

## Background Quality Report: *Child Benefit and tax credit take-up rates*

Dimension	Assessment by the author
Introduction	<p data-bbox="501 300 917 338"><b><i>Context for the quality report.</i></b></p> <p data-bbox="501 338 1370 472">Child Benefit is a tax-free payment that you can claim for your child. It is usually paid every four weeks but in some cases can be paid weekly. The payment can be claimed by anyone who qualifies, whatever their income or savings.</p> <p data-bbox="501 506 1370 573">Child Benefit is paid to those responsible for children (aged under 16) or qualifying young people. The latter includes:</p> <ul style="list-style-type: none"> <li data-bbox="501 607 1370 775">a) those in full-time non-advanced education or (from April 2006) on certain approved vocational training courses and who are under 19, or are aged 19 and have been on the same course since their 19th birthdays. (Note: those reaching 19 up to 9 April 2006 ceased to qualify on their 19th birthdays);</li> <li data-bbox="501 775 1370 943">b) those entered for future external examinations, or are in the period between leaving education (or exams finishing) and the week containing the first Monday in September (or similar dates after Easter and in early January, if earlier), and are not in work (there are slight variations for Scotland);</li> <li data-bbox="501 943 1370 1043">c) those aged under 18 who have moved directly from full-time education to being registered for work or training with the Careers service or with Connexions.</li> </ul> <p data-bbox="501 1077 1370 1178">There are two separate amounts, with a higher amount for your eldest (or only) child and a lower amount for each of your other children.</p> <p data-bbox="501 1211 1370 1279">For further information about who can claim please refer to the HMRC website:</p> <p data-bbox="501 1312 903 1350"><a href="#">Child Benefit – Who Qualifies?</a></p> <p data-bbox="501 1384 1370 1552">Tax credits were introduced in April 2003 replacing Working Families' Tax Credit, Disabled Person's Tax Credit and Children's Tax Credit. They are an important part of the Government's policy aims to provide adequate financial incentives to work, reduce child poverty and to increase financial support for all families.</p> <ul style="list-style-type: none"> <li data-bbox="596 1585 1370 1720">- Working Tax Credit tops up the income of families on low or moderate income subject to certain eligibility criteria being met. More information about eligibility can be found on the <a href="#">HMRC website</a></li> <li data-bbox="596 1753 1370 1921">- Child Tax Credit provides support to families for the children for which they are responsible. Children are eligible up to the 31<sup>st</sup> August after their 16<sup>th</sup> birthday or until their 19<sup>th</sup> birthday if they are in full-time non-advanced education.</li> </ul> <p data-bbox="501 1955 1370 2022">Estimates of Child and Working Tax Credit take-up rates been published since 2003-4; prior to that, there is a long history of</p>

	<p>take-up rates being produced by the various systems of in-work support which preceded the current system, such as Family Credit and Working Families' Tax Credit. Child Benefit take-up rates have been published since 2006-07.</p> <p>The publication gives estimates of the caseload take-up rate for Child Benefit, which is the proportion of eligible children and young people for whom Child Benefit is claimed. Tax credit take-up rate estimates show the proportion of families who claim their entitlement (the caseload take-up rate) as well as the percentage of available money claimed (the expenditure take-up rate). The number of entitled non-recipients, and the value of expenditure unclaimed, are published alongside the take-up rates. Various breakdowns of these figures are given, such as family type, number of children and country/Government Office Region. The estimates are compiled using a range of existing administrative and survey data sources.</p> <p>Due to the lags in data availability and additional time required to analyse the data and quality assure the results, estimates are typically published around 18-20 months after the end of the reference year.</p> <p>Fuller details regarding the way in which the statistics are calculated are given in the Methodology and Technical Annex sections of the publication.</p>
<b>Relevance</b>	<p><b><i>The degree to which the statistical product meets user needs in both coverage and content.</i></b></p> <p>This publication presents take-up rates and estimates of the number of entitled non-recipients/value of expenditure unclaimed. These provide a measure of how effective Child Benefit and tax credits are in reaching those families who are entitled to them.</p> <p>Due to the constraints of the methodology, little further detail is given regarding Child Benefit take-up other than the overall rate and historical time series data since 2006-07. More detail is available for tax credits, specifically:</p> <ul style="list-style-type: none"> <li>-time series comparisons, both for the current system and predecessor in-work tax credits/benefits;</li> <li>-a breakdown by position on the tax credits profile;</li> <li>-breakdowns by family type (singles vs couples, with and without children)</li> <li>-breakdowns by number and ages of children;</li> <li>-a breakdown by country/Government Office Region (due to sample sizes, this is the lowest available geographical area which is published)</li> </ul> <p>Ad hoc analyses in special take-up articles accompanying the main publications have been published on two occasions, due to interest in these areas from customers. One such article covered take-up by ethnicity; a second covered take-up of the childcare element of Working Tax Credit.</p>
<b>Accuracy and</b>	<p><b><i>The proximity between an estimate and the unknown true</i></b></p>

