Annual Report and Accounts 2008/09

Child Maintenance and Enforcement Commission

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Other Payments Act 2008

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Foreword from the Chair and Commissioner

In February 2006, the Secretary of State for Work and Pensions announced the Government's twin-track approach to the reform of child maintenance in Great Britain: a three-year Operational Improvement Plan to stabilise the performance of the Child Support Agency (CSA) alongside a longer-term redesign of the child maintenance system.

This year saw significant achievements on both fronts, the establishment of the Child Maintenance and Enforcement Commission and the successful conclusion of the Operational Improvement Plan.

The Commission was established as a legal entity on 24 July 2008, by the Child Maintenance and Other Payments Act 2008 to take forward the fundamental redesign of the child maintenance system. In November 2008 it also took over responsibility for the Child Support Agency's functions from the Department for Work and Pensions and since then has continued to operate the existing statutory maintenance scheme through a division operating under the CSA brand. This Annual Report and Accounts is for the operational year 2008/09 and includes a combined view of CSA and Commission activities and performance. The annual client funds account is published separately.

Since its establishment the Commission has implemented a number of legislative changes as well as introducing a number of early improvements to the child maintenance system, including:

- removing the compulsion for parents with main day-to-day care in receipt of out-of-work benefits to use the statutory maintenance service;
- providing more help for those parents on benefits through an increased child maintenance disregard;
- launching the new Child Maintenance Options service to inform, guide and support parents in making and keeping appropriate maintenance arrangements; and
- taking over responsibility for the CSA's functions and successfully delivering the final year of its Operational Improvement Plan.

As a result of a redesign of the existing child maintenance schemes' organisation and processes, including improvements to systems, the existing statutory child maintenance schemes are performing better than ever in their 16-year history, providing a significantly improved service for clients. The final year of the Operational Improvement Plan was delivered in time, within budget and exceeded the target levels for maintenance arranged and collected, families benefiting, the percentage of non-resident parents paying, the reduction in uncleared cases, and the speed of answering telephone calls.

We would like to record our thanks to colleagues across the Commission. The future of more children is being secured through their collective effort to deliver a more efficient statutory maintenance service with more effective enforcement than ever before in Great Britain.

On 7 May 2009 the Commission published its first Corporate Plan, outlining its vision for child maintenance in Great Britain and how it plans to maximise effective maintenance arrangements in the coming years. What has been achieved over the last three years gives the Commission a stable foundation on which to implement the next phase of reform.

Janet Paraskeva
Chair of the Commission

Stephen Geraghty
Child Maintenance Commissioner

Annual Report 2008/09 – a year of change for Britain's child maintenance system

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

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

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

This Annual Report, the first for the Commission, covers its activity and performance in pursuing these objectives since it was established, and reports on the delivery and administration of the statutory maintenance service for the whole year. Money paid in child maintenance is held and accounted for separately under the Client Funds Accounts and is reported on in a separately published Client Funds Report and Accounts.

Following Royal Assent for the Child Maintenance and Other Payments Act in June 2008, the Child Maintenance and Enforcement Commission was established in July 2008, charged with continuing to improve the performance of the existing statutory child maintenance schemes, while delivering the fundamental redesign of the child maintenance system outlined in the legislation.

The CSA was an Executive Agency of the Department for Work and Pensions, until its functions were transferred to the Commission, at which point the CSA ceased to be an Executive Agency and became a division of the commission though still operating under the CSA brand, to ensure continuity of client service and continued performance improvement. This arrangement will continue throughout the transition to the new statutory 'gross income' scheme that the Commission plans to introduce in 2011 (referred to throughout this report as the 'future scheme').

The Commission also took responsibility for the CSA's statutory scheme performance targets for 2008/09. These targets were set out in the Commission's 2008/09 Business Plan which was published in July 2008.

In 2008/09 appointments were made to the Board and senior management teams, and the Commission started to build the new organisation to deliver its core functions and set out its vision and corporate strategy, introducing a number of significant early changes to address this substantial challenge.

- From July 2008, the option to choose from a range of child maintenance arrangements – private, statutory or court-based – was introduced for parents with the main day-to-day care of their child who were newly claiming benefits, removing the previous compulsion for them to apply for statutory child maintenance. A new information and support service, Child Maintenance Options, was made available to guide and support these parents in making effective child maintenance arrangements.

- The requirement that parents with the main day-to-day care claiming income related benefits are treated as applying for child maintenance was removed for all, including existing clients previously compelled to apply for statutory child maintenance, from October 2008. This means that all parents are now able to choose the child maintenance arrangements that best suit their circumstances, supported by the new Child Maintenance Options service.
- The child maintenance disregard was increased and extended and now all parents with care of their child and claiming benefits are able to keep more of any child maintenance received, up to £20 a week, without it affecting their benefits, meaning more money will flow to lower income families. Child maintenance payments are also now fully disregarded when calculating Housing Benefit and Council Tax Benefit.
- The programme to improve performance and service on the existing statutory maintenance schemes continued in 2008/09, including the major upgrade to the computer system to support new ways of working, and performance is now better than ever before.

When the Commission was vested with its powers in July 2008, it published its first Business Plan (for 2008/09) outlining its core functions, objectives, early priorities and targets. The rest of this report provides detail on how the Commission has delivered against these commitments.

About the Child Maintenance and Enforcement Commission

The Child Maintenance and Other Payments Act 2008 established the Commission as a Crown non-departmental public body. It is neither a government department nor part of one and can operate at arm's length from Ministers, with the flexibility to work in partnership with the public, private and voluntary sectors to deliver its objectives.

The Commission is sponsored by, and funded through, the Department for Work and Pensions (DWP). The Secretary of State for Work and Pensions is accountable to Parliament for the Commission's activities and performance.

The Commission's primary objective is to ensure the maximum number of children living apart from one or both parents have effective child maintenance arrangements in place. To meet this primary objective the Commission has three core functions:

1. promoting the financial responsibility of parents for their children;
2. informing parents about the different child maintenance options available and guiding them to the most appropriate for their circumstances; and
3. providing an efficient statutory maintenance service, with effective enforcement.

This is very different from the CSA, which had only one function: providing the statutory maintenance service. The Commission is seeking to ensure that all parents who live apart put in place effective arrangements to maintain their children, whether privately, through the courts or through the statutory service.

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

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

The Commission's people

At the end of March 2009, the Commission employed nearly 9,200 people (full-time equivalent), with the vast majority working in the administration of the existing statutory child maintenance schemes in over 110 locations around the country. The Commission's headquarters are in Leeds.

In addition some of the existing statutory child maintenance caseload is managed by operations in Northern Ireland's Child Maintenance and Enforcement Division and by Vertex Data Science in Bolton, while the national contact centre for Child Maintenance Options is delivered by Ventura.

Management commentary – activity and performance during 2008/09

The targets reported on in this report are those that were agreed with the Secretary of State for Work and Pensions for performance on the statutory schemes for 2008/09, which transferred to the Commission when it took responsibility for the functions of the CSA in November 2008.

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

Ministerial targets have been agreed for 2009/10 against which to measure the future performance of the Commission. Information about these targets is in the Commission's Business Plan 2009/10, which is available at www.childmaintenance.org. In 2009/10 the Commission will monitor the number of children benefiting from maintenance arrangements, for which the target is 840,000. This comprises both those whose arrangements are administered under the statutory maintenance schemes and those who have made new private arrangements following contact with the Child Maintenance Options service.

Following the repeal of Section 6 of the Child Support Act 1991, which removed the compulsion on parents with main day-to-day care claiming benefit to apply for child maintenance, more parents have exercised their choice not to use the statutory maintenance service, reducing the volume of cases and the inflow of new cases. However, the wider Commission focus on all separated families will result in services being provided to a greater number of families overall.

