

Additional copies of this publication are available from TSO (The Stationery Office) bookshops. A list of its bookshops is given below.

The Welsh version of this publication is available online at [www.dwp.gov.uk/childsupport](http://www.dwp.gov.uk/childsupport)

Copies of this publication are also available in Braille, in Easy Read, and in both English and Welsh in large print format and on audio cassette. These copies are available free of charge from:

**Child Support Redesign team  
Child Support Division  
5th Floor  
The Adelphi  
1-11 John Adam Street  
London  
WC2N 6HT  
Telephone: 020 7962 8128**

If you have speech or hearing difficulties, you can contact us by textphone on 020 7712 2707.

The lines are open Monday to Friday, 9am-4pm.

This publication can be accessed online at [www.dwp.gov.uk/childsupport](http://www.dwp.gov.uk/childsupport)



Published by TSO (The Stationery Office) and available from:

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

**Mail, Telephone, Fax & E-mail**

TSO  
PO Box 29, Norwich NR3 1GN  
Telephone orders/General enquiries: 0870 600 5522  
Order through the Parliamentary Hotline Lo-call 0845 7 023474  
Fax orders: 0870 600 5533  
E-mail: [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)  
Textphone: 0870 240 3701

**TSO Shops**

123 Kingsway, London WC2B 6PQ  
020 7242 6393 Fax 020 7242 6394  
68-69 Bull Street, Birmingham B4 6AD  
0121 236 9696 Fax 0121 236 9699  
9-21 Princess Street, Manchester M60 8AS  
0161 834 7201 Fax 0161 833 0634  
16 Arthur Street, Belfast BT1 4GD  
028 9023 8451 Fax 028 9023 5401  
18-19 High Street, Cardiff CF10 1PT  
029 2039 5548 Fax 029 2038 4347  
71 Lothian Road, Edinburgh EH3 9AZ  
0870 606 5566 Fax 0870 606 5588

**TSO Accredited Agents**  
(see Yellow Pages)

and through good booksellers

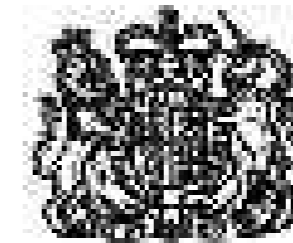


## Sir David Henshaw's report to the Secretary of State for Work and Pensions

# Recovering child support: routes to responsibility

July 2006





Sir David Henshaw's report  
to the Secretary of State  
for Work and Pensions

Recovering child support:  
routes to responsibility

Presented to Parliament by  
the Secretary of State for Work and Pensions  
by Command of Her Majesty

July 2006

© Crown Copyright 2006

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.

Fax: 01603 723000 or e-mail: [licensing@cabinet-office.x.gsi.gov.uk](mailto:licensing@cabinet-office.x.gsi.gov.uk)

## Contents

1	Introduction by Sir David Henshaw .....	1
2	Executive summary .....	4
3	Summary of recommendations .....	8
<b>Part 1 – Redesigned child support services .....</b>		<b>11</b>
4	Putting the child first .....	12
5	The redesigned system .....	23
6	Getting serious about enforcement .....	31
7	Successful transition .....	33
<b>Part 2 – A new model for delivering child support .....</b>		<b>39</b>
8	A new operating model .....	40
9	Getting governance right .....	42
10	Managing the legacy .....	44
11	Improving child support policy .....	46
12	Next steps .....	54
<b>Part 3 – Annexes .....</b>		<b>55</b>
I	Terms of reference .....	56
II	Alternative systems considered .....	57
III	Stakeholder consultation .....	61
IV	The Henshaw Redesign project team .....	65
<b>Endnotes .....</b>		<b>67</b>

<sup>64</sup> Under the new scheme, net income is calculated by subtracting income tax, National Insurance, pension contributions, Working Tax Credit and Child Tax Credit from gross income.

<sup>65</sup> Under the new scheme, shared care is when a non-resident parent has overnight care of their child for at least 52 nights a year. Maintenance is reduced accordingly.

<sup>66</sup> Compliance rates are defined as ‘the proportion of Child Support Agency Collect payees charged maintenance who paid *something* over the previous quarter’. Department for Work and Pensions analysis.

<sup>67</sup> For details of potential savings through use of direct debit see [www.bacs.co.uk/BPSL/directdebit/generalpublic/Savings/](http://www.bacs.co.uk/BPSL/directdebit/generalpublic/Savings/)

<sup>68</sup> Child Support Agency, 2006, *Child Support Agency Operational Improvement Plan 2006–2009*.

<sup>69</sup> This refers to the number of non-resident parents paying something in maintenance. Child Support Agency Quarterly Summary of Statistics, March 2006.

<sup>70</sup> Child Support Agency Annual Report, 2004/05.

<sup>71</sup> US Congress, 2006, *Temporary Assistance for Needy Families (TANF) Re-authorization Legislation*.

<sup>72</sup> United States General Accounting Office, 1995, *Child support enforcement: opportunities to reduce federal and state costs*; National Conference of State Legislatures, 1999, *State Child Support Programs: Fee Collection and Cost Recovery Policies*, [www.ncsl.org/programs/cyf/fees.htm](http://www.ncsl.org/programs/cyf/fees.htm)

<sup>73</sup> Child Support Agency Quarterly Summary of Statistics, March 2006.

<sup>43</sup> Analysis of Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152.

<sup>44</sup> Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152. There are no comparable data for new scheme cases.

<sup>45</sup> Child Support Agency web statistics show over 100,000 users a year.

<sup>46</sup> While the Australian Government has announced funding for a programme of family relationship centres, the first 15 centres will not open until mid 2006. Sixty-five centres will open in total over three years – Australian Government, Attorney-General's Department.

<sup>47</sup> The Parenting Fund, [www.parentingfund.org](http://www.parentingfund.org)

<sup>48</sup> Home Office, 2006, *Respect Action Plan – Supporting Families*.

<sup>49</sup> 'Dad Pack' available from Fathers Direct, samples available at [www.fathersdirect.com](http://www.fathersdirect.com)

<sup>50</sup> Department for Constitutional Affairs, 2003, *Family Justice Statistics Bulletin*.

<sup>51</sup> Redesign team analysis of Families and Children Study, 2003, and Family Justice Statistics Bulletin, 2003.

<sup>52</sup> Department for Work and Pensions/Redesign team analysis using Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152 and Child Support Agency Quarterly Summary of Statistics, March 2006.

<sup>53</sup> Redesign team analysis.

<sup>54</sup> "The experience of the last ten years rather suggests that non-resident parents know that if they ignore the agency they can get away with it", Professor Nick Wikeley in oral evidence to the Department for Work and Pensions Select Committee, 2004.

<sup>55</sup> The caseload of the administrative service would be smaller than that of the existing agency, as removing compulsion allows parents to choose whether to make their own private arrangements or gain a consent order.

<sup>56</sup> Redesign team analysis of Child Support Agency Quarterly Summary of Statistics, March 2006 and Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152.

<sup>57</sup> Child maintenance can be paid in two ways: the collection service, whereby payments are processed by the CSA, or Maintenance Direct, whereby the non-resident parent makes payments directly to the parent with care.

<sup>58</sup> Pliatsky L, 1980, *Report on Non-Departmental Public Bodies*, Cm 7797, HMSO.

<sup>59</sup> Statutory Instrument No 1520 (July 2006) amends the Child Support Act 1991, making debt that becomes over six years old in the future legally enforceable.

<sup>60</sup> Births, Deaths and Marriages Registration Act (various dates in different jurisdictions); all Acts were derived from a 'model law' developed in New South Wales.

<sup>61</sup> Office for National Statistics, 2004, *Populations Trends 117: Characteristics of sole registered births and the mothers who register them*.

<sup>62</sup> Garfinkel I *et al*, 2005, 'In-Hospital Paternity Establishment and Father Involvement in Fragile Families', *Journal of Marriage and Family*, Vol. 67, No. 3 pp. 611–26.

<sup>63</sup> Department for Work and Pensions, 1999, *A New Contract for Welfare: Children's Rights and Parents' Responsibilities*, Cm 4349, The Stationery Office.

<sup>22</sup> National Audit Office, 2006, *Child Support Agency – implementation of the child support reforms*, HC 1174.

<sup>23</sup> ‘Old scheme’ refers to child maintenance cases assessed before 2003. ‘New scheme’ refers to cases assessed after March 2003.

<sup>24</sup> Child Support Agency Quarterly Summary of Statistics, March 2006.

<sup>25</sup> Child Support Agency, 2006, *Child Support Agency Operational Improvement Plan 2006–2009*.

<sup>26</sup> Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152.

<sup>27</sup> Parents with care on the old scheme may benefit from the Child Maintenance Bonus scheme. This can provide for a lump sum payment of up to £1,000 when the parent with care leaves benefit for work. This is accrued at a rate of up to £5 a week when maintenance is being paid.

<sup>28</sup> Edin K, 1995, ‘Single mothers and child support: the possibilities and limits of child support policy’, *Child and Youth Services Review*, Vol. 17, No. 1/2, pp. 203–30.

<sup>29</sup> Maintenance will be disregarded against Income Support (up to a certain threshold), income-based Jobseeker’s Allowance, Housing Benefit and Council Tax Benefit.

<sup>30</sup> Redesign team analysis using Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152; Child Support Agency Quarterly Summary of Statistics, March 2006; and the 2004–05 Family Resources Survey.

<sup>31</sup> Paull G, Walker I and Zhu Y, 2000, ‘Child Support Reform: Some Analysis of the 1999 White Paper’, *Fiscal Studies*, Vol. 21, No. 1 pp. 105–40.

<sup>32</sup> Wei-Yin Hu, 1999, ‘Child Support, Welfare Dependency, and Women’s Labor Supply’, *Journal of Human Resources*, Vol. 34, No. 1, pp. 71–103.

<sup>33</sup> Department for Work and Pensions internal analysis.

<sup>34</sup> Meyer D and Cancian M, 2003, *W2 Child Support Evaluation*, University of Wisconsin.

<sup>35</sup> Mansfield P *et al*, 1999, *What policy developments would be most likely to secure an improvement in marital stability*, One Plus One Marriage and Partnership Research, reprinted from Simons J, 1999, Ed., *High Divorce Rates: The state of the evidence on reasons and remedies*, Vol. 2 (Papers 4–7), Research Series No 2/99, Lord Chancellor’s Department.

<sup>36</sup> Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152.

<sup>37</sup> Gauthier A, 1996, ‘Measured and unmeasured effects of welfare benefits on families: Implications for Europe’s demographic trends’, in Coleman D, Ed., *Europe’s population in the 1990s*, Oxford University Press.

<sup>38</sup> Douglas G and Murch M, 2000, *How parents cope financially on marriage breakdown*, Joseph Rowntree Foundation.

<sup>39</sup> Jarvis S and Jenkins S, 1999, *Marital Splits and Income Changes*, Institute of Social and Economic Research.

<sup>40</sup> Department for Work and Pensions, 2006, *Households Below Average Income 1994/95–2004/05*.

<sup>41</sup> Consent orders are legally binding agreements made between parents and ratified by the courts.

<sup>42</sup> Child Support Agency Quarterly Summary of Statistics, March 2006.

## Introduction by Sir David Henshaw

To: The Rt Hon John Hutton MP  
Secretary of State for Work and Pensions

In February, you asked me to lead a redesign of the child support system with the following terms of reference:

- how best to ensure that parents take financial responsibility for their children when they live apart;
- the best arrangements for delivering this outcome cost effectively;
- the options for moving to new structures and policies, recognising the need to protect the level of service offered to the current 1.5 million parents with care.

You asked me to report before the parliamentary summer recess. This has been a very demanding timetable, not sufficient to allow for a full redesign but rather to indicate the direction for a new policy architecture, new institutional arrangements and plans for the transition. Much remains to be done, but I am confident that the recommendations I make in this report set the direction for a much more effective system in the future.

I have concluded that there is a need for fundamental change in the way child support is organised in this country. The current system gives the state an impossible task. In my report, I address issues in three core areas:

- children;
- responsibilities; and
- compliance.

In fundamental terms, the state is involved in child support to ensure the welfare of children. Parents are responsible for their children and should be able to take responsibility for making their own arrangements. Where they cannot or will not agree, the state needs to be able to intervene and ensure that the children receive financial support. If parents seek to evade their responsibility then the state has a role to ensure compliance. Children have a right to appropriate support and the state must provide services to support the exercise of that right on their behalf.

A number of fundamental policy changes flow from this approach to children, responsibilities and compliance. These include enabling all parents to exercise their responsibilities, whether or not they are on benefits. Allied to this, most parents on benefits should be allowed to keep the maintenance they receive: this would make a significant contribution to meeting the Government's child poverty objective.

The institutional arrangements to underpin this approach have to work and be seen to work. The policy changes create new delivery challenges. I am therefore proposing the winding up of the existing Child Support Agency, with a residuary body to ensure existing debt is chased down. A new organisation, focused on child welfare and enforcing responsibilities, should be established to start from scratch and not be contaminated with system difficulties from the past. Enforcement of responsibilities will be a key element of the new arrangements and there is no reason why this cannot quickly be given a far greater emphasis within the existing Child Support Agency structure. Indeed, a start has been made on this under the new leadership in the existing agency.

In the next phase there is much to be done, and I propose the establishment of a Programme Board with responsibility for planning and delivering the changes. The Board should have a wide representation, with particular emphasis on skills in designing high-quality, fit-for-purpose organisations in the public and private sectors. An office supporting the Board should be drawn together with similar cross-sector skills. Designing and creating the right organisational architecture, customer focus and effective and efficient delivery systems will be crucial to ensure the future success of the new organisation.

The welfare of the child, with parents taking primary responsibility, lies at the heart of this overall approach. Failure to shoulder responsibility will see the state stepping in to ensure compliance. Child support policy has undergone repeated processes of reform which have failed to deliver for children. We do not have the luxury of continuing in this vein. This report presents a real opportunity for change which must be seized upon and delivered to create a child support system fit for the 21st century.

## Endnotes

<sup>1</sup> See, for example, Rodgers B and Pryor J, 1998, *Divorce and Separation: the outcomes for children*, Joseph Rowntree Foundation Research Report.