<b>Reliability</b>	<p><b>value.</b></p> <p>One of the key potential sources of error is sampling error. The Child Benefit take-up rate is calculated using a combination of Family Resources Survey data, and Labour Force Survey data. The tax credit take-up rates are calculated using a combination of Family Resources Survey data, and UK Household Longitudinal Study data. The publication presents “upper and lower bounds” to the estimates which primarily reflect 95% confidence intervals based on the potential for sampling error in the underlying survey data sources.</p> <p>In the case of Child Benefit, the upper and lower bounds also reflect additional uncertainty about the eligibility status of 19 year olds in the survey data.</p> <p>There are a number of other potential errors in the estimates, in particular:</p> <p>1/ inability to precisely model Child Benefit or tax credit eligibility in the relevant surveys. Whilst we make some specific adjustments to our estimates to attempt to correct for some known shortcomings (such as the tax credits income disregard; adjustments for repayment of overpayments; and adjustments for backdating) it is difficult to know precisely how successful these have been, and there remain other specific problems. In particular, survey data sources are based on “snapshot” pictures of circumstances in each household at a point in time; whereas tax credits entitlement is based on circumstances across the whole year.</p> <p>2/ Administrative estimates of caseload/expenditure used in the take-up calculations include error and fraud. This means we have some cases/expenditure in the numerator and denominator of our take-up rates which relates to those who are not entitled to Child Benefit/tax credits. Ideally such cases would be removed, but this would require more precision in error and fraud data than it is capable of providing. However the impact of the inclusion of error and fraud is reduced by the way in which take-up rates are defined (ie. rather than the administrative caseload divided by the entitled population, it is defined as the administrative caseload divided by the administrative caseload plus entitled non-recipients). This method causes E&amp;F to appear in both numerator and denominator, which means it has somewhat less of an impact than if it were to appear in the numerator alone.</p> <p>3/ Other discrepancies between survey and administrative data. The Family Resources Survey has a general undercount of tax credits caseloads and expenditure relative to administrative data. Whilst some of this is likely to be due to the issues above, analysis suggests there may be additional causes of discrepancy, possibly due to grossing of survey results to population estimates other than administrative counts, inconsistencies in reporting (eg of partnership status, or income), difference in wording of questions on tax credit forms compared to surveys, and so on.</p>
<b>Timeliness and</b>	<b><i>Timeliness refers to the time gap between publication and</i></b>

<b>Punctuality</b>	<p><b><i>the reference period. Punctuality refers to the gap between planned and actual publication dates.</i></b></p> <p>This is an annual publication. The timing of publication is determined by the availability of the annual tax credits administrative data, and the Family Resources Survey data. Both are typically available in May/June in the year after the end of the reference year (eg 2011-12 data would be available in May/June 2013). The other survey data sources used are available slightly earlier.</p> <p>Around six months are then required to analyse the data and compile the results. This gives a total lag between the reference year and publication of around 18-20 months. This has been reduced recently compared to earlier years, when the total time lag was around two years.</p> <p>The publication is produced to a pre-announced schedule. The 2009-10 and 2010-11 publications were published on the pre-announced date. The 2008-09 publication was delayed (from an originally announced date of December 2010 to a revised date of February 2011) due to substantial changes made to the Child Benefit take-up methodology.</p>
<b>Accessibility and Clarity</b>	<p><b><i>Accessibility is the ease with which users are able to access the data, also reflecting the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the metadata, illustrations and accompanying advice.</i></b></p> <p>The Finalised Tax Credits publications are released through UK National Statistics publication Hub which is a gateway to all UK National Statistics. The publication is available to download from the HMRC website as a PDF. It contains details of the methodology used and contact details, either via email or the telephone, for users to contact us with queries about the statistics.</p> <p>The HMRC website conforms to a number of accessibility criteria – more information can be found on the website itself:</p> <p><a href="#">Accessibility and Clarity</a></p>
<b>Coherence and Comparability</b>	<p><b><i>Coherence is the degree to which data that are derived from different sources or methods, but refer to the same topic, are similar. Comparability is the degree to which data can be compared over time and domain.</i></b></p> <p>Data on the income and family circumstances of those entitled to, but not receiving Child Benefit and tax credits cannot (by definition) be derived from administrative data sources. However, administrative data is the most reliable basis for calculating the number of recipients. Estimates from survey and administrative data sources are therefore combined in order to calculate take-up rates. There are a number of known discrepancies between these data sources, some of which are adjusted for in the calculations, as described earlier in this report.</p>