Longer-term targets and proposals for evaluating the performance of the Commission will be established during 2010, once the research programme to establish effective measures has been completed.

Supporting separated families; securing children's futures – the Child Maintenance and Enforcement Commission

Promoting child maintenance and financial responsibility

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

While research suggests that most people accept the principle that separated parents should financially maintain their children, many cite a range of reasons why this principle does not apply in their case. While some of these are a legacy of the perceived performance of the CSA and previous compulsion for parents on benefits to apply for child maintenance, most are associated with the circumstances of the parents and their relationship. While some separated families simply need an efficient statutory service, with effective enforcement, others will need to be made aware of the increased choice and support now available to establish effective arrangements and ensure financial stability for their children.

Providing information and support – Child Maintenance Options

The 2008 Act requires the Commission to provide 'such information and guidance as it thinks appropriate for the purpose of helping to secure the existence of effective maintenance arrangements for children who live apart from one or both of their parents'.

Child Maintenance Options is designed to help parents understand the full range of options available for putting a child maintenance arrangement in place. It provides authoritative, impartial information and support to both parents so they are able to make informed choices about the child maintenance arrangements most suited to their circumstances. This includes information on other issues parents might face in making arrangements, such as housing or money worries, and the service will put people in touch with organisations that can provide expert help. The service is delivered on the phone, through a national helpline; online via a website providing accessible and practical support in setting up and maintaining arrangements; and via a face-to-face service for those in most need of more personalised help.

The service, which was developed with input from stakeholders, is available to all parents, whether they are resident or non-resident and regardless of circumstances, as well as relatives, friends and advisers. The service can be used anonymously.

Initially run in prototype during early 2008, the Child Maintenance Options service was made available from July 2008 to those parents with main day-to-day care newly claiming benefits who were no longer compelled to use the statutory scheme for arranging child maintenance. From October 2008 it became available for all.

On the basis of internal survey data, the Commission has estimated that by 31 March 2009 30,000 children were benefiting from private arrangements after parental contact with the Child Maintenance Options service. More robust measures of private arrangements and outcomes will be established by the Commission in 2009/10.

Providing an efficient statutory maintenance service, with effective enforcement

For those parents who are unable or unwilling to make their own private arrangements, the Commission provides an increasingly effective statutory child maintenance service to establish and maintain arrangements for them.

This service continues to be provided by a division of the Commission operating under the CSA brand, to ensure continuity of client service and continued service and performance improvement through the transition to the streamlined and simplified future scheme, which the Commission plans to introduce in 2011.

While substantial and wide-ranging improvements in performance and service have been made under the three-year Operational Improvement Plan, significant productivity and efficiency challenges remain if the organisation is to deliver more outcomes for children in less favourable economic times, and where many parents will be exercising their choice not to use the statutory child maintenance scheme.

The Commission has focused on continuing to improve client service and performance and strengthening its enforcement powers, so that more parents meet their responsibilities, and use the lessons learned from the Operational Improvement Plan to help inform the development of the future statutory scheme. Looking ahead, priorities will be to continue delivering improved client service and overall outcomes, on a declining intake and caseload as parents exercise their choice not to use the statutory scheme; achieving substantial efficiency and productivity gains by reducing the numbers of cases managed manually rather than on the computer system in 2010; and strengthening enforcement so that fewer evade their responsibilities.

Around 1.7 million cases are currently managed under existing schemes which will continue to accept applications until 2011. Current schemes will continue to operate through the transition to the future scheme, until all cases on them are closed by 2014.

Successfully delivering year three of the Operational Improvement Plan

The Operational Improvement Plan aimed to transform the service delivered to clients, to increase the amount of money collected and achieve greater compliance from non-resident parents. The plan was developed from a September 2005 baseline and was supported by an additional £120m of investment.

The first year focused on improving operational capacity and capability while making improvements to customer service. The second year of the plan focused on productivity, compliance and collections, and further improvements to the client experience.

The third and final year of the plan was designed to be when the performance benefits would be realised from the changes and improvements made during the first two years. Key priorities were to reduce outstanding difficulties with the computer system, and to deliver the tools, training and techniques required to continue increasing compliance, collections and the recovery of outstanding arrears.

In 2007/08 the CSA met or exceeded all four of its Secretary of State targets. Statutory scheme targets for 2008/09 built on those achievements and deliver the original operational improvement plan commitments:

- increase in the number of children in receipt of maintenance to 790,000;
- increase in the amount of maintenance collected or arranged to £1,080m, of which £220m would be arrears;
- increase in maintenance outcomes to 69 per cent; and
- reduction in uncleared new scheme applications to 90,000.

Additional challenges arose that were not known about when the plan was devised and launched, most notably the establishment of the Child Maintenance and Enforcement Commission, and the associated repeal of sections 6 and 46 of the Child Support Act 1991. These were not anticipated at the time when Operational Improvement Plan targets for the statutory scheme were set and, while the removal of any compulsion to use the statutory service has meant a decline in new applications, the Commission now has a wider responsibility encompassing both statutory and private arrangements. The Commission will focus on increasing overall numbers of children benefiting from both private and statutory arrangements, with the challenge being to increase maintenance outcomes by taking action on cases that are currently ineffective, such as those that are non-compliant.

The CSA wrote to 400,000 parents with care in receipt of benefit informing them of the new choices available to them, and system changes were implemented successfully to ensure that all maintenance received was paid direct to the parent with care. The child maintenance disregard was also increased to £20 per week and was extended to all parents with care on benefit across both existing child maintenance schemes.

Additional activity for 2008/09 included:

- productivity release 1, a major upgrade to our systems to support our new, client focused way of working;
- continued improvements to communicating with clients and resolving complaints;
- continuing with 'court centralisation' to enable the Commission to apply for greater volumes of liability orders to increase enforcement and recoup more arrears;
- negotiating more effective agreements to collect arrears; improving facilities to trace more evasive parents; taking swifter enforcement action;
- speeding up payments by introducing deductions from earnings and direct debits as the primary methods of child maintenance collection; and
- introducing a new employer helpline to continue to support improvements in collections through deductions from earnings.

Performance against Secretary of State targets for the statutory child maintenance service

More money for more children

Target:

By 31 March 2009 maintenance will be collected or arranged on behalf of 790,000 children.

Outcome:

Maintenance was collected or arranged on behalf of 779,800 children. Based on available management information the Commission estimates that a further 30,000 children benefited from private arrangements made following contact between the Child Maintenance Options service and their parents taking the total children benefiting from the activity of the Commission to an estimated 809,800.

Maintenance collected or arranged

Target:

Collect or have arranged £1,080m in child maintenance between 1 April 2008 and 31 March 2009, of which at least £220m will be arrears.

Outcome:

£1,132m was collected or arranged in the year to March 2009, of which £158m was arrears.

Maintenance outcomes

Target:

By 31 March 2009, in 69 per cent of cases across both the old and current schemes in which a liability to pay maintenance exists, the non-resident parent has either made a payment via the collection service or a Maintenance Direct arrangement is in place.

Outcome:

The percentage of non-resident parents paying maintenance at 31 March 2009 had increased to 71 per cent.

Uncleared work

Target:

By 31 March 2009, the volume of uncleared current scheme applications will be no more than 90,000.

Outcome:

The volume of uncleared new scheme cases was 49,200 at 31 March 2009.

Outstanding arrears of child maintenance

Over the past 16 years over £8.6bn in child maintenance has been collected and arranged under the statutory schemes. Nonetheless many non-resident parents have not paid everything that they owed and the accumulated balance of maintenance arrears on 1.1 million cases was £3.8 billion at March 2009. Not all of this balance is collectable and due to historic problems it contains many errors. A strategy to deal with these arrears is under development.