<sup>2</sup> Barnes M *et al*, 2005, *Family Life in Britain: Findings from the 2003 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No 250.

<sup>3</sup> Joseph Rowntree Foundation, 1999, *Child Poverty and its consequences*.

<sup>4</sup> See, for example, Ermisch J, Francesconi M and Pevalin D, 2001, *Outcomes for Children of Poverty*, Department for Work and Pensions Research Report No 158.

<sup>5</sup> Peacey V and Rainford L, 2004, *Attitudes towards child support and knowledge of the Child Support Agency, 2004*, Department for Work and Pensions Research Report No 226.

<sup>6</sup> This includes, for example, the Children and Adoption Act 2006.

<sup>7</sup> Atkinson A, McKay S and Dominy N, 2006, *Future policy options for child support: The views of parents*, Department for Work and Pensions Research Report No 380.

<sup>8</sup> Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152.

<sup>9</sup> Analysis of the 2003 Families and Children Study.

<sup>10</sup> Department for Work and Pensions internal analysis.

<sup>11</sup> While the terms 'parent with care' and 'non-resident parent' are not universally accepted as they seem to ignore some patterns of shared care, they reflect the current CSA terminology.

<sup>12</sup> These are parents with care currently entitled to the Child Maintenance Premium and where the non-resident parent is compliant. Child Support Agency Quarterly Summary of Statistics, March 2006.

<sup>13</sup> Atkinson A and McKay S, 2005, *Child Support Reform: The views and experiences of CSA staff and new clients*, Department for Work and Pensions Research Report No 232.

<sup>14</sup> Wikeley N *et al*, 2001, *National Survey of Child Support Agency Clients*, Department for Work and Pensions Research Report No 152.

<sup>15</sup> Department for Social Security, 1990, *Children Come First: The Government's proposals on the maintenance of children*.

<sup>16</sup> "The experience of the last ten years rather suggests that non-resident parents know that if they ignore the agency they can get away with it", Professor Nick Wikeley in oral evidence to the Department for Work and Pensions Select Committee, 2004.

<sup>17</sup> Willets M *et al*, 2005, *Children in Britain: Findings from the 2003 Families and Children Study (FACS)*, Department for Work and Pensions Research Report No 249.

<sup>18</sup> These include Housing Benefit and Council Tax Benefit.

<sup>19</sup> See, for example, Corden A, 1999, *Making child support arrangements work*, Joseph Rowntree Foundation and Australian Child Support Agency, 2005, *Child Support Schemes – Australia and Comparisons*.

<sup>20</sup> Benefits defined here as Income Support and income-based Jobseeker's Allowance.

<sup>21</sup> U.S. Department of Health & Human Services, 2004, *FY 2005-2009 National Child Support Enforcement Strategic Plan*.



Karen Saunders, Department for Work and Pensions

Mark Turner, Department for Work and Pensions

## Advisory Group

5. Sir David regularly consulted an Advisory Group, comprised of government officials and advisers from the Department for Work and Pensions, HM Treasury, the Department for Education and Skills, the Department for Constitutional Affairs and Number 10 Downing Street. The Advisory Group was chaired by Lord Hunt of Kings Heath, Parliamentary Under-Secretary of State for Work and Pensions.

## Costs

6. The redesign project's estimated total costs between February 2006 and July 2006 are as follows:

• Cost of Sir David Henshaw's time	£65,000
• Cost of Sir David Henshaw's expenses	£10,000
• Cost of Redesign team staffing, including expenses	£200,000
• Non-staff costs and publication	up to £100,000
• Research/consultation	£50,000

Figures are rounded to the nearest £1,000.

7. The Department for Work and Pensions also meets the costs of general office overheads, for example accommodation and IT. These costs are not separately identifiable from Department for Work and Pensions' running costs.

I would like to express particular thanks to the Redesign team, colleagues across government, including those in the Child Support Agency, the Department for Work and Pensions and all the stakeholders who have contributed so much by active involvement in discussion, seminars and submissions.



**Sir David Henshaw**  
July 2006

## 2 Executive summary

Improving the welfare of children should be the paramount concern of child support. First and foremost, child support is the responsibility of the parents involved.

### The child support system is failing to deliver

- Current arrangements give the state an impossible task and, as a result, the system is failing to deliver, for children, parents and the taxpayer:
  - Only around one in three parents with care receive any maintenance.
  - Although saving money for the taxpayer was one of the primary reasons for establishing the Child Support Agency, the amount of money actually saved is significantly less than it costs to run the system. The Agency runs at a net cost to the taxpayer of around £200 million a year.
  - The state spends significant resources transferring relatively small amounts of money between people who often do not wish to use the Child Support Agency. Only 13 per cent of current cases have the potential to recoup money for the state.

### This failure is the result of policy and operational issues

- At the moment, all parents with care claiming certain benefits are forced to use the Child Support Agency to agree maintenance. Around 70 per cent of new applicants are required to use the Agency. This requirement prevents parents from making private arrangements between themselves. As a result, it creates a large group of clients who do not wish to use the service.
- Reducing benefit entitlement pound for pound against maintenance collected means that neither parent has an incentive to co-operate with the Child Support Agency. Parents with care see little or no increase in income and non-resident parents see money paid going to the state, not to their children.
- The complex nature of the cases makes it difficult for the system to keep up. Many of the clients have difficult situations with volatile income, regular movements in and out of work and complicated personal relationships.

## Annex IV – The Henshaw Redesign project team

### About Sir David Henshaw

1. Sir David was born and educated in Liverpool; he obtained a degree at Sheffield in Public Administration, and then a Master's Degree in Social Sciences at the University of Birmingham (INLOGOV).
2. He is an Honorary Fellow of Liverpool John Moores University, a Fellow of Liverpool University, a former Visiting Fellow of the Royal Melbourne Institute of Technology, Australia, a Companion of the Chartered Management Institute, a Fellow of the Royal Society of Arts, a Trustee of the Faenol Trust, and a member of the board of the European Institute for Urban Affairs at Liverpool John Moores University.
3. Sir David is Chair of the Strategic Health Authority for the North West of England and has a range of other public and private responsibilities, including being an adviser to the Prime Minister's Strategy Unit and a member of HM Treasury's Public Services Productivity Panel. Sir David was Chief Executive of Liverpool City Council between 1999 and 2006. He was previously Chief Executive of Knowsley Metropolitan Borough Council. He was Chief Executive of Liverpool Culture Company, a member of the board of The Mersey Partnership, Chair of Liverpool Partnership Group, Chair of SOLACE Enterprises, Past President of the Society of Local Authority Chief Executives, an adviser to the Prime Minister's Delivery Unit, a Non-Executive Director of the Home Secretary's National Offender Management Board (Prisons, Probation and Youth Justice in England and Wales) and a board member of the Museums, Libraries and Archives Council.

### The project team

4. Sir David was supported by a project team of officials from the Prime Minister's Strategy Unit and the Department for Work and Pensions:

Stephen Muers (Team Leader), Prime Minister's Strategy Unit

Peter Brant, Prime Minister's Strategy Unit

Gavin Lambert, Prime Minister's Strategy Unit

Abigail Plenty, Prime Minister's Strategy Unit

Francesca Sainsbury, Prime Minister's Strategy Unit

#### Summary of main themes emerging *(continued)*

- There was broad agreement that a **fairer and tougher approach to enforcement** was needed, with many recognising that the CSA already has ample enforcement powers. A few suggested **removing the non-resident parent's passport or charging penalties for non-payment**. In addition, many asked for **Deduction from Earnings Orders to be issued as early as possible**.
- Many agreed that the CSA needs **better information-sharing with other government departments**, and a few commented that the child support function would be much better located in HM Revenue & Customs. In addition, some favoured using **HM Revenue & Customs to deduct payments** through non-resident parents' tax codes.

- Even given the difficulty of the task, this has not been a successful agency, with well-documented evidence of widespread operational and IT difficulties.

#### Key recommendations

- The state should only get involved when parents cannot come to agreement themselves, or when one party tries to evade their responsibilities. Removing the barriers that currently prevent some parents from making their own arrangements would allow the state to focus on the more difficult cases and where effective enforcement is needed.
- Parents who are able to should be encouraged and supported to make their own arrangements. Such arrangements tend to result in higher satisfaction and compliance and allow individual circumstances to be reflected. We should end the policy of forcing all parents with care claiming certain benefits to use the Child Support Agency.
- Those who want a private arrangement to be legally enforceable would be able to obtain a consent order. This option should be available to all parents. Those unable to use other routes would have access to the government back-up service.
- Allowing most parents with care to keep the maintenance paid would encourage both parents to co-operate, increasing the maintenance going to children.
- Safeguards can be introduced to prevent those parents with care in receipt of significant amounts of maintenance from also having full access to state benefits.
- Therefore, all parents should be able to access the most appropriate route for arranging child support:
  - completely private arrangements;
  - arranging consent orders through the courts; or
  - a back-up government provided service for those unable to use other routes.
- Increasing the choices for parents depends on clear, high-quality advice and support being made available to all. There should be more accessible and joined-up advice services to help people in making these choices. These should be part of the wider range of services for separating parents and lone-parent families.

## A successful transition

- Redesigning the child support system creates challenges around moving from current arrangements to the new policy framework.
- In the redesigned system, the role of the state in child support would be very different from the one currently played. The government service would deal with a smaller set of more difficult cases and would act as a service provider, offering information, advice and signposting to other services.
- My judgement is that the Child Support Agency as it stands is not capable of the radical shift in business model, culture and efficiency required to deliver this new role. A new organisation should be set up to deliver child support.
- Parents should be invited to re-apply to the new body if they wish to continue their child support claim. This means there would be no need for conversion of cases between the two existing child support schemes. The redesigned system must not be contaminated by previous failings.
- To ensure that parental responsibilities are enforced, a specific dedicated body should chase down old debts and close cases.
- While these changes are introduced it is important that parents continue to meet their current responsibility for their children. The Child Support Agency must continue to focus on improving the service to parents and enforcing responsibility for those who refuse to support their child financially. Improving service and compliance now will build the platform for successful transition to the new arrangements.

## A new model for delivery

- Effective enforcement is key to the success of the child support system. We cannot repeat past failings that have led to weak enforcement, feeding the perception that parents can get away with not taking financial responsibility for their children. Enforcement should be run as a dedicated part of the business with clear performance targets for bringing more cases to successful conclusion.
- The core functions involved in delivering child support, including tracing non-resident parents, assessing income and collecting payments could all be made much simpler and more efficient.
- The Government could charge people to use a new and more effective child support service. This would further encourage them to make their own private arrangements where possible.

### Summary of main themes emerging

Responses inevitably varied, with views often reflecting individual circumstances. However, some key themes emerged and these are listed below.

- The most widely held view was that **family mediation and advice services** are needed to provide parents with information on the options available to them. It was suggested that factual advice is needed on all issues, including child support, financial arrangements, housing and employment.
- **Removing benefit compulsion** to allow parents to pursue maintenance independently of the CSA was another common view. Along with this, many were keen for parents with care to keep more, or all, of any maintenance received in addition to benefits.
- **Allowing parents to apply for maintenance through the courts**, in particular those who are already going to court to organise other financial matters, was a popular view. This was despite some concerns that delays can occur in dealing with changes of circumstances and non-compliant non-resident parents.
- **Advanced payment of maintenance** was a popular idea. Introducing a flat rate of maintenance, designed to reflect the basic needs of a child, was also suggested.
- A common concern was that **maintenance paid to the parent with care might not always benefit the child**.
- Many expressed concern regarding the **impact that paying child support has on new relationships and second families**, and the **shared care arrangements** parents have. Opinions differed between unfairness caused to second families, who may be suffering because of child support, and unfairness caused to the first family, who may be suffering because of the allowance given for the second family in the maintenance calculation. Some respondents also thought it unfair that shared care rules affect the amount of maintenance payable. However, it was recognised by many that there is **no easy solution that would suit all families**.
- A widespread request was for **old scheme cases to convert to the new scheme rules**. Some respondents commented that at the very least, **parents with care on the old scheme should benefit from the new scheme Child Maintenance Premium**.

- Fathers Direct
- Moneywatchers
- One Parent Families
- Resolution
- Scoop Aid
- The Law Society
- The National Association for Child Support Action (NACSA)

## Public consultation

7. Direct postal and e-mail addresses, along with specific web pages on the Department for Work and Pensions' website, were set up to ensure that the public could make a contribution. The website included questions linked to the terms of reference:
  - What support and advice would help parents whose relationship has broken down to agree the best and fairest way of supporting their children?
  - Can we find a better way of ensuring children get maintenance payments?
  - What is the right balance between enforcing responsibilities, getting more money to children and value for the taxpayer?
  - What other objectives should be served through a child support system and how?
8. I received a good response to the consultation, including 110 e-mails to the redesign inbox and 147 letters from the public. I would like to thank all of those who contributed their views.

- The next step should be the establishment of a dedicated programme to develop a full business case for change and to see it through to implementation.

## Delivering more

- Allowing most parents with care to keep the maintenance paid would encourage both parents to co-operate, increasing the maintenance going to children. Overall, the redesigned system is expected to increase the number of children receiving maintenance from the current 1.1 million to 1.75 million, as more parents will be meeting their financial responsibilities.
- Disregarding most maintenance in benefit calculations could have a significant impact on child poverty, lifting between 80,000 and 90,000 additional children out of poverty. The overall effect of my proposals would lift some 120,000 children out of poverty. This would deliver more than 10 per cent of the 2010 child poverty target.
- The new organisation will be able to concentrate on a smaller number of more difficult cases, who have all opted to use the government back-up service.

## Structure of the report

- This report is structured in three parts. Part 1 discusses the rationale for government intervention in child support and why the current system has failed parents and children. It explains the main changes needed and how to move from the current to the improved system.
- Part 2 describes in more detail how the new model will operate and its governance structure. This section shows how the new system will deal with legacy problems and raises detailed policy options the Government should explore further.
- The Annexes in Part 3 provide background information about the redesign process (the team and the consultation process), and descriptions of alternative systems that were examined.

