS - discounted		£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£102.4m	£99.0m	£95.6m			£297.0m
SUM - discounted	3.50%	£2.8m	£20.9m	£125.5m	£196.8m	£213.5m	£173.4m	£156.4m	£153.2m	£152.0m	£145.2m	£138.3m	£131.7m	£125.5m	£119.7m	£114.1m	£109.7m	£106.0m	£102.4m	£99.0m	£95.6m			£2481.9m
TRANSITION BENEFITS		£16.8m	£10.7m	£43.3m	£82.6m	£154.9m	£236.9m	£228.7m	£237.1m	£242.5m	£241.2m	£239.6m	£238.0m	£236.8m	£235.9m	£235.0m	£235.9m	£237.8m	£0.0m	£0.0m	£0.0m	£3153.8m		
ANNUAL RECURRING BENEFITS																			£239.9m	£240.4m	£240.4m		£240.2m	
SUM		£16.8m	£10.7m	£43.3m	£82.6m	£154.9m	£236.9m	£228.7m	£237.1m	£242.5m	£241.2m	£239.6m	£238.0m	£236.8m	£235.9m	£235.0m	£235.9m	£237.8m	£239.9m	£240.4m	£240.4m			£3874.4m
TRANSITION BENEFITS - discounted		£16.2m	£10.0m	£39.1m	£72.0m	£130.4m	£192.7m	£179.8m	£180.1m	£177.9m	£171.0m	£164.1m	£157.5m	£151.4m	£145.7m	£140.3m	£136.1m	£132.5m	£0.0m	£0.0m	£0.0m			£2196.7m
ANNUAL RECURRING BENEFITS - discounted		£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£129.1m	£125.0m	£120.8m			£375.0m
SUM - discounted	3.50%	£16.2m	£10.0m	£39.1m	£72.0m	£130.4m	£192.7m	£179.8m	£180.1m	£177.9m	£171.0m	£164.1m	£157.5m	£151.4m	£145.7m	£140.3m	£136.1m	£132.5m	£129.1m	£125.0m	£120.8m			£2571.7m
Recurring benefits - discounted		£13.4m	-£11.0m	-£86.4m	-£124.8m	-£83.1m	£19.3m	£23.4m	£26.9m	£25.9m	£25.8m	£25.8m	£25.8m	£25.9m	£26.0m	£26.2m	£26.3m	£26.5m	£26.7m	£26.1m	£25.2m			£89.9m

Costs		
Total transitional	£3032m	£3,032
average annual excl transitional	£190m	
Total cost (PV)	£2,482	
Benefits		
Total transitional	£3154m	£3,154
average annual excl transitional	£240m	
Total benefits (PV)	£2,572	
Net benefit - discounted	£90	

Table A5: Costs & Benefit to Business Breakdown (£m)

		12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	20 year total
Employers - Closing & Transitioning DEOs	Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Employers - amending DEOs more regularly	Costs	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Employers - Additional Payroll Costs	Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total costs to employers	Costs	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.6**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.4**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.3**
Employers - Setting up new DEOs	Benefits	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	**1.3**
Micro		0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	**0.9**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.4**
8. Employers - no income information	Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total Benefits to Employers	Benefits	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	**1.5**
Micro		0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	**0.9**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.6**
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	**-0.9**

Table A6: Costs & Benefit to Business (Discounted) Breakdown (£m)

		12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	20 year total
Employers - Closing & Transitioning DEOs	Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Employers - amending DEOs more regularly	Costs	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Employers - Additional Payroll Costs	Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total costs to employers	Costs	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.5**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.3**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Employers - Setting up new DEOs	Benefits	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.8**
Micro		0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.6**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
8. Employers - no income information	Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Micro		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total Benefits to Employers	Benefits	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	**1.0**
Micro		0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.6**
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.4**
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	**-0.5**