Having taken over responsibility for the functions of the CSA the Commission is assessing the collectability of the longstanding legacy of maintenance arrears. This assessment will be used to help inform the strategy to deal with these arrears which is currently being developed.

Five-year performance trends

The following two tables show more detail on performance over the years and the impact of the Operational Improvement Plan (OIP): from the low point of March 2005 to the point against which the plan commitments were set in September 2005, and then the steady improvements over the three years of the programme itself.

- Annual child maintenance payments have increased by 39 per cent; £1,132m was collected or arranged through the statutory service in the year to March 2009.
- The annual recovery of maintenance arrears has more than doubled to over £158m in 2008/09.
- An additional 193,400 children are benefiting from statutory maintenance payments (and an estimated 30,000 more from arrangements supported by Child Maintenance Options).
- The percentage of non-resident parents paying maintenance has increased to 71 per cent from 63 per cent in 2005.
- Uncleared current scheme cases have been reduced by 169,100 to fewer than 50,000, with 82 per cent of cases cleared within 12 weeks.
- Calls are now answered more promptly, with an average waiting time of just 13 seconds.

Client service: five-year performance trends

Performance measure

Application processing Percentage of new scheme applications cleared within:	March 2005 Actual	OIP baseline Sep 2005 Actual	OIP starts March 2006 Actual	End Year 1 OIP March 2007 Actual	End Year 2 OIP March 2008 Actual	End Year 3 OIP March 2009 Actual	March 2009 Plan
12 weeks (Dec intake)	30%	44%	53%	61%	77%	82%	80%
18 weeks (Oct intake)	37%	40%	61%	64%	83%	81%	85%
26 weeks (Sep intake)	46%	62%	67%	78%	88%	90%	90%
Uncleared new scheme applications	225,300	218,300	220,400	153,300	106,700	49,200	90,000
Telephony: average answer time from queue	1 min 40 seconds	1 min 40 seconds	59 seconds	26 seconds	20 seconds	13 seconds	Less than 30 seconds
Percentage of lost calls in year	16%	16%	9%	3%	2%	1%	Less than 5%

Maintenance outcomes: five-year performance trends

Performance measure

Outcomes	March 2005 Actual	OIP baseline Sep 2005 Actual	OIP Starts March 2006 Actual	End Year 1 OIP March 2007 Actual	End Year 2 OIP March 2008 Actual	End Year 3 OIP March 2009 Actual	March 2009 Plan
Children benefiting	561,100	586,400	623,000	683,300	749,300	779,800	790,000
Cases in receipt of maintenance	403,800	424,800	454,300	504,400	561,400	593,100	579,000
Maintenance Outcomes % of cases with a current liability receiving maintenance	63%	62.7%	63%	65%	67%	71%	69%
Maintenance collected or arranged	£798m	£816m	£836m	£898m	£1,010m	£1,132m	£1,080m

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

Future developments

The Commission's priorities in 2009/10 will be to:

- continue the development of the organisation and existing services;
- develop new services and design the strategy to deliver them;
- develop a strategy to deal with arrears of maintenance;
- manage the programme of change to deliver the future statutory maintenance scheme; and
- begin the organisational changes that are needed to support the introduction of that future scheme.

As part of the work to transition to the future scheme, the Commission is creating a framework which will allow it to commission and deliver services in the most effective manner, and enable the organisation to cope with the additional volumes of activity associated with the transition process.

Promoting financial responsibility

The Commission will:

- begin to promote the financial responsibility that separated parents have for their children;
- investigate and open new channels with trusted intermediaries and other Government departments who interact with parents, families and children; and
- undertake research to understand how best to effect behavioural change and therefore begin to develop and establish a long-term programme of interventions to normalise parental responsibility.

Information and support

The Child Maintenance Options service was launched in 2008. In 2009 the Commission will build awareness and use of the service amongst the priority audience of separating and newly lone parents, and begin evaluating possible enhancements and extensions to the service to improve its offering to customers.

Existing statutory schemes

The main priorities will be to:

- sustain performance improvements, and realise the benefits of the investment made under the Operational Improvement Plan;
- continue to improve performance while preparing for the introduction of new services, including the future statutory scheme;
- strengthen the use of existing enforcement and introduce new enforcement powers; and
- enhance systems to avoid managing any cases clerically.

Preparing for the future statutory scheme

The Commission plans to introduce a completely new scheme for calculating child maintenance in 2011 that is simpler and quicker to deliver. The maintenance assessment process will be simplified to enable a faster, more accurate calculation that is easier to understand and administer based on latest available tax-year income information from HM Revenue and Customs.

The coming year will be significant in laying robust foundations for future success. Preparing for the future scheme will be the Commission's biggest investment over the coming years. Investment in 2009/10 will deliver the first year of the new contract to develop the computer system, the design of future scheme processes, and the required system interfaces with other Government departments and agencies. Planned improvements in the assessment process, collections, enforcement, automation and making self-service processes available to clients will deliver significant efficiencies and cost savings in the future.

The contract to design and build the computer system for the future scheme was awarded in March 2009. In 2009/10 the Commission will complete the design and begin to build this system and develop implementation plans for the launch of the scheme.

The programme is ambitious, the timetable is challenging, and the Commission remains committed to implementing change only when it is confident it will deliver the outcomes required.

Targets for 2009/10

The Commission published its corporate and business plans on 7 May 2009. The Corporate Plan 2009/10–2011/12 sets out the vision for the next stage of reform to the child maintenance system. The Business Plan 2009/10 provides detail on the first year's work programmes and targets.

Overall target	07/08 Actual	08/09 Actual	09/10 Target
Children benefiting (000's)	749[1]	810[2]	840[2]

Statutory only	07/08 Actual	08/09 Actual	09/10 Target
Statutory collections and arrangements **of which arrears**	1,010 **126**	1,132 **158**	1,135 **170**
Maintenance Outcomes	67%	71%	72%

[1] The children benefiting figures for 2007/08 refer to those benefiting from maintenance on statutory cases with the Child Support Agency.

[2] The figure for 2008/09 comprises 780,000 children who benefited from statutory maintenance and an estimated 30,000 benefiting from private arrangements established after contact with the Child Maintenance Options service. A more robust method of estimating those benefiting from such private arrangements will be developed during 2009/10.

Although the Commission's primary objective is to maximise effective arrangements for children who live apart from one or both parents, no reliable benchmark of current private arrangements exists. The Commission has begun a programme of research and evaluation to provide robust measures against which future performance can be reported.

Costs and Headcount

The costs of the Commission include a number of functions. The existing statutory service refers to the CSA, which is a brand name used by a division of the Commission. Investments costs are one-off costs associated with the Operational Improvement Plan and mostly for the IT upgrade. Delivery costs have increased mostly due to changes in the way costs are allocated by DWP; underlying running costs declined in line with headcount.

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

New services include the Child Maintenance Options service and the development of the future statutory maintenance service.

Investment costs cover:

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

The following table shows total revenue and capital expenditure in the period.

	2007/08 £m	2008/09 £m	2009/10 forecast £m
Existing statutory service			
Investment	58	46	17
Delivery	505	523	490
New services[1]			
Investment	–	40	70
Delivery	–	10	36
Total[2]	563	619	613

[1] New services began when the Commission was established in July 2008.

[2] The total costs for 2008/09 comprise £601 million net operating costs, grossed up for £5 million of income, and £13 million of capital expenditure.

Headcount

During 2008/09 the average number of employees (full-time equivalent) was 9,571, down from 10,480 in 2007/08.