### 3 Summary of recommendations

Recommendation	Page
<i>Overall change:</i> Create a system that allows parents to make their own arrangements for child support, with quick and effective involvement from the state where such arrangements are not possible.	13
<i>Changes for benefit clients:</i> Remove the compulsion for parents with care on benefits to apply for child support.	18
<i>Disregarding maintenance in benefit calculations:</i>	22
a) Disregard child support up to a high threshold in calculating Income Support.	
b) Disregard child support entirely in calculating Housing Benefit and Council Tax Benefit.	
<i>Information and advice services:</i> Reconfigure advice services to ensure that child support information is properly integrated. The details of this should be developed by a cross-government group.	26
<i>Legal system:</i> Remove the current 12-month break-point, preventing consent orders from being overturned by the administrative organisation, in line with the pre-2003 position.	28
<i>Enforcement:</i>	32
a) Manage enforcement as a distinct business function.	
b) Introduce new sanctions, including the power to withdraw passports, and make more use of existing powers such as imposing financial penalties.	
<i>Delivering a new service:</i>	35
a) Create a new organisation to administer child support.	
b) Create a time-limited residuary body to manage down and enforce old debt.	

### Annex III – Stakeholder consultation

#### Summary

1. This section details the consultation process carried out as an integral part of the redesign. It also provides a brief summary of the main themes emerging from comments received and presented to me.
2. Following the Secretary of State’s announcement that I would undertake a redesign of child support, the Redesign team and I have met with a wide range of people. I am extremely grateful to all of those who took the time to contribute their views.
3. It was vital that as many people as possible could contribute to this important work. Online consultation pages were made available on the Department for Work and Pensions website and these resulted in a large number of e-mails. Letters and more detailed submissions were received from the public, external interest groups, MPs and Peers.
4. A range of relevant external interest groups and all MPs and Peers were contacted at the beginning of the consultation period. They were invited to provide their views and comments on the future of child support.
5. The Redesign team also had very useful visits to CSA offices and received feedback from Agency staff.

#### External interest groups

6. I met with or received written input from key external interest groups, including:
  - Child Poverty Action Group
  - Children and Family Court Advisory and Support Services (CAFCASS)
  - Citizens Advice
  - Families Need Fathers
  - Family Justice Council

## The Operational Improvement Plan

11. All alternative systems were considered against a baseline improvement expected to be delivered by the Operational Improvement Plan (see below).

In February 2006, the Operational Improvement Plan set out plans to

- restructuring the CSA to enable increased focus on case life-cycle;
- more staff dedicated to clearing new applications;
- streamlining processes to improve productivity;
- working more closely with HM Revenue & Customs to trace non-resident parents avoiding responsibilities;
- extending the use of trace data available to include credit reference agencies and using private sector agencies where necessary;
- increasing CSA staff levels overall;
- involving senior caseworkers on complex cases to improve accuracy;
- improving communications with clients;
- increasing the use and effectiveness of Deduction from Earnings Orders;
- extending the range of payment options;
- developing risk profiles to help the CSA focus its efforts;
- increasing focus on compliance and enforcement utilising the existing range of sanctions available such as driving licence removal and imprisonment;
- increasing the number of cases brought to court for non-compliance;
- committing to a range of service standards in the Business Plan; and
- working with EDS to resolve IT problems.

The Operational Improvement Plan is expected to lift an additional 40,000 children out of poverty by August 2010. Maintenance collected should increase by nearly 50 per cent by 2009.

Recommendation	Page
<i>Transition:</i>	36
<ul style="list-style-type: none"> <li>a) There should be no conversion of cases from the existing to the redesigned system.</li> <li>b) Parents wishing to use the new administrative system will be supported to re-apply.</li> </ul>	
<i>A new operating model:</i> Child support should be delivered through a commissioning body drawing on expertise from the private, not for profit and wider public sectors.	41
<i>Governance:</i> Further work is needed to assess the relative pros and cons of establishing the new organisation as a non-departmental public body or of retaining it as an executive agency.	43
<i>Managing debt:</i> Take legislative powers to manage down existing debts and conduct further work on the nature of historic debts.	45
<i>Further policy work:</i> The Department for Work and Pensions should undertake further work to identify and develop opportunities to refine policies around trace, assessment and collection.	52
<i>Charging:</i>	53
<ul style="list-style-type: none"> <li>a) The new administrative body should be given the power to charge clients.</li> <li>b) Further work should be done to develop detailed policy in this area.</li> </ul>	

most widespread tool available, its reach is still limited. Of the 2.5 million households potentially eligible for child support, between 250,000 and 375,000 are not captured by Child Tax Credit because they are at the upper end of the income spectrum. A further 250,000 non-resident parents are currently classified as being unidentifiable or untraceable. This would limit the reach of a universal system to around 75 per cent of the eligible population.

10. As well as the problem of limited reach, a universal system would be very difficult to administer in the UK. In Australia, the relationship between child support and the tax system, which involves more extensive self-assessment on a more up-to-date basis than in the UK, makes it much easier to support a universal system. Without wholesale change to our tax system, introducing a universal child support system would involve numerous new processes, including registering large numbers of private agreements. This would require the administrative agency to deliver both new and existing processes more effectively, for a larger caseload.



5. However, such a system would be extremely expensive and is not without risks. The cost of guaranteed maintenance depends on the level at which it is set and the rate at which it can be reclaimed from non-resident parents. Guaranteed maintenance removes the financial link between non-resident parents and their children as the state becomes responsible for collecting and paying child maintenance. This, combined with the fact that non-resident parents know their children will receive maintenance, whether or not they pay, may have a negative impact on compliance.
6. Guaranteed maintenance means that the state is paying financial support based on the structure of a household rather than on its income. This means that households with similar levels of income could be treated differently. Extra support would be given to lone parents and step-families compared with couple families and widows. This would not only be unfair but would also risk creating incentives for parents to separate, or at least appear to have separated, as guaranteed maintenance would increase their household income.
7. Guaranteed maintenance is used in several other countries, including Sweden, Denmark, Norway and Germany. In such cases, guaranteed maintenance operates within a different welfare environment where labour market participation among lone parents tends to be higher. As a result, it is difficult to make cross-national comparisons.

### A universal state system

8. An alternative approach, similar to that taken in Australia, would be to have a universal state system. This would require everyone to have some form of registered arrangement for child support. Such an arrangement could either be made privately or administered through the state.
9. The Australian system is often referred to as a model for the UK to follow. With an efficient administrative system and large numbers of private arrangements, it is seen to have succeeded where the UK has failed. Using claims to its Family Tax Benefits system to register arrangements, Australia is believed to capture around 90 per cent of its potential child support client base. Combined with the requirement for parents to jointly register a child's birth, this greatly reduces the number of parents that fall out of reach of the system. Applying a universal system in the UK would involve using an application for Child Tax Credit to trigger state involvement. While Child Tax Credit is the

# Part 1

## Redesigned child support services

## 4 Putting the child first

1. The core principle behind child support arrangements is improving the welfare of children. It is primarily the responsibility of parents to agree and pay child support. However, failure to make such arrangements can have negative consequences for the welfare of children and wider society. For these reasons, the Government should support parents in discharging their responsibilities.
2. Child welfare is affected by many factors, but two of the most significant are family formation and poverty. Children who have experienced parental separation or have grown up in lone-parent households are more likely to have negative outcomes. These can occur across a range of measures, including health, education and employment.<sup>1</sup> Such outcomes partly stem from experiencing the absence of a parent and the emotional, social and economic roles that they fulfil. Witnessing the separation of their parents and experiencing parental conflict can have a long-term effect on a child's well-being.
3. The economic impact of lone parenthood can be significant. Children in lone-parent families are at a significantly higher risk of poverty than those in couple households, which is important as poverty is a key driver of poor welfare outcomes in children.<sup>2</sup> The sudden drop in income resulting from parental separation is a major factor contributing to the underachievement of some children from lone-parent families.<sup>3</sup> In such cases child support can make a difference to the economic position of the household.<sup>4</sup>
4. Taking financial responsibility for one's children is recognised to be a key parental responsibility.<sup>5</sup> (Wider issues of parental responsibility such as maintaining parent-child relationships after separation are outside the remit of the redesign and are being considered elsewhere by government.<sup>6</sup>) Failure to deliver financial responsibility can have widespread negative consequences. It is not fair for the child, their parent with care or wider society to suffer as a result of non-resident parents failing to take their responsibilities. An accepted duty of government is to provide a framework for people to discharge their responsibilities. This creates a role for the state both to support and to facilitate child support arrangements and, where necessary, to enforce responsibility.
5. The approach of the new system should be to give parents the lead role in making child support arrangements. In so doing, the state needs to remove the barriers that currently prevent parents from sorting out maintenance between themselves. Recent research shows that parents support this approach.<sup>7</sup>

## Annex II – Alternative systems considered

1. A range of alternative systems was considered before reaching the redesigned system, from having no state involvement in child support, to a system of guaranteed maintenance where responsibility for child support is moved from parents to the state. The relative disadvantages of these systems are explored below.

### Having no state involvement in child support

2. One option considered was that the state should discontinue its role in this area. With no state involvement in child support, parents would have no support system through an administrative route. Child support would be arranged on an ad hoc basis, privately or through the courts. Accepting the reasons why government should be involved in child support (set out in the section 'Putting the child first'), this is not a realistic option. The potential negative effects on child welfare and social norms would exceed any benefits gained in the short term.

### Guaranteeing maintenance for all lone parents

3. Another option considered was guaranteed maintenance, which is common in Scandinavian countries. Under such a system, the state pays maintenance to all parents with care and carries the risk of collecting it from non-resident parents. The system would be universal, available for all lone and separated parents. Every parent with care receives maintenance, regardless of whether or not the non-resident parent pays. To maximise the amount of money recouped from non-resident parents and to signal the unacceptability of non-compliance, guaranteed maintenance would need to be accompanied by an effective enforcement regime.
4. I have received strong representation from some stakeholders that guaranteed maintenance should be introduced in the UK. One of the main arguments for such an approach is the positive impact that it can have on child poverty. Unlike maintenance paid by non-resident parents, which may not be paid regularly, or in full, guaranteed maintenance could provide a predictable, stable source of income. Depending on the rate at which it was set, it could help to lift many children out of poverty.

## Annex I – Terms of reference

Sir David Henshaw was asked to consider the longer-term policy and delivery arrangements for child support, including:

- how best to ensure that parents take financial responsibility for their children when they live apart;
- the best arrangements for delivering this outcome cost effectively; and
- the options for moving to new structures and policies, recognising the need to protect the level of service offered to the current 1.5 million parents with care.

6. Child support is first and foremost the responsibility of parents. Evidence suggests that where people are able to make their own arrangements they benefit from greater satisfaction and higher compliance levels.<sup>8</sup> As a result, child welfare is improved as maintenance is more likely to flow, and conflict between parents is likely to be reduced.<sup>9</sup> In many cases where child support is an issue, circumstances are complicated for relationship or financial reasons. Allowing parents to make their own arrangements gives them the flexibility to accommodate individual situations and changing circumstances. As such, I believe there is a strong case for encouraging parents to make their own arrangements.
7. Where parents are unable to sort things out for themselves, or when private arrangements break down, the state will provide support to help parents to agree, establish and maintain payments. Taking financial responsibility is not optional, and parents should not be able to get away with evading their responsibilities. The state should ensure that those who try to avoid paying maintenance are held accountable. Where necessary, strong enforcement action should be taken.
8. The role of the state in child support is therefore based around two principles:
  - improving the welfare of children; and
  - ensuring that parents take financial responsibility for their children.
9. In addition, the framework that the state provides must be:
  - transparent, accountable and easy for parents to understand and use;
  - fair, credible and accepted as legitimate;
  - joined up across relevant government services; and
  - cost-effective.

**Recommendation: Create a system that allows parents to make their own arrangements for child support, with quick and effective involvement from the state where such arrangements are not possible.**

## Child support is not working

10. The current system fails to deliver effectively. Child support currently makes only a limited contribution to tackling child poverty. While child support lifts around 100,000 children out of poverty,<sup>10</sup> only 42,000 parents with care<sup>11</sup> on benefits receive a net increase in income as a result of payments.<sup>12</sup>
11. Child welfare can also suffer through the conflict that may arise between parents as a result of third-party involvement in child support. Survey evidence indicates that forcing parents with care on benefits to use the Child Support Agency (CSA) can overturn successful private arrangements and create conflict between parents.<sup>13</sup> Many parents do not understand that parents with care have to use the system.<sup>14</sup> This can create arguments and misunderstanding if one parent believes the other has chosen to involve the CSA, especially if private arrangements were previously in place.
12. Improving enforcement of social norms and responsibilities was a key objective in the creation of the CSA.<sup>15</sup> This was in response to the low levels of lone parents receiving maintenance. However, 16 years later the figures have barely improved. Although many non-resident parents do take financial responsibility for their children and pay regular maintenance, there is a widespread belief among others that it is possible and, in some cases, acceptable to avoid paying.<sup>16</sup> This contributes to the fact that only around 30 per cent of parents with care are receiving any maintenance at all.<sup>17</sup> Compliance with arrangements made through the CSA is lower than for arrangements made through other routes.