	<p>When time series estimates are presented in the publication, some of the key caveats of comparisons over time are discussed in the Methodology section. Table 2 of the publication presents take-up rates across different in-work tax credit and benefit systems so has the greatest issues with comparability; some of these are ameliorated by recalculating the current basis of entitlement to be more consistent with those earlier systems.</p> <p>Even within the current system, changes in the entitlement criteria have sometimes affected take-up rates, particularly in 2006-07 due to the substantial increase in the income disregard. The changes and their likely impact are noted in the Key Results section, the Methodology section and in table footnotes. However no explicit correction is made for these changes.</p> <p>From the 2006-07 publication onwards, detailed tax credit take-up tables (those showing breakdowns by family type, country/region etc) have included the out of work population where previously they covered the in-work population only. This is discussed in the Methodology section, and the coverage of these tables is described in table footnotes.</p>
<b>Trade-offs between Output Quality Components</b>	<p><b><i>Trade-offs are the extent to which different aspects of quality are balanced against each other.</i></b></p> <p>Many of the dimensions of quality relating to the take-up statistics are reliant on the source datasets from which they are derived; notably the survey data. Sample sizes are therefore constrained by decisions taken by external bodies about the trade-offs between survey budgets and accuracy of results. Whilst it would be feasible in theory for HMRC to commission its own survey to estimate take-up rates, it would be unlikely to be cost-effective as it would duplicate the work of existing surveys and would be unlikely to have a sample size which was any larger.</p> <p>In terms of timeliness, again the central constraint is data availability rather than the time taken for analysis. Attempting to reduce the time taken to analyse the results further is likely to diminish the quality of the analysis and increase the risk of errors.</p>
<b>Assessment of User Needs and Perceptions</b>	<p><b><i>The processes for finding out about users and uses, and their views on the statistical products.</i></b></p> <p>A formal review of our National and Official Statistics publications, including take-up rates, was held between May and August 2011. Over 130 responses were received from a broad range of users. A report summarising the responses received was published in May 2012, with a summary of the results presented <a href="#">here</a>.</p> <p><u>User Consultations:</u> HMRC recognises the importance of consulting on policy, legislative and operational change and has set out its approach on <a href="http://HMRC.gov.uk">HMRC.gov.uk</a>. When it is appropriate to run a formal, public, written consultation exercise, HMRC Tax Credit Statistics do so in accordance with the Cabinet Office guidelines. Informal</p>

	consultation, surveys and reviews are also conducted periodically.
<b>Performance, Cost and Respondent Burden</b>	<b><i>The effectiveness, efficiency and economy of the statistical output.</i></b>
	<p>The Child Benefit and tax credit take-up statistics are prepared over several months and involve two analysts working over 300 hours in total.</p> <p>There is no burden on respondents from the administrative data. Moreover as the estimates use existing survey data sources, any respondent burden would already be incurred in the production of those surveys. There is therefore no additional burden on respondents arising from these statistics themselves.</p>
<b>Confidentiality, Transparency and Security</b>	<b><i>The procedures and policy used to ensure sound confidentiality, security and transparent practices.</i></b>
	<p>HMRC records management is designed to ensure HMRC compliance with:</p> <ul style="list-style-type: none"> <li>▪ the Data Protection Act 1998 (DPA);</li> <li>▪ the Public Records Act 1967 (PRA);</li> <li>▪ the Freedom of Information Act 2000 (FOI) (in particular the <a href="#">Code of Practice on Records Management issued under s46 FOI</a> which requires that public authorities have effective record-keeping arrangements in place); and</li> <li>▪ HMRC's own policies for the efficient management of its information.</li> </ul> <p>Controlled Access Folders (CAFS) are used to restrict access to the survey and administrative data sources used in the preparation of these statistics.</p> <p>With regard to Confidentiality, prior to the date and time of publication, the data is classified as restricted and is only made known to those involved in the publication process. As part of the Ministerial Submission Process, designated individuals would have access to the published version twenty-four hours before the release of the publication – a list of those persons is available on the HMRC website.</p>