Status and authority of the Commission

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

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

Corporate governance in the Commission

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

The Commission Board

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

Chair of the Commission

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

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

The Child Maintenance Commissioner

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

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

Board committees

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

Members of the Child Maintenance and Enforcement Commission Board

Name	Role	Date of appointment
Janet Paraskeva	Chair	19 November 2007
Stephen Geraghty	Commissioner	1 January 2008
Deborah Absalom	Non-Executive Director	10 June 2008
Rosemary Carter	Non-Executive Director	10 June 2008
Bill Griffiths	Non-Executive Director	10 June 2008
Maeve Sherlock	Non-Executive Director	10 June 2008
Heather Jackson	Non-Executive Director	1 September 2008
Alan Hardy	Executive Director	1 July 2008
Susan Park	Executive Director	1 July 2008
Keith Woodhouse	Executive Director	1 August 2008
Stephen Leonard*	Executive Director	1 June 2009

*Stephen Leonard was appointed on 1 June 2009 and did not serve during the period.

Those people appointed prior to the establishment of the Commission on 24 July 2008 were assigned to the role as either designate (in the case of the Chair and Commissioner) or conditionally on the organisation's establishment. On 24 July 2008 all positions were confirmed.

The Executive Team

The Commission's Executive Team is responsible for the executive management of the Commission.

Non-Executive Functions Committee

Report on discharge of functions

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

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

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

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

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

The members of the Committee are Maeve Sherlock (Chair), Rosemary Carter, Deborah Absalom, Bill Griffiths, Heather Jackson and Janet Paraskeva. The Committee held its inaugural meeting on 23 September 2008, where it established the Remuneration and Audit Committees.

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

The Non-Executive Functions Committee delegated the function referred to in paragraph (d) to the Audit Committee. This Committee is chaired by Bill Griffiths, and Maeve Sherlock is a member.

Remuneration Committee

At the meeting of the Non-Executive Functions Committee on 23 September 2008, it was decided to recruit at least one additional member to the Remuneration Committee from outside the Commission. The Committee has been involved in this recruitment and the appointment is effective from 1 May 2009.

During the period the Committee has also provided advice to the Commissioner on senior salaries for the Executive Team and built capacity to enable it to undertake its first review of executive director remuneration after the end of the financial year.

Audit Committee Report

The Audit Committee was formed on the creation of the Child Maintenance and Enforcement Commission.

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

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

In 2008/09 the Committee had two full members (the Commission non-executive Directors, Bill Griffiths and Maeve Sherlock). The Committee was also supported by officials from the Commission and the DWP sponsorship team, plus the National Audit Office and Risk Assurance Division.

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

Activity during the year

The Committee met twice during 2008/09, on 3 December 2008 and on 11 March 2009.

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

- **Security.** The Committee reviewed roles and responsibilities for Security in the Commission; improvement plans for information security and reports of security incidents;
- **Risk management.** The Committee provided comment on the Commission Risk Register and the process by which Commission managers escalated risk;
- **Performance reporting.** The Committee examined the current Board Performance pack, and identified ways in which it could be made more relevant to Directors' needs;
- **Accounting policies.** HM Treasury's Accounts Direction for the Commission was discussed at the first Audit Committee meeting, and the implications for year-end accounts were agreed;
- **Internal Audit.** The Committee considered an options paper for the provision of Internal Audit services to the Commission. The Committee also reviewed the findings of Internal Audit from the first few months of the Commission's audit programme.

The Audit Committee Chair also drove forward activity in between the December and March meetings. Principally:

- the recruitment of two extra members of the Non-Executive Functions Committee, in order to strengthen the Committee's capability;
- consideration of a data loss incident in the 2008/09 year (a problem involving a mailing, which has been reported in the DWP Resource Account).

The Audit Committee Chair reported back to the Board on all of the activity above at the Board's monthly meetings.

Looking forward

The Committee has a forward look for the year ahead, which it updates at each meeting. This covers all key responsibilities from the Committee's Terms of Reference and includes consideration of NAO work and quality of decision making, which are provided for in the first Committee meeting of 2009/10.

Annual Statement of Accounts for the period ended 31 March 2009

Foreword

Statutory background

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

The Commission presents its Accounts for the financial period ended 31 March 2009. The Accounts have been prepared in accordance with the direction given by the Secretary of State in pursuance of Section 18(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008.

Principal activities

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

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

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

Performance targets

The Commission adopted the CSA's performance targets for 2008/09 when its functions transferred from the DWP on 1 November 2008. The targets were set out in the Commission's 2008/09 Business Plan which was published in June 2008.

Financial results

The Commission is required, under the Child Maintenance and Other Payments Act 2008, to prepare its Accounts for the period from 24 July 2008 to 31 March 2009, and in accordance with Directions made by the Secretary of State with the consent of Her Majesty's Treasury. The Secretary of State has required the Commission to comply with the requirements of the Government Financial Reporting Manual. The Commission was established on 24 July 2008 and the DWP transferred the functions of the CSA on 1 November 2008.

The Financial Reporting Manual requires this transfer of functions to be reported under the principles of merger accounting in accordance with Financial Reporting Standard 6. As a result these financial statements present the 12 month position for the former CSA activities now undertaken by the Commission, along with comparative figures for those activities for the previous 12 months carried out wholly as the CSA. In accordance with merger accounting some of the comparative balances have been restated.

The £601.4 million net operating costs shown in the annual account for 2008/09 can be segmented into the existing statutory service and new services, with new services beginning when the Commission was established in July 2008.

Existing statutory services cost £557.5 million, split between delivery of £518.6 million and investment of £38.9 million. New services cost £43.9 million, comprising delivery of £10.6 million and investment of £33.3 million.

In the comparative figures for net operating costs in 2007/08, existing statutory services cost £556.1 million, split between delivery of £498.0 million and investment of £58.1 million. New services were not provided until 2008/09.

The Commission costs for this financial year totalled £290.3 million (see note 25) and together with the costs of the CSA that were incurred prior to the transfer of functions, of £311.1 million (note 25), the net operating costs amounted to £601.4 million (2007/08, £556.1 million restated). Capital expenditure for the period, full details of which are given in notes 6 and 7, amounted to £13.1 million (2007/08, £3.3 million). The net operating costs have been calculated after including a number of notional costs which were not charged to the CSA but which were borne centrally by the Exchequer. From 1 November 2008 there were no notional costs associated with services provided by the Department to the Commission, with all goods and services invoiced directly.

Going concern

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

As a DWP sponsored non-departmental public body the Commission's Balance Sheet at 31 March 2009 indicates more liabilities than assets. The Commission continues to be financed via the DWP, by drawings from the UK Consolidated Fund. The application for future financing of the DWP, which sponsors the Commission, will be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The establishment of the Child Maintenance and Enforcement Commission

In February 2006, the Government announced a twin-track approach to the reform of child maintenance:

- a three-year Operational Improvement Plan to stabilise the performance of the CSA alongside
- a longer-term redesign of the child maintenance system.

The longer-term review resulted in the Child Maintenance and Other Payments Act 2008 and the creation of the Commission in July 2008. The Commission was charged with taking responsibility for the functions of the CSA, which it did from 1 November 2008, completing the Operational Improvement Plan and delivering the second phase of reform: the fundamental redesign of the child maintenance system.

As a non-departmental public body, operating at arm's length from direct government control, the Commission has the flexibility to work with the public, voluntary and private sectors to deliver its aims. The primary objective of the Commission is to maximise the total number of effective maintenance arrangements, whether made privately, by court order or through the existing statutory maintenance schemes. The Commission will do this through its three core functions, which are to:

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

This covers more functions than the CSA, which had only one function: providing the statutory maintenance service.