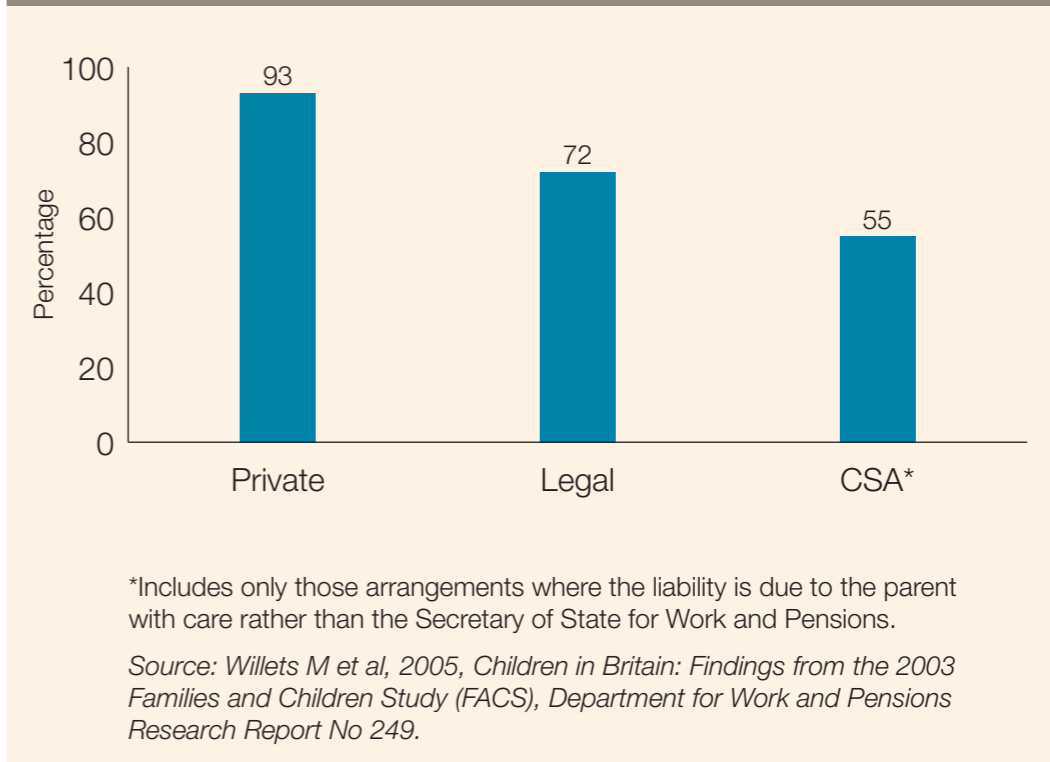
# Part 3

## Annexes

## 12 Next steps

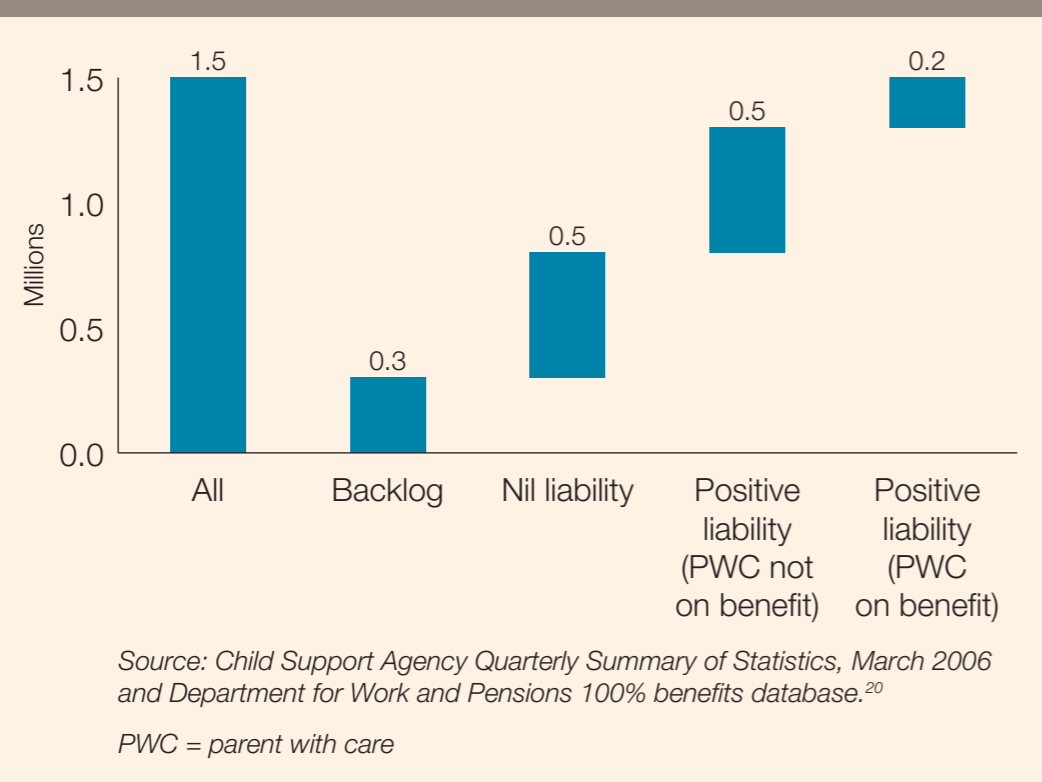
137. This report sets out a broad direction of travel and the architecture for a new system. However, as reflected in the recommendations, there is much more to be done to develop a fully robust and tested programme of change. It is essential that the Government learns from the problems encountered during previous reforms to the child support system.
138. Moving from the status quo to a new delivery system is a major challenge and needs to be carefully managed. I recommend that a dedicated Programme Board is set up to lead this process. It should draw on a range of expertise from public and private sectors, the Department for Work and Pensions and other government departments, as well as specialist external skills in key areas, to ensure that best practice in public service design is followed. Supported by a Programme Office, it should be clearly responsible for delivering the right organisational architecture, customer interface and rigorously tested delivery systems.
139. I have raised a series of possible policy improvements and simplifications which require further work to turn them into specific proposals for action. Although led by the Department for Work and Pensions, many of these will require close working between a number of government departments. The Government should outline how it plans to take these forward in its formal response to this report.
140. Child support policy has undergone repeated reforms which have failed to deliver for children and families. We do not have the luxury of continuing in this vein. This report presents a real opportunity for change which must be seized upon and delivered to create a child support system fit for the 21st century.

Figure 1. Parents with care reporting receipt of maintenance by type of arrangement



13. Cost-efficiency for the taxpayer has consistently been poor. In 2004/05, the CSA recovered £120 million in Income Support expenditure against costs of £425 million. In the region of £80 million was saved through other routes.<sup>18</sup> Therefore, the system runs at a net cost to the taxpayer of around £200 million. There is also outstanding debt, in the form of unpaid maintenance, of over £3 billion. The cost-efficiency of the UK system does not compare favourably with systems used in other countries.<sup>19</sup> One of the reasons for poor cost-efficiency is that, as Figure 2 illustrates, only a very small proportion of the Agency's caseload has the potential to recover funds for the state (that is a case with a positive liability where the parent with care is on benefits).

Figure 2. Analysis of current caseload



## Why the current system fails to deliver

14. Since its inception, the CSA has been weighed down by a series of problems that have prevented it from delivering. There are three main problems:
- *Policy problems:* These stem from the overly ambitious policy framework that the Agency was expected to deliver.
  - *Operational problems:* The complex policy architecture created difficult operational requirements.
  - *Legacy issues:* Repeated attempts to address operational problems without addressing the underlying policy issues have created a third set of problems, resulting from the legacy of past failings.
15. *Policy problems:* Since its creation, the CSA has been held back by fundamental policy problems. Having multiple objectives makes it more difficult to deliver any one goal. The current system was originally designed primarily to reclaim money for the taxpayer when parents with care are on benefits. This may be difficult to achieve in a cost-effective way alongside tackling child poverty. Other countries have also found it difficult to achieve multiple objectives.

proposed improvement in information and advice services rather than triggering unnecessary and expensive interventions.

134. The most straightforward way of deterring such applications would be to charge parents with care an up-front fee. Further work is needed to address the level at which such a charge should be made. Another option is to charge for advanced trace services. This would encourage parents with care to co-operate with the system and would potentially deter cases where there is very little prospect of ever being able to trace the non-resident parent.
135. Charging can also be used to incentivise parents to make their own arrangements where possible. Creating successful private arrangements requires both parents to co-operate, which suggests a rationale for charging both the parent with care and non-resident parent for using the service. One option is to charge parents for the use of certain services, for example charging a percentage of maintenance for using the collection service. This is analogous to charges applied in the legal system for specific services.
136. However charges are introduced, the needs of vulnerable parents with care must be taken into account. I do not want to create a disincentive to use the service for those parents who have no other option for agreeing maintenance. Further research is needed to examine the safeguards that may be needed to ensure that charging can be applied without putting vulnerable groups at risk.

### Recommendation:

- The new administrative body should be given the power to charge clients.**
- Further work should be done to develop detailed policy in this area.**

such a move is not likely to be a cost-effective way of locating non-resident parents, but may warrant further consideration in the future if it would help achieve wider governmental objectives.

130. Going forward, the build-up of arrears should be reduced given the recommended changes to collection and enforcement. The Department for Work and Pensions should investigate further actions that could be taken to improve arrears collection.

**Recommendation: The Department for Work and Pensions should undertake further work to identify and develop opportunities to refine policies around trace, assessment and collection.**

## Charging

131. Under the redesigned system, there is scope for charging parents to use the administrative route to make child support arrangements. This would contribute to the objectives of the new system by incentivising private arrangements, which can be more successful, helping child welfare through increased compliance and reducing the impact on the taxpayer by offsetting operating costs. Charging may also be necessary to retain the boundaries with the legal route which will require parents to pay for making consent orders. Failure to charge for the administrative service may create incentives for parents, whose circumstances are better suited to using the legal route, to opt for the administrative route to avoid paying charges.
132. Other countries charge parents for the use of child support services using a variety of different models. In the United States, non-benefit parents with care can be charged an annual fee of \$25.<sup>71</sup> Some states have also charged a percentage of maintenance, typically between 3 and 6 per cent.<sup>72</sup> Charging has also been a feature of the UK system in the past, where an initial assessment fee of £44 was charged up until 1995 when charging was suspended.
133. I recommend that charging is introduced to users of the administrative service. This could take a variety of forms. One option is to impose an up-front fee. Analysis of the current caseload shows that there is a significant group of private cases that are closed before an assessment is made.<sup>73</sup> The most plausible explanation is that most of these cases are initiated by parents with care to put pressure on non-resident parents, who then either agree to make a private arrangement or restart compliance with an existing arrangement. While in the current system this is a legitimate tool, in the new system we want parents to make much greater use of the

For example, the United States changed its approach, making child support a 'family first programme' rather than one focused on cost recovery: "child support is no longer primarily a welfare reimbursement, revenue-producing device for the federal and state government; it is a family first programme."<sup>21</sup>

16. To enable the state to recoup benefit costs, benefit claimants are compelled to use the CSA to make child support arrangements. This limits their incentives to co-operate and, as a result, parents may decide not to co-operate with the Agency and have informal arrangements instead. Compulsion results in parents being involved with the CSA when there is often no need.
17. The system tries to account for very complicated situations that make it difficult to administer. The more agreements are tailored to individual circumstances, the more challenging it is for the system to deliver. A large portion of the client group is characterised by complexity. Volatile income, regular movements in and out of work and complex relationships make it difficult for the system to keep up.
18. *Operational problems:* The CSA has a well-documented history of operational problems, including those addressed by the recent National Audit Office report.<sup>22</sup> For reasons both within and beyond the Agency's control, reforms have been hindered by problems with the new computer system. This has resulted in the old and new schemes running in parallel.<sup>23</sup> As a result, operational performance remains very disappointing. Almost 70,000 old scheme cases are still outstanding three years after the new rules were introduced. There is also a backlog of a quarter of a million new scheme cases and a further 150,000 cases where a payment schedule is not in place. There are 127,000 cases where no maintenance has been paid during the past three months.<sup>24</sup>
19. An Operational Improvement Plan was announced in February 2006, setting out steps to improve the CSA's operational performance. These include restructuring the Agency and streamlining business processes, as well as specific measures to deal with the backlog of cases and to improve the collection and enforcement of debt.<sup>25</sup> Further details are set out in Annex II.
20. *Legacy issues:* Past attempts to address the problems facing the CSA have created further problems. When the new scheme rules were introduced, the Agency planned to migrate cases from the old to the new IT systems and to convert old scheme cases to the new scheme rules. Migration has not yet happened and operational problems have made conversion difficult. This is frustrating both for Agency staff and for parents who were expecting to see improvements.

## A policy framework focused on child welfare

21. To deliver the overall objectives for child support it is essential to enable parents to make their own child support arrangements, removing the barriers that currently prevent them from doing so. Enabling parents to make child support arrangements, in a way that best meets their needs, would increase the number of arrangements and, as a result, increase the number of children receiving maintenance.
22. Ending the compulsion for parents with care on benefits to use the CSA would allow parents to make their own arrangements and help to foster a culture of compliance. Survey evidence suggests that, given the choice, between 35 per cent and 50 per cent of parents with care currently compelled to use the Agency might cease to use it. Making people use the system can involve overturning successful private arrangements.<sup>26</sup> Enabling parents to make private arrangements would allow them to take responsibility for deciding child support and provide a tighter focus for the state service. Where parents cannot make arrangements between themselves, they will be able to opt in to the state system. This will provide a back-up to prevent parents from evading their responsibilities.

**Recommendation: Remove the compulsion for parents with care on benefits to apply for child support.**

## Disregarding maintenance in benefit calculations

23. Compelling parents with care on benefits to use the CSA was introduced so that the state could recover the maintenance paid by non-resident parents. Under the old scheme rules, all of the maintenance paid by non-resident parents goes to the state to offset the benefit cost. New scheme rules allow parents with care on benefits to keep up to £10 of any maintenance paid. This affects the incentives of both parents with care and non-resident parents to co-operate with the system. Parents with care have limited incentives to co-operate; regardless of what their non-resident parent pays, the most they will receive is £10 (if they are on the new scheme and nothing if they are on the old scheme<sup>27</sup>). Similarly, whatever non-resident parents pay in child maintenance, the most their child will receive is £10 a week. Reducing the incentives to co-operate while making people use the system makes it very difficult for the system to deliver. Benefit claimants will only make private arrangements if

relevant tax year, the system could not support an in-year transfer of money between parents. In effect, the parent with care would have to wait until after the end of the tax year to receive a lump sum payment for the previous year. Alternatively, HM Revenue & Customs would have to take the financial risk of paying out maintenance and then either recouping overpayments from parents with care or recouping underpayments from non-resident parents.

126. The CSA can already deduct child support direct from income through the use of Deduction from Earnings Orders. More effective information-sharing between the two organisations should ensure that more money is collected through Deduction from Earnings Orders. Using existing HM Revenue & Customs data is a positive step nonetheless, and I recommend that there should be greater cross-government sharing of information for tracing non-resident parents.