In 2008/09 the new organisation began putting in place the infrastructure to deliver these core functions and its new services. The Commission has removed the compulsion for those parents on out-of-work benefits to apply for child maintenance and has launched a new information and support service (Child Maintenance Options) to support separated, separating and lone parents in making informed choices about maintenance arrangements. The increased child maintenance disregard now means that parents with care on benefits, who choose to use the statutory scheme, keep more of their child maintenance before their benefits are affected.

Through these core functions, the Commission will support parents in establishing effective arrangements. Over the next five years the Commission will implement services that address past failings in child maintenance; ensure that parents meet their responsibilities; and ultimately secure the best outcomes for children at the best value for the taxpayer.

Parliamentary funding

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

The Commission's work programme and expenditure plans are published in the Child Maintenance and Enforcement Commission's Business Plan for 2009/10, which was published in May 2009.

Employment of people with disabilities

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

Sickness absence data

107,656 days were lost due to sickness absence during 2008/09. This is equivalent to an average of 11.08 days per person (full-time equivalent).

Personal data related incidents

There was one incident recorded in 2008/09, with details included in the tables below.

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008/09

Statement on information risk	A range of information security improvements have been implemented based on internal audit and Cabinet Office recommendations, and managed through a formal project which reports to the DWP's Information Security Committee. This has included the separation of the Senior Information Responsible Officer and Chief Information Officer roles, the creation of an Information Asset Owner at senior level and the development of a comprehensive Information Asset Inventory. Increased senior focus has started to drive forward improved management of information risk. Work has focused on improving our information assurance maturity, and we are confident that we meet and in many areas exceed the Data Handling Review requirements. A number of areas have been identified where we can further strengthen and improve the overall management of information risk across the Commission.			
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
November 2008	Letters issued to individual clients at their employer's address rather than their home address	No personal details except name of addressee	Up to 32,000 but to date only a small number of clients have contacted the Commission or Department	–
Further action on information risk	The Commission will continue to monitor and assess its information risks, in light of the event noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems. New procedures have already been implemented which place greater control on the movement of paper documents so as to further reduce the risk to individuals. Planned steps for the coming year include the completion of security awareness training for all employees.			

Table 2: Summary of other protected personal data related incidents in 2008/09

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner's Office but recorded centrally within the Commission are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	3
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	18
V	Other	0

Commitment to equality and valuing diversity

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

Sustainable development

The Commission is currently drafting a sustainable development policy. It is working with a partner, Trillium, with a key priority to reduce carbon emissions from energy consumption. Energy-saving projects continue, such as installing under-sink water heaters and low energy lighting, bringing financial and carbon savings. Some micro-generation options have proved not to be financially viable but feasibility studies continue into combined heat and power installations.

Employee involvement

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

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

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

Pension liabilities

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

Details of the Pension Scheme are disclosed in note 3 and the Remuneration Report.

Payments to suppliers

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

A review of all payments made during the period, conducted to measure how promptly the Commission pays its bills, found that on average during the period approximately 95 per cent (2007/08, 96 per cent) of bills were paid within the 30 day target.

The Late Payment of Commercial Debts (Interest) Act 1998 which came into effect from 1 November 1998, and the Late Payment of Commercial Debts Regulations 2002, which came into force on 7 August 2002, provide all businesses and public sector bodies with the following entitlements:

i. the right to claim interest for late payment;

ii. the right to claim reasonable debt recovery costs, unless the supplier has acted unreasonably;

iii. the right to challenge contractual terms that do not provide a substantial remedy against late payment; and

iv. the right for 'representative bodies' to challenge contractual terms that are grossly unfair on behalf of small or medium sized enterprises.

In the period to 31 March 2009, £214 (2007/08, £735) interest charges have arisen or been paid to suppliers by the Child Maintenance and Enforcement Commission.

Public interest

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

External audit

These Accounts have been audited by the Comptroller and Auditor General whose certificate and report appear on pages 47–49.

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

Post Balance Sheet events

There have been no material post Balance Sheet events that require disclosure in these Accounts; the Accounts reflect the conditions that existed at the Balance Sheet date.

Signed

Stephen Geraghty
Accounting Officer
Date

Remuneration Report

Management

Appointment and remuneration of the Commissioner

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

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

Further details of remuneration are set out in this report and note 3 to the Accounts.

Service contracts

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

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

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

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

Non-Executive Directors

Appointment and remuneration of Non-Executive Directors

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

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

Further details of remuneration are set out in this report and in note 3 to the Accounts.

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

Contracts

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

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

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

All Non-Executive Directors are required to give the Chair at least one month's notice of their resignation in writing.

Remuneration policy

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

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

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

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

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

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

Methods used to assess performance.

There are four stages involved in the assessment of performance:

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

How these operate in practice is discussed below.

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

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

Remuneration and pension entitlements (audited)

The following sections provide details of the remuneration and pension entitlements of the Board members of the Child Maintenance and Enforcement Commission and also other senior officials. These have been subject to audit. Information is also included in note 24 detailing remuneration of members of the Child Support Agency Board up to 31 October 2008 and prior year figures.

Those people appointed prior to the Commission being established on 24 July 2008 were assigned to the role as either designate (in the case of the Chair and Commissioner) or conditionally on the organisation's establishment. On 24 July 2008 all positions were confirmed.

For those individuals included in this report who were previously directors of the Child Support Agency, fees or salaries were borne by the CSA and have been reported under the 'pre establishment of the Commission' column. Salaries or fees earned once they took up post in the Commission are stated in the 'post establishment of the Commission' column, providing a total salary or fees for the 12 month period. Where an individual was not a member of the CSA Board their salary or fees have been stated from the date they took up post in the Commission.

Salary

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

'Salary' includes gross salary; performance pay or bonuses and any allowance or expense to the extent that it is subject to UK taxation. The tax included has yet to be finalised and the amounts subject to taxation remain under discussion with Her Majesty's Revenue and Customs. Also included are any gross taxable allowances incurred during the period. This presentation is based on payments made by the Commission and thus recorded in these accounts.

Other expenses for directors and other senior officials, incurred as part of carrying out official duties but which are not subject to UK taxation, will be disclosed on the Commission website www.childmaintenance.org. They will be reported quarterly, beginning in 2009/10.

Commission Board members and other senior officials

Non-Executive Directors

		Fees pre establishment of the Commission £'000	Fees post establishment of the Commission £'000	Total Fees in period £'000
Janet Paraskeva	Chair	30–35	65–70	95–100
Deborah Absalom		–	15–20	15–20
Rosemary Carter		–	15–20	15–20
Bill Griffiths		10–15	15–20	30–35
Maeve Sherlock		–	15–20	15–20
Heather Jackson (from 1 Sept 2008)		–	10–15	10–15

Executive Directors

		Salary pre establishment of the Commission £'000	Salary post establishment of the Commission £'000	Total Salary in period £'000
Stephen Geraghty	Commissioner	115–120	155–160	270–275
Alan Hardy	Finance and Assurance	65–70	125–130	190–195
Susan Park	Corporate Affairs	45–50	85–90	135–140
Keith Woodhouse	Change	70–75	110–115	180–185

Other senior officials

		Salary pre transfer to the Commission £'000	Salary post transfer to the Commission £'000	Total Salary in period £'000
Simon McKinnon (from 8 Sept 2008)	Information and Technology Director	–	70–75	70–75
Mark Grimshaw (from 1 Nov 2008)	Managing Director CSA Division	130–135	85–90	215–220
Ian Pavey (from 1 Nov 2008)	Human Resources Director	110–115	70–75	180–185
Ian Wright (from 1 Feb 2009)	Corporate Services Director	–	15–20	15–20

Benefits in kind

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

Non-cash remuneration

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

Compensation to former senior managers

The Commission did not make any awards to former senior managers.