## Collecting arrears

127. Current problems around collection and enforcement have led to many cases having unpaid maintenance. Between 1993, when the CSA was established, and 2005, £3 billion of maintenance payments have not been made by non-resident parents.<sup>70</sup>
128. A combination of cultural and administrative issues has made it difficult to collect arrears from non-resident parents. The Agency has been reluctant to collect arrears from non-resident parents' assets, preferring instead to focus on collecting out of income. This often results in slow repayment arrangements being agreed with non-resident parents. There are poor incentives for prompt payment, and enforcement has often been used as a last resort. Collecting arrears from untraceable non-resident parents is clearly very difficult as no action can be taken if the Agency does not know their address or employer. These factors, combined, have allowed arrears to build up to an unacceptable level.

## Database of newly hired employees

129. The United States has introduced a requirement on businesses to report details of every person who enters their employment. The measure was introduced specifically to improve the success of collecting child maintenance payments and is reported to have significantly improved collection rates. While it enables child support authorities to know the employer of any non-resident parent at any point in the year, it relies heavily on employers to co-operate and provide timely information. Given the costs imposed on businesses,



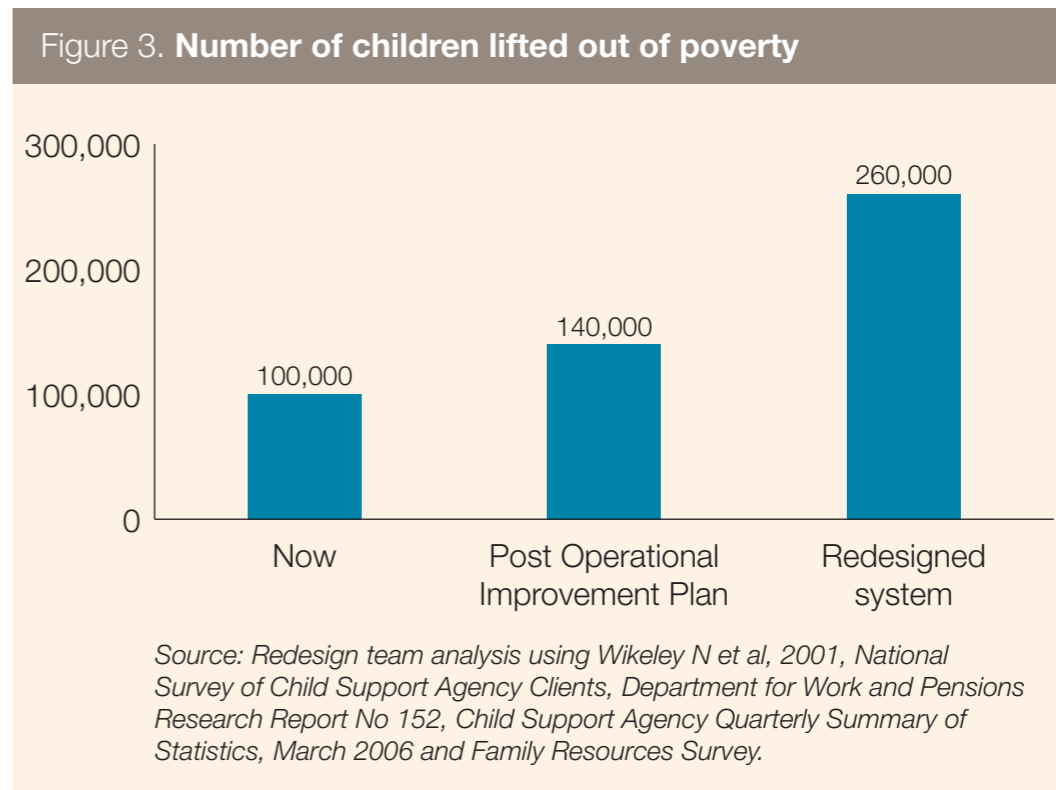
120. While attempts are made by CSA staff to encourage non-resident parents to use automatic payment methods, they can still use manual methods at no extra cost, and few incentives are given to encourage automatic payment. This is in contrast to the incentives given to customers in other sectors to make regular payments using automatic methods; for example, dual electricity and gas customers can receive a discount of up to 15 per cent for using an automatic payment method.<sup>67</sup>
121. Given the advantages automatic payment offers both for parents and the organisation responsible for delivering child support, there are good reasons for it to be encouraged. The CSA currently plans to use automatic payment methods, including Deduction from Earnings Orders, at an earlier stage if a non-resident parent shows signs of becoming non-compliant.<sup>68</sup> Deduction from Earnings Orders allow maintenance to be collected directly from a non-resident parent's income and have a good rate of compliance of 78 per cent.<sup>69</sup> They are not, however, suitable for all non-resident parents. For those who are self-employed or have more than one job, other automatic payment methods should be encouraged.
122. There is scope for creating disincentives for non-resident parents to pay child maintenance manually. This could be achieved by imposing an administration charge on manual payment methods, and further work should be done to investigate the feasibility of such options.

### Using HM Revenue & Customs to collect child maintenance

123. Some stakeholders have proposed that HM Revenue & Customs should be used to collect child support from non-resident parents in employment. This would, in theory, involve making use of existing HM Revenue & Customs processes and using its knowledge of non-resident parents' location and income. However, exploring this option suggests it is not feasible.
124. HM Revenue & Customs does not have current income information on non-resident parents. At any given time it knows an individual's employment and income status from the previous tax year. In the UK tax system, full income information is provided by employers only at the end of the tax year. HM Revenue & Customs does not operate in-year reconciliation and accounting. Following the end of the previous tax year, income information is used to reconcile an individual's tax position and settle discrepancies between liability and tax paid.
125. Therefore, collecting maintenance through the tax system is problematic. As the full information on income and deductions made through the tax system is not known until after the end of the

they are allowed to keep most or all of the maintenance. International evidence suggests that allowing people to retain maintenance can have a positive impact on compliance.<sup>28</sup>

24. Disregarding more maintenance in benefit calculations<sup>29</sup> would have a positive impact on child poverty, as it increases the money flowing to parents with care. Analysis suggests that fully disregarding maintenance in benefit calculations would lift between 80,000 and 90,000 additional children out of poverty. A further 30,000 children would be moved out of poverty as a result of expected increases in the number of cases with a positive liability and improvements in compliance.<sup>30</sup>



25. As well as increasing the number of private arrangements and the number of children receiving maintenance, removing benefit compulsion and disregarding maintenance would also have major operational benefits. Allowing parents to make their own arrangements will reduce the numbers using the administrative service, while disregarding maintenance in benefit calculations would improve administrative simplicity. Varying current disregards while continuing to force benefit claimants to use the administrative service would not realise any significant operational benefits.

### Could full disregard diminish work incentives?

26. Disregarding maintenance in benefit calculations has the effect of increasing out-of-work income. All the maintenance received would be paid directly to the parent with care. Economic theory suggests that a disregard could act as a disincentive to move into work as it marginally decreases the financial gain.<sup>31</sup>
27. There are counterbalancing effects that reduce any negative impact. Completely disregarding Housing Benefit and Council Tax Benefit (beyond the current £15 disregard) would increase in-work income on top of wages for some. This means parents with care still stand to benefit financially from moving into work. Maintenance also tends to be a volatile source of income, so deciding to remain on benefits on the basis of maintenance income would be risky.
28. Partial maintenance disregard already exists in the form of the Child Maintenance Premium. Currently, a parent with care on Income Support (on the new scheme) can keep £10 a week of maintenance paid. There is no evidence that this has had any negative effect on the work incentives of parents with care. Research from the United States has shown that the impact of disregards is close to zero and dominated by the (positive) impact of greater child support payments.<sup>32</sup>
29. Also, for many parents with care, maintenance is a small proportion of total income in comparison to the impact of other benefits and tax credits. Some 60 per cent of parents with care on benefit on the new scheme have a calculation of £10 a week or less.<sup>33</sup>
30. Wisconsin's child support programme ran a multi-year, multi-method evaluation of a full disregard policy. Participants in the programme moved from a partial to a full disregard. This is the same situation as would be experienced by clients who already receive the Child Maintenance Premium moving to a full disregard. Researchers found no evidence of any negative impact on employment levels. Child support payments increased and there was greater co-operation with the formal system.<sup>34</sup>

### Could disregarding maintenance encourage relationship breakdown?

31. In cases where the parent with care is on benefit and the non-resident parent is in work, disregarding maintenance in benefit calculations increases the income available outside a relationship, as the parent with care can receive benefits and child maintenance. In theory this could lead to an increase in relationship breakdown.

This would be supported by allowing immediate re-calculations for non-resident parents who lose or gain a job. This would reduce the administrative burden and provide stability of payments for both parents. It would also remove the incentive for parents to apply for regular income recalculations that result in very small changes in maintenance payments. Further work should be done to explore the merits and risks involved in changing the basis on which income is calculated.

### Removing provisions for equal shared care arrangements

117. The CSA currently intervenes in cases where there are equal, or near equal, shared care arrangements.<sup>65</sup> This is to ensure that the system is comprehensive and to deal with any cases where there may be a large income differential between parents, justifying a transfer of funds between them. Under the proposed redesigned system where parents can make their own arrangements, cases involving a large degree of shared care are far less likely to end up being settled through the administrative route. Given that cases of equal, or near equal, shared care involve both parents taking financial responsibility for their children, I believe that these cases should be exempt from third-party involvement, with no provisions within the child support formula for transferring funds between parents.

### Collecting child maintenance

118. The CSA currently provides a collection service: non-resident parents pay the Agency, which then passes the maintenance due to the parent with care. The Agency allows non-resident parents a variety of methods for paying their maintenance. These include automatic payments, such as Deduction from Earnings Orders, direct debits and standing orders, and manual payments, including cash and cheques.
119. Automatic payment methods result in higher compliance rates. Non-resident parents paying maintenance by direct debit have an average compliance rate of 92 per cent compared with only 51 per cent for those who pay by manual payment methods.<sup>66</sup> Automatic payment methods are beneficial for parents as they create a pattern of stable maintenance and also allow payments to be made directly between parents. They also cost less to administer. In contrast, manual payments are costly to administer and tend to have lower compliance rates.

net income and number of children. Adjustments are made to the standard calculation to take account of individual circumstances, including where both parents have some overnight care of their child(ren), provisions for non-resident parents who have second families, and child-related variations (for example where there are additional costs related to having a disabled child).

112. There is a general acceptance among stakeholders of the broad principles behind the calculation process. For this reason, I do not recommend making major changes. However, there is scope for simplifying it further, to help create a transparent process which can be used as the basis for arrangements made either privately or through the legal or administrative routes. While I suggest a range of policy simplifications, I recognise that there is scope for numerous changes to be made to detailed aspects of policy. Further work should be undertaken to identify areas for policy refinement.

### Basis for income calculation

113. Maintenance calculations are currently based on a non-resident parent's current net income.<sup>64</sup> Net income is used as it most closely relates to the income that non-resident parents have to live on. The calculation can be time consuming as it involves numerous pieces of information which can change regularly. Often arrears build up while the assessment is being made.
114. Using gross income to calculate maintenance would allow increased transparency, greater simplicity and consistency in approach with calculating entitlement to other payments, for example in-work credits. Gross income is harder to manipulate than net income. Changing the basis on which income is calculated would require a change to the percentages used to calculate maintenance.
115. Using current income can be problematic as it requires the CSA to keep up with large numbers of changes in circumstances relating to relatively small income fluctuations. Changing the basis of the calculation to historic income (relating to the previous tax year) has been suggested as a way of addressing this issue. Historic income (whether net or gross) is easier to prove and, while there may be a material difference between current and historic income, the system would reflect this after a lagged period of time.
116. I have considered a range of options for simplifying the basis on which child maintenance is calculated. One of the key problems in calculating current net income is the administrative burden created by the frequent changes in circumstances needed to ensure that income data are up to date. To address this, I recommend that maintenance calculations are index linked to average earnings.

However, research shows little evidence of this. Increases in income improve the financial independence of parents with care, but this will only affect incentives to separate where the decision is already finely balanced.<sup>35</sup>

32. As with work incentives, the volatility of maintenance means that changes to disregard policy are unlikely to be a factor in the breakdown of relationships. Many events and factors play a part in the creation and ending of relationships. The 2001 CSA client survey asked respondents for the main reason for separating from their partner: no client said that it was because they would be better off financially.<sup>36</sup> A review of European evidence found that the influence of benefit levels on family behaviour and decision-making was small, as benefits are only one part of a wider incentive package.<sup>37</sup>
33. For many parents with care, child support is a small amount and so would have a marginal impact on their household income. Partners who separate face higher living costs running two individual households than they do if they remain together. This is a strong counterbalance to any potential gain in available income, given that the average maintenance liability is only £20 a week (£24 on the new scheme).
34. Child support is only likely to be a significant factor where the non-resident parent has a high income. However, in such cases, disregards are unlikely to outweigh the strong financial incentive for the parent with care to remain in the relationship. Separation typically means a large drop in income for the parent with care. There is considerable evidence demonstrating the often substantial drop in the standard of living likely to be experienced by carers and children.<sup>38</sup> Evidence suggests women's net income declines by as much as 18 per cent following separation.<sup>39</sup> Some 48 per cent of children in lone-parent households are in poverty (after housing costs) compared to 20 per cent in couple households.<sup>40</sup>
35. Concern about the influence of government financial support on relationships would be better addressed through increasing support for couples in the tax and benefits system by using levers that have a greater impact on household income, for example developing couple premiums.

### Addressing high-income cases

36. Disregarding maintenance is unlikely to encourage higher-income couples to separate. As discussed above, the impact of disregards does not outweigh the financial incentive to remain together. Yet there is a risk that a full disregard would allow a small number of parents with care to claim Income Support while also receiving high levels of maintenance from a wealthy ex-partner. If maintenance

was fully disregarded, there would be no bar to the parent with care claiming benefits. This would apply only to a small group of clients, but a safeguard is needed to prevent parents with care in receipt of large amounts of maintenance from also receiving significant financial support from the state.

37. Parents with care claiming Income Support could be required to declare any maintenance received above a high threshold. Above this level, maintenance would be taken into account in the benefit calculation. In practice, it is likely that many parents with care receiving large amounts of maintenance would choose not to claim Income Support. When deciding the level of the threshold and how to implement it, minimising the administration required should be a high priority. The aim should be to capture only a limited number of people with a light-touch process consistent with other procedures in the benefit system. As long as the threshold is set at more than £40 a week, there will be no significant difference in the impact on child poverty between this approach and a full disregard in Income Support.
38. Currently, maintenance is fully disregarded when calculating Child Tax Credit. Setting a high threshold for declaring maintenance in Income Support would leave an inconsistency between the two types of state support. The Government could consider the option of limiting the disregard in Child Tax Credit, although further work would be needed to assess administrative feasibility.

**Recommendation:**

- a) **Disregard child support up to a high threshold in calculating Income Support.**
- b) **Disregard child support entirely in calculating Housing Benefit and Council Tax Benefit.**

108. *Provide an identification service for the parent with care:* To further improve trace services, the administrative body could 'pre-process' cases before accepting them onto the system. This would not be a bar to service, but would help focus resources at an early stage. This could operate on the same principles as the passport 'Check & Send' service.
109. *Encouraging joint registration of births:* The most basic piece of information needed to begin a trace is the information about the father on the birth certificate. However, up to 20 per cent of those currently eligible for child support only have details of the mother recorded on the birth certificate. There are a range of steps that could be taken to increase the number of births jointly registered by both parents. These could include providing more information to parents on the birth of their child, for example around the implications that sole registration can have for future child support claims. The most radical option would involve changing the legal presumption that currently places the responsibility for birth registration solely on the mother if the parents are unmarried. This could be amended to make unmarried parents jointly responsible (with certain exemptions for violent or coercive relationships). Registrars would need powers to challenge and support parents making sole registrations. If the policy succeeded, more fathers would be registered on birth certificates, leading to fewer untraceable cases. Australia introduced joint responsibility legislation during the 1990s<sup>60</sup> and, although there are risks attached, evidence suggests it could have a positive impact in the UK.<sup>61</sup> There may also be a wider benefit of encouraging fathers to become more involved in their children's lives which may increase the likelihood of them paying maintenance.<sup>62</sup>
110. There are significant and wide-ranging potential benefits to be gained from encouraging the joint registration of births. While this issue is outside the responsibility of the CSA and the Department for Work and Pensions, the Government should consider the best way to further develop such a policy. Further work on this area, including examining wider implications of any change, should be undertaken by the government departments with policy responsibility.

## Calculating child maintenance

111. Recognising the complexities involved in calculating maintenance under the old scheme, changes were made in 2000 to simplify the formula and reduce the amount of information required.<sup>63</sup> The process of making a child maintenance calculation under the new scheme is designed to be straightforward. Maintenance is calculated using a formula that depends on the non-resident parent's current

# 11 Improving child support policy

103. There are numerous areas of child support policy with scope for simplification and improvement. The redesign has not been able to consider all elements of the current framework but has rather focused on the key parts that need to be changed to deliver a redesigned system of child support. These include steps to simplify existing processes and reduce the administrative caseload, which are discussed in the following sections. There is scope for further policy refinement, and I recommend that the Department for Work and Pensions considers this in taking this work forward.

## Improving information for trace

104. Improving the ability to trace non-resident parents is important as it creates a dynamic whereby people are less likely to try and evade their responsibilities. The CSA currently deals with many cases where there is insufficient information to identify the non-resident parent. These cases are time consuming and costly, and many are closed before they reach assessment.

105. Currently, parents with care on benefit do not have strong incentives to co-operate with the Agency. This may account for some of the poor quality of information provided. Ending benefit compulsion and disregarding maintenance for most parents should create better incentives for parents with care to provide information.

## Options to consider further

106. There are a range of options that could be introduced to improve the information needed to trace non-resident parents. I have considered several options, but further work should be done to develop any additional policy and operational improvements.

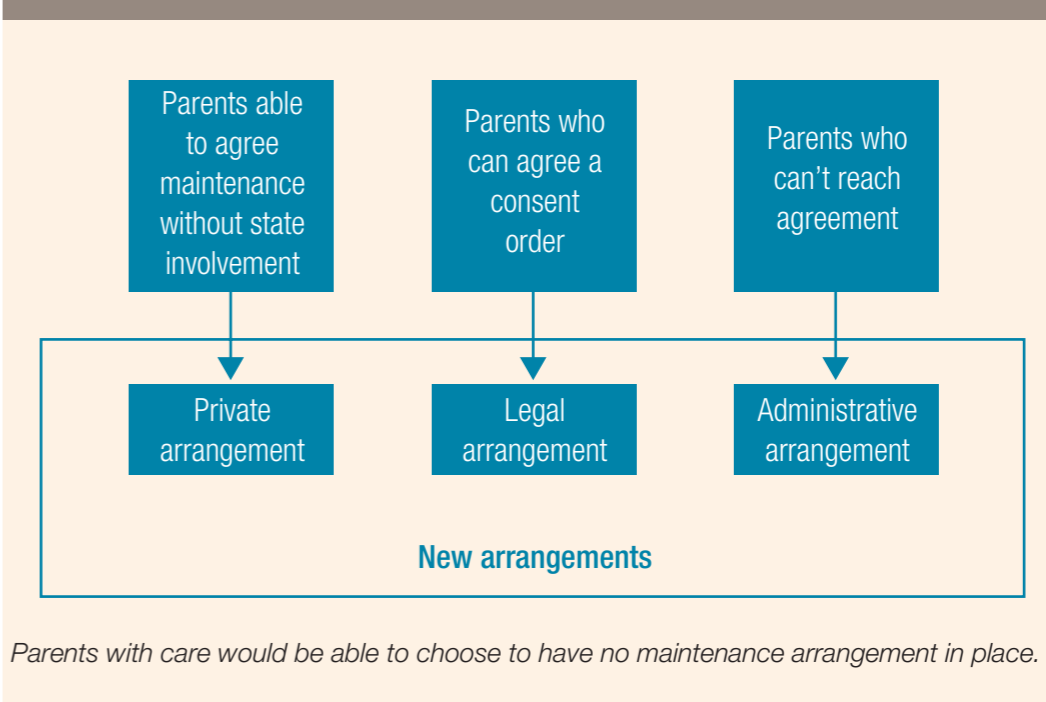
107. *Increasing the information required for parents with care to open a case:* The administrative body could require a minimum amount of information from the parent with care before taking on a case. The onus would then be on the parent with care to provide enough information to identify the non-resident parent. There is precedent from Australia, where, if the father is not named on the birth certificate or provably cohabiting with the mother before birth, the mother must prove paternity before the CSA will accept a claim. This policy option fits best with the legal responsibility to jointly register birth, which does not currently exist in the UK. Further work should be carried out to explore the feasibility of this option.

# 5 The redesigned system

## Routes for agreeing child support

39. Removing the current restrictions that affect some parents creates three routes for agreeing child support:
- Private: for parents willing and able to agree child support without involvement of the state or legal system.
  - Legal: for parents wishing to ratify private arrangements or agree child support as part of a wider settlement, a consent order can be obtained where arrangements are not disputed.<sup>41</sup>
  - Administrative: for parents who are unable or unwilling to agree privately or by consent, an administrative service will calculate maintenance, establish and monitor payment and enforce compliance where necessary.

Figure 4. Options for making child support arrangements



40. The redesigned system creates the right incentives for parents with care to make child support arrangements. As a result, the total number of children receiving maintenance is expected to increase. However, in cases where parents with care have little information about the non-resident parent or know that the non-resident parent is unable to pay maintenance, they may decide that it is not worth

trying to make an arrangement. Parents with care may alternatively decide that it is in their children's best interests not to try to make an arrangement, for example if the non-resident parent has a history of violence or if making an arrangement would cause conflict between parents. Currently, in around 10,000 such cases a year parents are forced to justify their decision not to pursue child support, known as 'good cause', in order to progress a claim for benefit.<sup>42</sup>

## Providing information and advice to parents

41. A crucial part of making the new system work effectively is providing the right support and information to clients. Advice at early stages could help parents decide on the most appropriate route for them to establish a child support arrangement that works. A range of services already exist to support parents who have, or are undergoing, a relationship breakdown. Parents can access support through a variety of providers, including:
- Sure Start and Children's Centres;
  - extended schools;
  - family support agencies;
  - Jobcentre Plus;
  - local authority advice centres;
  - family mediation services; and
  - the wider not for profit sector, including Citizens Advice Bureaux.
42. While there is a range of information available to parents, information provision is a relatively low-level feature in the current child support system. In a system where parental responsibility is the primary consideration, it will be increasingly important that parents receive the right information and advice, and are supported in making arrangements. The expected increase in numbers likely to make private arrangements suggests there will be an increased demand for support services.
43. Support and advice services are predominantly supplied by the private and not for profit sector, and expanding this capacity should have a positive impact. The family support and relationship breakdown services, jointly provided by the Department for Education and Skills and the Department for Constitutional Affairs, have increased the range and availability of information to parents.

102. In support of these recommendations, further work should be done to provide enhanced analysis of the stock of debt. The focus of this work should be to better understand the best way to resolve cases and ensure appropriate use of the proposed new powers.

**Recommendation: Take legislative powers to manage down existing debts and conduct further work on the nature of historic debts.**

# 10 Managing the legacy

## Dealing with debt

98. While establishing a new system for child support gives the opportunity to make a clean break with the past, legacy issues arising from past failings still need to be addressed. Non-resident parents will not be able to evade their existing responsibilities, as a residuary body will continue to enforce past debts. Stronger and more effective enforcement powers will combine with efforts to improve the culture of compliance.
99. The redesigned system requires a clean break with past cases. However, the current system is burdened with debt. The CSA currently has no powers to write off debts, even in cases where debt is legally unenforceable through a Liability Order.<sup>59</sup> The Government does not guarantee child support, but acts as an intermediary between parents. Dealing with uncollectable old debt must not be allowed to hamper the operation of the new system.
100. Maintenance debt accumulated since 1993 stood at over £3 billion in April 2005. The Agency is already taking steps to improve debt collection through its Operational Improvement Plan by:
  - employing external debt collection agencies to recover outstanding debt, using best practice from the private sector;
  - using re-deployment and restructuring to quadruple enforcement staff during the Operational Improvement Plan period;
  - debt management teams taking immediate action when a payment is missed; and
  - making more use of information held by HM Revenue & Customs and credit reference agencies.
101. Delivering these improvements will not remove the issue of old debt. Further actions will need to be taken but managing such debt should be a discrete function, separate from delivery of the new child support system. The residuary body should be provided with powers to negotiate or factor debts to optimise returns. Powers to write off debt should be used where there is no possibility of getting any money back.

44. Research indicates that removing compulsion for benefit claimants should lead to a significant increase in the demand for arrangements made outside the administrative system.<sup>43</sup> Poor levels of understanding about how child support is calculated, with 50 per cent of old scheme clients not understanding their maintenance calculation,<sup>44</sup> suggest that there is potential to improve the information available to parents. Although the CSA's online calculator is well used,<sup>45</sup> it, along with other self-calculation products, should be more readily available to parents to provide a benchmark for negotiations.
45. An important role for the support services is to ensure that vulnerable groups, who may previously have been compelled to use the CSA as benefit clients, receive full advice on the most appropriate route for arranging child support. Existing services do much already to provide high-quality information. As new choices become available, it will be essential that any parents who may benefit financially from the new system are made aware of this. Vulnerability does not only mean financial vulnerability. Parents with care on benefit who are at risk of domestic violence have previously had to declare 'good cause', explaining why using the Agency would put them or their children at risk. This claim is then discussed with a benefits officer and if not accepted can lead to a reduction in benefits. Removing benefit compulsion means there would be no need for this process.
46. In addition, there is scope to further improve the role of local authorities in providing advice, potentially by providing information through Children's Centres as part of an integrated form of family support. Jobcentre Plus will also be a relevant source of information for lone parents claiming benefit. Once they have been evaluated for their effectiveness, we should look at Australia's Family Resource Centres, which will bring together information provision for separating families.<sup>46</sup>
47. Parents using the administrative service are expected to be those who have had a difficult relationship breakdown or where no relationship existed. Such clients are less suited to mediation services. However, there is scope to improve the signposting to financial mediation and alternative dispute resolution services to help clients make their own arrangements.
48. Many of the services already available provide information and support to parents, not just about the choices available to them but also about what parenting means. This is undoubtedly one of the hardest roles for any adult, and can be especially difficult for parents after a relationship has broken down. The Government's Parenting Strategy, through work with organisations such as the National

Family and Parenting Institute and the Parenting Fund,<sup>47</sup> aims to support the work of the not for profit sector with parents. The Home Office's 'Respect Agenda' has emphasised that supporting parents and giving them the skills they need to be responsible is crucial in tackling problems such as anti-social behaviour.<sup>48</sup> Recently, the Government recognised the particular challenges facing fathers, and the Department for Education and Skills funded a 'Dad Pack', published by Fathers Direct, with information for fathers.<sup>49</sup>

49. A new approach is needed to ensure that advice on child support issues can be integrated within the wider range of services currently provided to parents. A cross-government effort is required to ensure that this is delivered. This should include further evaluation of the effectiveness of existing government schemes to support parents after separation.

**Recommendation: Reconfigure advice services to ensure that child support information is properly integrated. The details of this should be developed by a cross-government group.**

## Using the legal system

50. The legal system currently provides a route for non-benefit claimants to settle child support. Around 10,000 people a year use this route to make a consent order containing provision for child support payments.<sup>50</sup> In the main these payments are part of ancillary relief packages for divorcing couples or part of a financial settlement for ex-cohabitees.
51. Consent orders provide a way for parents who are able to agree child support privately to ratify their agreements in the courts. The courts can vary consent orders to reflect changing circumstances and can enforce them on application from the parent with care. Enforcement action can include all the sanctions available to the courts. Consent orders should provide security for parents who are able to agree on child maintenance but may have concerns about ongoing compliance. Using the legal system would only be an option for parents who can agree on child support arrangements.
52. There have been a number of representations suggesting that the courts should have greater power to determine child support in cases where there are other financial matters to be resolved between the parents. Although this proposal has some merit, it raises the risk of significantly increasing the burden on the courts for what is a relatively simple calculation process. It is not clear that the

97. In principle, it appears that there may be advantages in changing the governance arrangements. However, further work is needed to examine in more detail the implications of such a change and to support a final decision.