Payments for loss of office

The Commission did not make any payments for loss of office.

Civil Service pensions

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

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

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

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

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

The Cash Equivalent Transfer Value (CETV)

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

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

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

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

Real increase in CETV (audited)

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

Pension entitlements	Accrued pension at pension age as at 31 March 2009 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2009 £'000	CETV at 31 March 2008 restated £'000	Real increase in CETV £'000	Employer contribution to Partnership pension account £'000
Stephen Geraghty Commissioner	15–20	2.5–5.0	324	250	47	–
Alan Hardy Finance and Assurance Director	5.0–7.5	0–2.5	70	44	19	–
Susan Park Corporate Affairs Director	42.5–45.0 plus 130.0–132.5 lump sum	5–7.5 plus 17.5–20.0 lump sum	713	562	107	–
Keith Woodhouse Change Director	5.0–7.5	0–2.5	87	50	29	–
Simon McKinnon Information and Technology Director	0–2.5	0–2.5	13	–	11	–
Mark Grimshaw Managing Director CSA Division	10–15 plus 30–32.5 lump sum	0–2.5 plus 2.5–5 lump sum	168	135	21	–
Ian Pavey Human Resources Director	5–7.5	0–2.5	82	49	25	–
Ian Wright Corporate Services Director	0–2.5	0–2.5	25	–	24	–

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

Janet Paraskeva and the other Non-Executive Directors do not receive a pension for their role in the Child Maintenance and Enforcement Commission.

Restated CETV at 31 March 2008

As the factors used in calculating the Cash Equivalent Transfer Value (CETV) were updated in October 2008, the CETV figures have been restated at 31 March 2008. As a result of this the opening CETV of the 2008/09 calculations is likely to be different from the closing CETV from the 2007/08 calculations.

Signed

Stephen Geraghty
Accounting Officer
Date

Statement of Accounting Officer's responsibilities

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

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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

The responsibilities of an Accounting Officer, including responsibility for

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

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

Statement on internal control

1. Scope of responsibility

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

Under the Commission's *Framework Document* (paragraph 3.4.2), I am responsible to Parliament for signing a Statement on Internal Control, which sets out the key control challenges facing the Commission.

On 1 November 2008 the Child Support Agency's (CSA) functions were transferred to the Commission, under the Child Maintenance and Other Payments Act 2008. I was also Accounting Officer for the Child Support Agency from 1 April to 31 October 2008, and the Agency had its own governance and assurance arrangements, which I have drawn on in preparing this statement on internal control.

In its first year, the Commission has introduced a number of early improvements to the child maintenance system, and faced significant internal control challenges throughout a period of organisational and process change. It has also delivered further improvements to the existing statutory maintenance schemes in the third and final year of the CSA's Operational Improvement Plan, having inherited responsibility for its completion.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Commission policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the Commission from the point of vesting on 24 July 2008 for the year ending 31 March 2009, and for the Child Support Agency from 1 April 2008 up to the transfer of its functions to the Commission on 1 November 2008. This system accords with Her Majesty's Treasury guidance, except for the matters noted below.

3. Capacity to handle risk

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

The Commission has a number of tools, including a risk management framework, standardised guidance, templates, desk aids and a risk management intranet site.

These tools were used to drive up the quality of risk management during the period through a programme of awareness sessions and risk workshops.

4. The risk and control framework

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

Information risk acquired fresh importance during 2008/09. The Commission appointed an Information Asset Owner and supporting team. Information security featured as a risk on the Commission's strategic risk register, which was regularly reviewed by the Executive Team. As well as the overall risk register review, the Executive Team also looked at specific aspects of the information security risk during the year.

During the year progress was made in the following areas:

- appointment of senior executives as senior information risk owner and information asset owner;
- all IT releases achieved security accreditation;
- formal data transfer processes were established, covering any movement of data into or out of the Commission;
- security awareness was improved in 2008/09, with a programme of communications and presentations to senior management; a mandatory e-learning course was also developed.

At the end of 2008/09, directors provided letters of assurance confirming that they had complied with the Commission risk procedures. Specific concerns raised have been reflected as appropriate within section 6 of this Statement.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. In 2008/09 my review was informed by the work of our internal auditors, the Audit Committee, executive managers across the organisation with responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The paragraphs below set out the Commission's main governance structure. This structure was in place for the Commission throughout the period November 2008 to March 2009. Before November 2008, the CSA governance structure provided the framework for controlling the organisation. In compiling this Statement on Internal Control for the Commission, we have taken assurance from the CSA's governance and assurance arrangements.

The Commission Board. The Commission Board is required to satisfy itself that effective arrangements are in place to secure assurance on risk management, governance and internal control. The Commission Board met six times in 2008/09, following creation of the Commission.

Non-Executive Functions Committee. This body comprises all the non-executive directors. It is established under Schedule 1 paragraph 20 of the Child Maintenance and Other Payments Act 2008. The Non-Executive Functions Committee oversees the work of the principal non-executive committees, the Audit Committee and the Remuneration Committee, and met once in 2008/09.

Audit Committee. The Commission Audit Committee had two full meetings over the period December 2008 to March 2009. In line with HM Treasury guidance, the Audit Committee comprises non-executive members of the Board and provides leadership and advice on internal control matters and related assurances.

Remuneration Committee. The Remuneration Committee met once in 2008/09. Its primary function is to advise the Non-Executive Functions Committee on the pay, terms and conditions of the Commissioner and the Executive Board members.

The Commission's executive governance comprises the following bodies:

Executive Team. In 2008/09 this met on average every two weeks and is the primary decision-making forum for the Commission.

Strategy and Policy Forum. The role of the Commission's Strategy and Policy Forum is to recommend policy decisions to the Commission Board and provide assurance that decisions set are being implemented as intended across the full organisation. The Forum also oversees the Commission's legislative programme. The Strategy and Policy Forum met on a monthly basis in 2008/09.

Change Programme Board. The Operational Improvement Plan and other major programmes are managed through a Change Programme Board. In 2008/09 the Change Programme Board met monthly and was supported by various programme sub-committees which met on a two-weekly basis.

Management forums. The above forums are complemented by a set of management forums as laid out in a comprehensive Corporate Governance Handbook, which is available to all Commission employees via the intranet.

There were many sources of assurance available to the Commission during 2008/09, including periodic and ad hoc management monitoring, externally commissioned reviews and an independent, risk-based internal audit programme. The findings from internal audit work have continued to reflect the improving trend in governance, risk management and control, but overall internal audit provides only a limited assurance that material risks are identified and managed effectively. This reflects the inherently challenging risk management agenda for the Commission and some of the longstanding and deep-rooted systems issues inherited from the Child Support Agency.

6. Significant internal control challenges

The Commission inherited several significant control challenges from the Child Support Agency.

Significant control challenges identified in the CSA's 2006–09 Operational Improvement Plan and in successive internal audit annual assurance reports were information technology, management information, security and client funds accounting. Action plans were developed to address each of these.

Information technology. The CSA had experienced major problems with computer systems. These included weaknesses in management information, security and client funds accounting (which are covered below). Other issues included:

- *General throughput of work.* Many manual workarounds still existed and a large number of 'stuck' cases were experiencing technical problems. ('Stuck' cases could not be dealt with on the system, and had to be clerically processed).
- *Workflow management.* The CSA had brought in a Standard Operating Model under its Operational Improvement Plan. This model required more specialisation in the workforce and consistent practices, and could only be fully achieved through a strong workflow management system which could route cases to the correct caseworker.