**Recommendation: Further work is needed to assess the relative pros and cons of establishing the new organisation as a non-departmental public body or of retaining it as an executive agency.**



## 9 Getting governance right

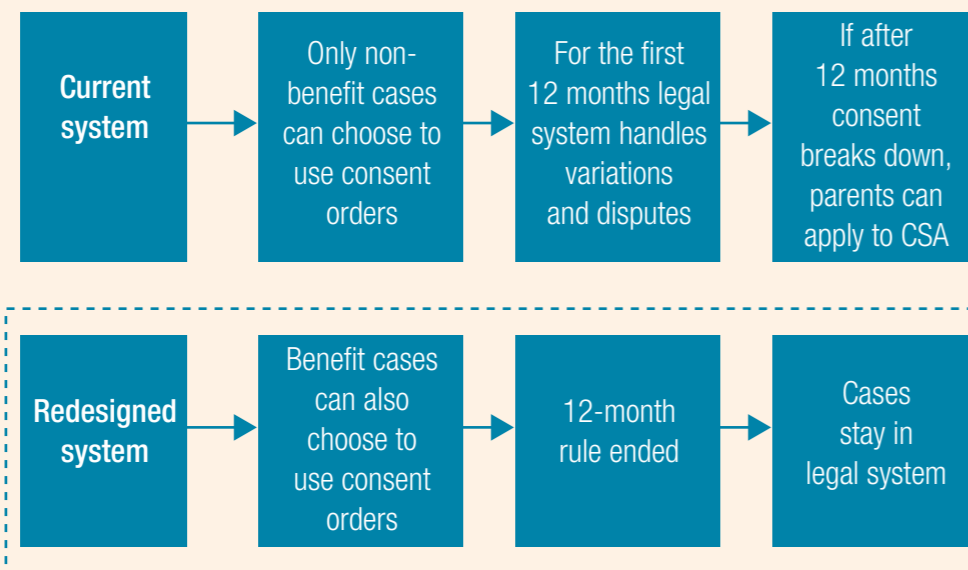
92. The current CSA operates as an executive agency of the Department for Work and Pensions. While the Agency is responsible for delivering child support, the Department maintains ownership of, and responsibility for, the overall policy.
93. There may be merit in changing the institutional arrangements. One option would be to establish the new organisation as a non-departmental public body. A non-departmental public body is described as a 'body which has a role in the process of national government but is not a government department, or part of one, and which accordingly operates to a greater or lesser extent at arm's length from ministers'.<sup>58</sup>
94. Changing the status of the new organisation could offer several potential advantages, including giving the organisation greater responsibility and independence from the centre. While ministers would retain accountability for the organisation, they would be removed from its day-to-day operations. Non-departmental public bodies are often used in situations where difficult judgements about specific cases are required, which need to be clearly separate from ministers. Examples include the Environment Agency and the Independent Police Complaints Commission. Similar arguments apply for child support, where the state is playing a form of quasi-judicial function, deciding a claim between two parents.
95. Non-departmental public body status could also allow the administrative organisation to take greater policy ownership and responsibility than an executive agency. In the case of child support, it may be advantageous to combine policy and delivery within the same body, to ensure the maximum synergies between the two. This would fit with the recommendation for the organisation to act as a commissioner of services.
96. Creating a new organisation and changing its governance arrangements is not without risks. Any change would clearly have significant implications for the current management and staff of the CSA, who have worked hard to deliver the Agency's goals, often in very difficult circumstances. Changes could also affect the administrative organisation's relationship with the Department for Work and Pensions, risking duplication of policy functions, and with its customers, if it is perceived to be one step removed from government.

potential benefits outweigh these risks. Under my proposals, the courts would be able to ratify arrangements made with the consent of both parties but would have no jurisdiction to impose initial settlements. Where parents cannot decide matters between themselves they would have to use the administrative service.

53. Removing the compulsion on benefit claimants to use the CSA will open up the court route to those who wish to validate a private agreement through a consent order. The main impact of this will be to enable benefit claimants who are divorcing or separating from a cohabiting partner to agree child support as part of a wider financial settlement.
54. For parents on low incomes and benefits, this route should be funded by legal aid. Those who do not qualify for legal aid will have to pay to make a consent order, but in cases where child support is being agreed as part of a wider financial settlement this is likely to be a marginal cost. Further work is needed to provide detailed costing figures.
55. Opening up the legal route is likely to lead to an increase in work for the legal system of between 15,000 and 25,000 cases each year.<sup>51</sup> This will consist largely of parents with care who are currently compelled to use the CSA. Such parents will have been previously married or cohabiting and will have other financial matters to resolve. They are likely to be able to arrange child maintenance by consent without the need for a court hearing.
56. Allowing parents to pursue child support through a legal or administrative route requires a clear boundary between the two systems. This is necessary to prevent parents attempting to move between different routes to maximise individual outcomes. Doing so would involve duplication of resources and allow parents to play different routes off against each other. To retain separate jurisdictions for the administrative and legal routes, once parents opt into the legal route they will have to continue to use this until child maintenance is no longer needed. This means that parents who make a consent order will have to deal with any request for variation or enforcement action through the courts.
57. Under the current system, where a new consent order is in place the court has jurisdiction over changes to the order during the first 12 months. It only has jurisdiction after the 12 months so long as neither parent seeks to overturn the order by applying to the CSA, or the parent with care goes on benefits. The ability to move between systems after a year can in itself create instability and reduce the incentive to make an initial agreement.

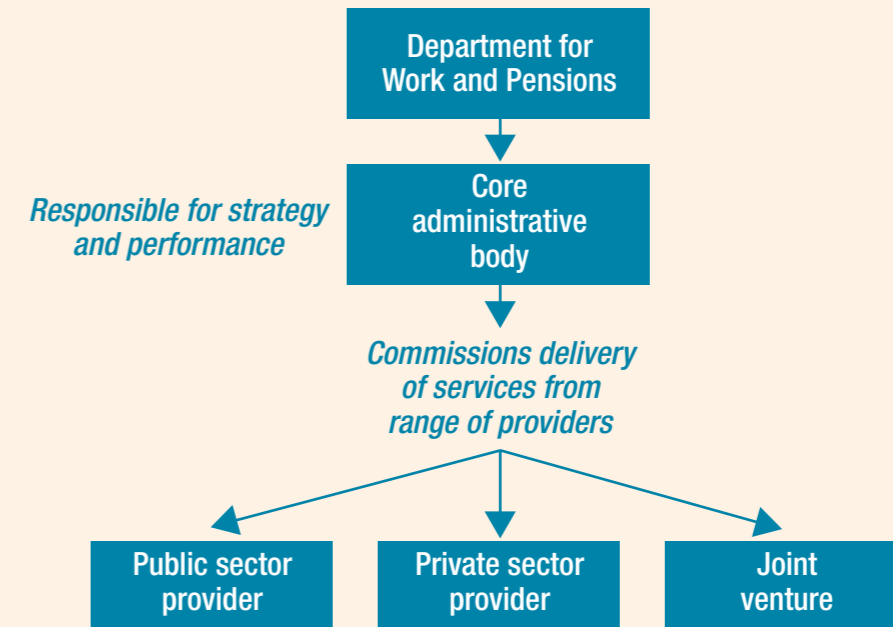
58. I recommend that consent orders obtained through the courts should not be able to be overturned by the administrative system. This would remove the current 12-month break-point which enables parents to move between consent orders and the administrative system. The order from the court would be given primacy and the courts would become responsible for varying and enforcing consent orders, in effect tying such cases into the legal system. This would treat new consent orders in the same way as those made before 2003. Variations to the original order would be decided through the courts if parents could not agree. This is expected to add a small number of court hearings each year. Further work is needed to model the number of parents likely to use this route to agree child support and to assess the detailed impact this would have. This work should include further analysis on the impact on the courts' caseload and resulting costs.

Figure 5. **Creating a clear jurisdictional boundary**



**Recommendation: Remove the current 12-month break-point, preventing consent orders from being overturned by the administrative organisation, in line with the pre-2003 position.**

Figure 9. **Commissioning structures**



91. The business design process will have to examine whether the existing infrastructure is capable of supporting the new processes required. While the formula and the assessment process are not recommended to change substantially, a changing caseload may vary IT requirements. The current IT contract between the CSA and its provider lapses in 2010 and the build-up to this will provide the opportunity to reconsider future needs.

**Recommendation: Child support should be delivered through a commissioning body drawing on expertise from the private, not for profit and wider public sectors.**

## 8 A new operating model

88. The new operating model for delivering child support should be centred on meeting the needs of the clients. There are a range of functions involved in delivering child support. While some of them, such as tracing non-resident parents, require specialist skills and resources, others, such as collecting money, are standardised business processes widely carried out elsewhere. There is considerable expertise both in the private sector and across government in delivering the processes that will be central to the success of the new child support system. To allow the delivery of child support to benefit from such expertise, I recommend that the administrative organisation is established essentially as a commissioning body. Under such a model the administrative body would retain responsibility for strategy and performance, but commission delivery of services from a range of providers in the private and wider public sectors.
89. The commissioning model would have to ensure that clients do not have to deal with multiple organisations providing different elements of the child support process. This can be achieved by having one body acting as the primary customer interface, managing the relationship between customers and service providers. As a result, customers should have a single point of contact. Such a function could either be delivered by the commissioning body itself or be provided by an outside body, possibly in combination with another part of the service.
90. The structure of this model could vary from straight outsourcing to the creation of joint venture frameworks which would allow a more collaborative and, ultimately, more effective approach to be delivered.

## Providing an administrative route for those unable to agree child support

59. Parents who are unable to make their own arrangements or whose private arrangements break down would be able to use the administrative route to settle child support. Arrangements will be similar to the current situation, with an organisation responsible for delivering child support for its clients. The organisation would provide the following functions:
  - trace non-resident parents;
  - calculate maintenance payments according to a published formula;
  - collect maintenance from non-resident parents and pay it to parents with care;
  - monitor ongoing compliance; and
  - enforce arrangements where non-payment occurs.
60. Parents wishing to use the administrative route would have to make an application for a child support arrangement. This could be made by either parent. Once an application is received, both parties would have to provide the necessary information to allow maintenance to be calculated. Having calculated the maintenance to be paid, the administrative organisation would establish a payment schedule for the non-resident parent. They would then collect the payment and pass maintenance on to the parent with care. Ongoing compliance would be monitored and if payment stops at any time the necessary enforcement action would be taken.
61. The client base using the administrative service is expected to look significantly different from that of the CSA. Removing benefit compulsion is likely to reduce the administrative organisation's caseload, allowing it to focus on cases where parents find it difficult to agree child support. Disregarding most maintenance in benefit calculations would also improve the incentives for parents with care and non-resident parents to co-operate with the system.

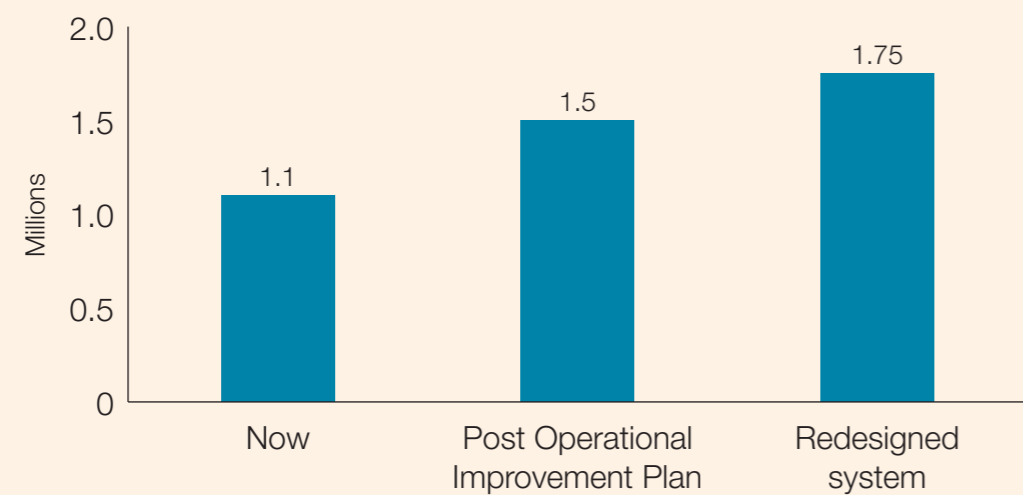
## Delivering for children

62. Opening up the routes through which parents can arrange child support should increase the number of children receiving maintenance. There are two main reasons for this. First, disregarding maintenance in benefit calculations increases parents'

incentives to make arrangements; parents with care get to keep the maintenance paid and non-resident parents know that the maintenance they pay goes to their child. Secondly, allowing parents to choose the most appropriate route for them to agree child support is expected to lead to greater satisfaction with arrangements, resulting in greater compliance. Tied to this is the removal of third-party involvement from child support arrangements where the parent with care is on benefit. The current policy can have a negative effect on compliance. Analysis suggests that, under the redesigned system, between 250,000 and 400,000 more children could receive maintenance than will be achieved by delivering the Operational Improvement Plan.<sup>52</sup>

63. As well as delivering benefits for children, the redesigned system should also be more cost-effective. Increasing the number of parents who make their own arrangements will lead to a reduced role for the state. Fewer parents using the administrative service to agree child support, alongside policy and operational improvements, should lead to a streamlined, more efficient operation. In the long run this is expected to yield savings in the region of £200 million.<sup>53</sup>

Figure 6. Number of children receiving maintenance



Source: Department for Work and Pensions/Redesign team analysis using Wikeley N et al, 2001, National Survey of Child Support Agency Clients, Department for Work and Pensions Research Report No 152 and Child Support Agency Quarterly Summary of Statistics, March 2006.