A major upgrade to the CS2 system therefore took place in September 2008, in order to introduce a new business operating environment. The upgrade was implemented smoothly and is generally considered:

- to have addressed the workflow and security problems;
- to have made substantial progress in dealing with throughput problems, although there is still more to be done; further changes in May 2009 addressed some of the remaining IT issues, and a reload onto the system of cases currently being handled off-system is planned later during the 2009/10 financial year.

Management information. Lack of robust management information had long been an issue for the CSA. Prior to the Operational Improvement Plan, managers were reliant on a mixture of inaccurate system-generated management information and fallible clerically generated management information.

Through the three years of the Operational Improvement Plan, the position steadily improved, with management information now being used to drive performance improvement. However, many issues remain over the robustness, timeliness and completeness of this information, in particular over:

- *Arrears information.* For example, the ageing of arrears and the lack of integration of the various arrears balances. An IT release in March 2009 has partially addressed this issue.
- *Complaints information.* The computer system used to manage complaints is slow and inflexible; a system release in 2009/10 is expected to address this issue.
- *Team level information.* A fault emerged following the CS2 upgrade mentioned above. This involved a lack of system-generated management information below geographical area level. An internal audit report highlighted this issue and made recommendations to deal with it. The audit recommendations are now in hand.

Security. In 2007/08 there was growing public and media focus on data security. This was followed up by new Cabinet Office requirements as set out in *Data Handling Procedures in Government*, June 2008, and a new *HM Government Security Policy Framework*, December 2008.

The CSA produced a plan for improving security to the required standard, and this was taken forward by the Commission following the transfer of functions. The plan was kept under review by internal audit, DWP Security and the Audit Committee. The security plan is currently on schedule.

A historic issue around security is that the CS2 computer systems have had weaknesses in management checking and the logging of work done. During 2008/09 various IT upgrades were successful in plugging these gaps and gaining CS2 full security accreditation.

The Commission's other main operating system, CSCS, has always had stronger security features than CS2 and was never required by DWP to seek full security accreditation. However, the Commission will be carrying out a risk assessment of CSCS in 2009/10, in order to establish whether the CSCS security controls need improvement.

Accounting for client funds. The Commission operates separate general ledgers for each of its two operational systems, CSCS and CS2, and a single bank account, which is reconciled to the ledgers on a daily basis. Unreconciled bank items presented a major control weakness in recent years, but management focus on this area has succeeded in reducing the problem significantly and to manageable levels.

As originally devised and implemented, the CS2 system lacked sub-ledger functionality and hence case level balances, giving rise to a serious weakness in accounting and control. This issue has been addressed by an IT release in March 2009.

Another issue is that of incorrect calculations in maintenance assessments. This has led to uncertainty around reported arrears. The Commission has improved accuracy recently, but the accumulated inaccuracies arising mainly from earlier years continue to affect arrears balances, which have accumulated over many years.

7. Conclusion

As I explained in section 1, the Commission is operating in an inherently challenging environment. Real and lasting benefits in performance and control were delivered by the CSA's Operational Improvement Plan, but some serious underlying problems accumulated over the 16-year life of the CSA and have been inherited by the Commission following transfer of the CSA's functions in November 2008. The Commission is designing and building a future statutory scheme for launch in 2011 which will not be burdened with the historical problems of the CSA, but the Commission will also continue to improve the existing schemes in the meantime.

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

Signed

Stephen Geraghty
Accounting Officer
July 2009

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

I certify that I have audited the financial statements of the Child Maintenance and Enforcement Commission (the Commission) for the period ended 31 March 2009 under the Child Maintenance and Other Payments Act 2008. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Child Maintenance and Other Payments Act 2008 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with the relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Child Maintenance and Other Payments Act 2008 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Child Maintenance and Other Payments Act 2008 and directions made thereunder by HM Treasury, of the state of the Commission's affairs as at 31 March 2009 and of the net operating cost, recognised gains and losses and cash flows for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Child Maintenance and Other Payments Act 2008 and HM Treasury directions made thereunder; and
- information included within the Annual Report is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Operating Cost Statement for the period ended 31 March 2009

	Notes	2008/09 £'000	2007/08 (restated) £'000
Operating costs			
Staff costs	3	258,186	264,924
Other costs	4	347,948	294,553
Gross operating costs		606,134	559,477
Operating income	5	(4,694)	(3,339)
Net operating costs		601,440	556,138

All income and expenditure is derived from continuing operations.

This statement should be read in conjunction with notes 1.1, 25 and 26.

Statement of Recognised Gains and Losses for the period ended 31 March 2009

There are no recognised gains and losses for the period (2007/08, nil).

The notes on pages 53 to 82 form part of these Accounts.

Balance Sheet as at 31 March 2009

	Notes	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
Fixed Assets			
Intangible fixed assets	6	6,473	492
Tangible fixed assets	7	9,635	3,960
Current assets			
Debtors	8	8,560	3,137
Cash at bank and in hand	9	1,993	–
		10,553	3,137
Current liabilities			
Creditors falling due within one year	10	(58,240)	(43,746)
Net current liabilities		(47,687)	(40,609)
Total assets less current liabilities		(31,579)	(36,157)
Provisions for liabilities and charges	11	(10,132)	(3,500)
		(41,711)	(39,657)
Financed by Taxpayers' Equity			
General Fund	12	(41,755)	(39,701)
Revaluation Reserve	13	44	44
		(41,711)	(39,657)

This statement should be read in conjunction with notes 1.1, 25 and 26.

The notes on pages 53 to 82 form part of these Accounts.

Signed

Stephen Geraghty
Accounting Officer
Date

Cash Flow Statement for the period ended 31 March 2009

	Notes	2008/09 £'000	2007/08 (restated) £'000
Net cash outflow from operating activities	14 (i)	(519,909)	(431,777)
Capital expenditure and financial investment	14 (ii)	(6,864)	(3,343)
Payments of amounts due to the Consolidated Fund		(1,229)	(1,053)
Financing	14 (iii)	529,995	436,173
Net cash inflow for the period		1,993	–

This statement should be read in conjunction with note 1.1.

The notes on pages 53 to 82 form part of these Accounts.

Notes to the Accounts for the period ended 31 March 2009

1. Statement of accounting policies

The Accounts have been prepared in accordance with the 2008/09 Government Financial Reporting Manual issued by Her Majesty's Treasury. The accounting policies contained in the Government Financial Reporting Manual follow Generally Accepted Accounting Practice for companies in the UK, to the extent that it is meaningful and appropriate in the public sector context.

Where the Government Financial Reporting Manual permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The Child Maintenance and Enforcement Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the Accounts.

1.1 Basis of Accounts

The Commission is required, under the Child Maintenance and Other Payments Act 2008, to prepare its Accounts for the period from 24 July 2008 to 31 March 2009, and in accordance with Directions made by the Secretary of State with the consent of Her Majesty's Treasury. The Secretary of State has required the Commission to comply with the requirements of the Financial Reporting Manual. The Commission was established on 24 July 2008 and the DWP transferred the functions of the CSA on 1 November 2008.

The Financial Reporting Manual requires this transfer of functions to be reported under the principles of merger accounting in accordance with Financial Reporting Standard 6. As a result these financial statements present the twelve month position for the former CSA activities now undertaken by the Commission, along with comparative figures for those activities for the previous twelve months carried out wholly as the CSA. In accordance with merger accounting some of the comparative balances have been restated. The changes are detailed in note 26.

In compliance with the Act, the Commission is also required to provide information on the activities undertaken by the Commission alone, excluding the costs and revenues of the CSA prior to its transfer to the Commission. This information is presented in note 25 to the Accounts.