# Part 2

## A new model for delivering child support

## Addressing the risks around transition

84. Moving to the redesigned system through a clean break approach is not without risks, but these can be mitigated by undertaking further research, thorough testing of systems and processes and providing relevant information to all parents. There will always be an element of unpredictability about transitional flows and the number of parents who will re-apply to the new system. Working assumptions can be improved by further research before the transition period and by a slow start-up of the new administrative service.
85. Some specific questions need to be resolved through a thorough business design and piloting process. This is a chance to design the service from the bottom up, specifically for the new caseload, making sure that its core services are centred on the client and that it can call on specialised agencies where necessary. Special attention should be paid to maintaining the flow of payments during the transition, how to move linked cases, and the ability to refer to data from the previous system. There is a risk that the vulnerable clients previously mentioned might drop out of the system during transition, but the new information services should help address this. Research on communication methods should help identify the best way to target information at vulnerable clients.
86. Making a clean break with past arrangements would not change the responsibility that parents with existing child support arrangements have to their children. Parents would be expected to continue to pay maintenance, only making changes when the redesigned framework became operational. Responsibilities would continue to be enforced in the interim where parents fail to pay maintenance.
87. The alternative to a clean break approach to transition would involve the existing agency converting cases to the redesigned system. This would involve cases on the existing old and new schemes being converted to the redesigned policy framework. This would be very challenging to administer, and past experience does not support the case for taking this approach. The migration of cases from the old to the new IT systems and bulk conversion of cases from the old to the new scheme rules have yet to be attempted. Given the existing operational problems facing the CSA, the task of moving cases under two parallel schemes to a third would be extremely difficult. This approach would involve considerable risks to clients, many of whom are already frustrated at the lack of progress in converting cases on the existing old scheme.

## 6 Getting serious about enforcement

64. Child support enforcement has a poor history. Despite the CSA having an extensive range of powers, including the ability to use the courts to imprison non-resident parents who persistently fail to pay, sanctions are not used regularly, and a culture of non-compliance has developed. Enforcement has not been a priority for the CSA and has been considerably under-resourced. This has damaged the Agency's credibility and led to an unacceptable situation where non-resident parents believe they can ignore the Agency and get away with it.<sup>54</sup> This cannot be allowed to continue. While the Agency is taking steps to improve enforcement through its Operational Improvement Plan, including allocating greater resources to the function, there is scope to take further action. To encourage parents to take financial responsibility for their children, the state needs to signal that swift and effective action will be taken when this does not happen.
65. The CSA's problems around enforcement result from a combination of institutional and administrative failings. Enforcement is a specialist function, requiring particular skills, processes and incentives. It currently sits uncomfortably in an organisation that is focused on negotiating with parents and trying to manage difficult, emotional issues. For this reason, creating a distinct enforcement arm with its own performance management regime is recommended. This will help to raise the profile and send a clear signal to parents who fail to pay that this will no longer be tolerated and swift, effective action will be taken against them.
66. Managing enforcement as a distinct business function also fits well with the commissioning model I have proposed (see section 8 at page 40 on 'A new operating model') and raises the longer-term prospect of sharing such services across government in a single centre of expertise.
67. Under the current system, a parent with care has no right to enforce a claim for child support against a non-resident parent who fails to pay. A number of stakeholders have argued that the legislation should be changed to allow such independent enforcement. Such a step would fit with the logic of giving more individual responsibility to parents. However, it would also raise some risk of duplication of effort between the administrative and court systems. One option would be to allow parents with care the right to enforce, but only if there was clear evidence that the administrative service had failed

to do so effectively (for example by not taking action within a defined period of non-compliance). This should be considered further in the detailed design of the new system.

68. I would expect new institutional arrangements for enforcement to be accompanied by a review of policy and operations to consider how to ensure effective and efficient enforcement going forwards. This could include extending the range of powers available, for example introducing high-profile sanctions such as passport withdrawal and using improved operational procedures such as risk-profiling clients. There is also the potential to use the power to impose financial penalties on those who do not comply. This could encourage compliance and penalise those who then trigger enforcement resources to be spent pursuing them. The existing agency does have the power to impose financial penalties but for operational reasons this has not been used. Further work should be done to assess the impact of using financial penalties in the future.

**Recommendation:**

- a) **Manage enforcement as a distinct business function.**
- b) **Introduce new sanctions, including the power to withdraw passports, and make more use of existing powers such as imposing financial penalties.**

impact on old and new scheme cases receiving maintenance. Clients receiving Child Maintenance Premium are already receiving partial disregards and so would experience a less significant change than old scheme clients.

### Clients moving to private arrangements

80. Clients who have gained confidence through using Maintenance Direct should be encouraged to move into entirely private arrangements.<sup>57</sup> Those with a history of good compliance could be supported to make private arrangements, for example by allowing a trial period in which their case could be re-activated if their private arrangement broke down. Other clients may want to ratify their private arrangements through a consent order.

### Clients who opt in to the new administrative system

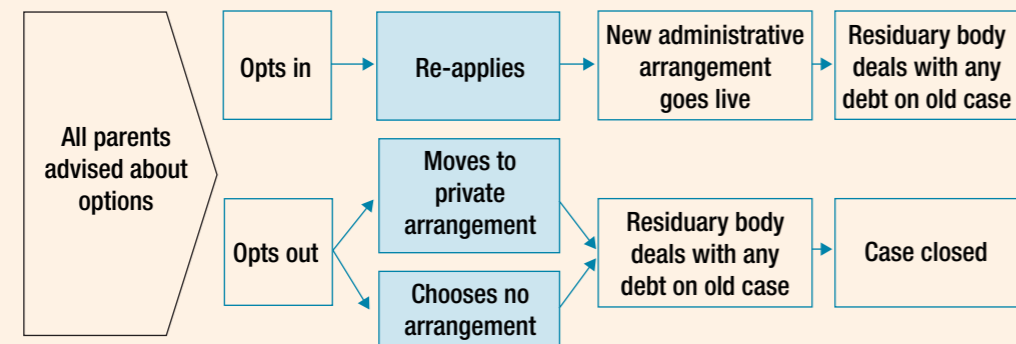
81. Where parents cannot agree child support privately they would be able to opt into the new administrative route, over a period of time. Further work is needed to establish a fair way of staggering applications. The re-application process will be designed to be as simple as possible but will take advantage of the opportunity to collect up-to-date information. Existing maintenance payments would not cease until new arrangements have been established.
82. In the current system, clients whose cases are converted from old to new scheme rules undergo fixed annual changes to their maintenance, to allow them to gradually adjust to the change in payments. This phasing is based on bands of non-resident parents' net weekly income. There is a strong case for not applying phasing rules to the transition process. They are extremely difficult to administer and can be difficult to explain to parents. Clients will be given ample warning of the changes, giving them time to adjust to any changes in payment. Phasing maintenance could also obstruct a clean start-up of the new administrative system.

### Managing the transition

83. Transition should be managed as a distinct organisational function, bringing in skills and experience from public and private sectors, with a Programme Board supported by a Programme Office that includes the Department for Work and Pensions, CSA and external expertise where necessary. Under this board there should be two discrete but linked projects, with strict targets, timelines and terms of reference. One project would focus on establishing the new organisation while the other (a residuary body function) would cover the winding down of existing systems and management of old debt.

framework. It would also allow cases to reflect up-to-date information and remove the need for conversion. To ensure that maintenance continues to flow, existing arrangements would not be ended until a new one is in place.

Figure 8. The transition process



**Recommendation:**

- a) There should be no conversion of cases from the existing to the redesigned system.
- b) Parents wishing to use the new administrative system will be supported to re-apply.

### Informing parents of their choices

- 77. Targeted information would need to be provided to clients to ensure they understand their options. Those who are able to make private arrangements would be encouraged to do so while being made aware of the ability to opt in to the administrative body should arrangements break down. Analysis suggests there will be a significant reduction in caseload as parents decide to make other arrangements.<sup>56</sup>
- 78. There are three main groups affected by transition: benefit cases; those leaving the system to no arrangement or private arrangements (which may be supported through legal arrangements, that is consent orders); and those re-applying to the new administrative system.

### Supporting benefit clients

- 79. Removing compulsion gives parents with care on benefit a choice as to how best to arrange maintenance. This change must be clearly communicated along with advice on alternative ways to make child support arrangements. Changes to disregards would have a different

## 7 Successful transition

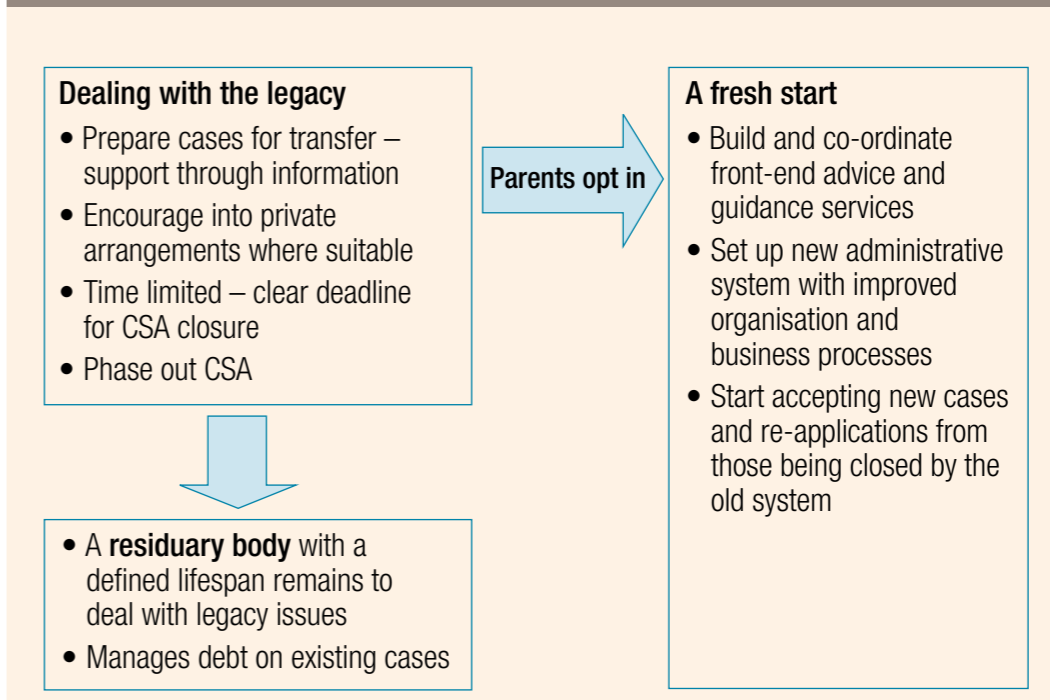
### Delivering a new organisation

- 69. Redesigning the child support system will have a considerable effect on the CSA's remit, caseload and core business. Given this significant change in role, a key question is whether the current CSA can deliver or whether a new organisation is needed. While the Agency's performance is getting better and the new management team have made some progress in delivering improvement, further progress is not guaranteed and major challenges remain. These concern deep-rooted issues such as organisational culture and branding that will be very difficult to change. There will also be significant changes to the policy architecture, systems design and the way child support is delivered.
- 70. The legacy of past failure is significant and cannot be allowed to put new arrangements at risk. Responsibility for failings has often been unfairly placed upon staff who have done their best to deliver for children and parents while coping with, among other things, poor systems architecture and significant IT problems. The CSA brand is severely damaged and its credibility among clients is very low. Poor levels of customer service have affected parents' perceptions of the Agency's ability to deliver. Repeated efforts have been made to reform the Agency in the past, without success. Plans to convert old scheme cases to new scheme rules, along with the intended migration of cases from old to new IT systems, have highlighted the complexity of dealing with two systems at the same time and the problems this creates for the administration and for parents. Lessons must be learned to ensure that previous mistakes are not repeated and that the service is not contaminated by past failings. Creating a new organisation would allow a clean break with the past and would separate the delivery of child support from having to deal with old debt. A clean break maximises the chances of a new organisation being able to create a new culture and climate of expectation.
- 71. The proposed policy framework means that the business of delivering child support would be very different from the current task facing the CSA. The administrative service would be dealing with a much smaller caseload,<sup>55</sup> concentrated among those who find it most difficult to agree child support. However, parents with care would have stronger incentives to co-operate with the system. Ending compulsion means that clients would be choosing to use the administrative service, which would need to act much more as a service provider making available a range of services, including

information, advice and signposting to other sources of support. Making a success of this very different business would require changes to institutional structure and service delivery. Given the existing agency's operating model and organisational culture, it would, in my judgement, be impossible for it to morph successfully into this new way of working.

72. There are examples and business models for making a success of a clean break approach. The most direct parallels are in the private sector, where banks and insurance companies have created separate 'good book/bad book' organisations, one to make a fresh start and one as a time-limited operation to manage down a set of bad assets. The lesson from successful operations of this type is that the two activities require different skills, organisational cultures and performance management. Previous attempts to reform the CSA have resulted in the operation of two parallel systems which have contributed to performance problems. This creates a strong argument against introducing another scheme within the existing agency.
73. I believe there are strong reasons to justify making a clean break with the current Agency and creating a new body with a mandate to deliver a 'fresh start' for child support. This body should be separate from the task of dealing with legacy issues from the current system, including the management of existing debt. I recommend that a new body be established to deliver child support with a residuary body responsible for pursuing the old debt. Existing staff will be involved in the work of the residuary body and be given the opportunity to join the new administrative organisation. The CSA leadership team will also have a role in creating the new organisation. The new body's name should reflect its core objective of reinforcing parental responsibilities.

Figure 7. A new organisation is established leaving a residuary body to deal with legacy issues



**Recommendation:**

- a) **Create a new organisation to administer child support.**
- b) **Create a time-limited residuary body to manage down and enforce old debt.**

**What this means for clients**

74. Parents moving between existing arrangements and the redesigned system would have to make a clear choice between the future options for settling child support. Clients would not have the option of remaining with the existing CSA. They would have to decide on the most appropriate route to settle child support.
75. Those who wish to make arrangements through the administrative route would have to re-apply to the new organisation. This would help encourage them to consider actively the best route to make arrangements, rather than accepting a default option of remaining with the status quo. It would allow a 'fresh start' for parents and the new administrative body.
76. Parents who choose to opt in to the new system would have their cases re-assessed. This would mean that child support arrangements would be made under the redesigned policy