There are some limited transactions between the Commission and the Client Funds Account, which is published separately, and these are accounted for in both sets of Accounts. The main areas are in note 4, included in special payments, refunds and deferred debt, bad debts written off and in the debtors note 8 for monies due from clients (included in other debtors).

1.2 Accounting convention

The Accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the business, by reference to their current costs.

1.3 Intangible fixed assets

Expenditure on purchased computer software licences covering a period of more than one year are capitalised as intangible fixed assets. Capitalised software licences are amortised over the shorter of the licence period or five years, with amortisation commencing in the month following acquisition. Capitalised software licences are not revalued. Expenditure on annual software licences is charged to the Operating Cost Statement.

1.4 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost or recoverable amount.

Computer hardware and owned software, where out of the scope of the Transformation of EDS Services (TREDSS) contract, and over the capitalisation threshold of £100, are treated as capital assets. For plant and machinery assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation level, but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a capital asset. On initial recognition assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition.

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

Internally developed software is capitalised if it meets the criteria specified in the Government Financial Reporting Manual, which are adapted from SSAP 13 to take account of the not-for-profit context. Costs are classified as assets under construction until the asset is brought into service. Expenditure which does not meet the criteria for capitalisation is treated as an administration cost in the period in which it is incurred.

Each year, the realised element of the Revaluation Reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the Revaluation Reserve to the General Fund.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund.

1.5 Land and buildings

The Commission does not include in its Balance Sheet capital values for the freehold and leasehold land and buildings which it occupies under the Private Sector Resource Initiative for Management of the Estate (PRIME) and Newcastle Estates Development (NED) contracts. In accordance with FRS 5 the contracts have been treated as an operating sale and leaseback, as the risks and rewards of ownership have been substantially transferred to the contractor.

The Commission has included on its balance sheet the capital value of a new building previously reported as Assets Under Construction relating to a new building, Callendar Gate. The building was brought into use in February 2009.

1.6 Depreciation

Depreciation is provided on all tangible fixed assets, with the exception of Assets Under Construction, using the straight-line method, at rates calculated to write off the current replacement cost (less any estimated residual value) of each asset, in equal instalments over its expected useful economic life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal. Assets under construction are not depreciated until the asset is brought into use.

Tangible fixed assets are depreciated over the following expected useful economic lives:

Land and buildings	50 years
Computer systems	3 to 5 years
Plant and machinery	5 to 10 years
Furniture and fittings	7 to 10 years

1.7 Stocks

The Commission holds stocks of stationery, computer spares and similar consumable materials. Due to the nature of these items the Commission does not consider it appropriate to reflect their value in the Balance Sheet. Accordingly the Commission has charged all expenditure on consumable items to the Operating Cost Statement.

1.8 Operating income

Operating income is income which relates directly to the administration activities of the Child Maintenance and Enforcement Commission. It principally comprises fees and charges for services provided on a full cost basis to external clients as well as charges to the Department for Social Development Northern Ireland for IT and telephony services. It includes both income appropriated-in-aid of the Estimate and income to be surrendered to the Consolidated Fund, which in accordance with the Government Financial Reporting Manual is treated as operating income (see note 5).

1.9 Operating expenditure

The Operating Cost Statement is analysed by administration costs only; the Commission has no programme expenditure. Administration costs reflect the costs of funding the Commission as defined under the Administration 'Cost Control Regime', together with associated administration income. Income is analysed in the notes between that which is allowed to be offset against gross administration costs, in determining the outturn against the Administration 'Cost Limit', and that administration income which is not.

1.10 Capital charge

A credit reflecting the cost of capital utilised by the Child Maintenance and Enforcement Commission is included in notional costs (see note 4). The credit is calculated at the real rate set by Her Majesty's Treasury on the average carrying amount of all assets less liabilities, except for the following where the credit is nil:

a) cash balances with the Office of the Paymaster General, and

b) assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund.

The current rate is 3.5 per cent (2007/08, 3.5 per cent).

1.11 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, details of which are described in the Remuneration Report. The defined benefit element of the Principal Civil Service Pension Scheme is unfunded and is non-contributory except in respect of dependent's benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Principal Civil Service Pension Scheme. The Commission meets the cost of pension cover provided for the people it employs by payment of charges calculated on an accruing basis. In respect of the defined contribution elements of the Principal Civil Service Pension Scheme, the Commission recognises the contributions payable for the period.

There is a separate scheme statement for the Principal Civil Service Pension Scheme as a whole. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

1.12 Early departure costs

The Commission meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme benefits, in respect of employees who retire early, by paying the required amounts annually to the Principal Civil Service Pension Scheme over the period between early departure and normal retirement date. The Commission provides for this in full when the early retirement programme becomes binding on the Commission by establishing a provision for the estimated payments, discounted by Her Majesty's Treasury discount rate of 2.2 per cent (2007/08, 2.2 per cent) in real terms.

1.13 Provisions

The Commission provides for legal or constructive obligations, which are of uncertain timing or amount at the Balance Sheet date, on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows are discounted using Her Majesty's Treasury discount rate of 2.2 per cent (2007/08, 2.2 per cent) in real terms.

1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Commission discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which, prior to the Commission entering into the agreement, are reported to Parliament by Departmental Minute; and

- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the Accounts), which are required by the Government Financial Reporting Manual to be noted in the Accounts.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under FRS 12, are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.15 Leases

There are no finance leases (as defined by SSAP 21) held by the Child Maintenance and Enforcement Commission.

Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.16 Private Finance Initiative (PFI) transactions

The Commission has not entered into any PFI contracts.

The Commission utilises services provided under PFI contracts held by the DWP for which full details are disclosed in the DWP and Pensions' Resource Account.

1.17 Value Added Tax (VAT)

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

The Commission is registered for VAT and any VAT balances due to the organisation are shown in the Accounts (note 8).

1.18 Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognised when the Commission becomes party to the contracts that give rise to them. The Commission determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by FRS 26 as appropriate. They are derecognised when the right to receive cash flows has expired or the Commission has transferred substantially all the risks and rewards of ownership or control of the asset. It is, and has been, the Commission's policy that no trading in financial instruments is undertaken.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade receivables is usually the original invoiced amount.

Cash at bank and in hand comprises cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the cash flow statement, cash at bank and in hand is as defined above net of outstanding bank overdrafts.

Available for sale financial assets

The Commission does not hold any available for sale assets.

Financial liabilities measured at amortised cost

Trade creditors and accruals are non interest bearing and are initially recognised at fair value and subsequently stated at amortised cost. The fair value of financial liabilities is usually the original invoiced amount.

Fair value

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

Impairment of financial assets

The Commission assesses at each Balance Sheet date whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the Balance Sheet date. If such events have had an impact on the estimated future cash flows of the financial instrument they are impaired. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

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

1.19 Third-party assets

The Commission holds temporarily, as custodian, monies belonging to third parties relating to maintenance collected under the existing statutory schemes. These are disclosed in note 21 and also in the Client Funds Account which is published separately.

1.20 Northern Ireland Child Maintenance and Enforcement Division

The Commission's Belfast centre is housed in Great Northern Tower along with the Northern Ireland Child Maintenance and Enforcement Division. All people working in the Child Maintenance and Enforcement Commission's Belfast centre are employees of the Department for Social Development Northern Ireland, which initially bears the cost of running the centre. All of these costs are reimbursed by the Commission and are included in the Operating Cost Statement.

2. Segmental analysis

The costs of the Commission have been incurred across a number of functions. The existing statutory service is the operation of the existing statutory maintenance schemes, which are due to close in 2014. The investment already made in the Operational Improvement Plan has continued to improve outcomes for clients on these schemes. Delivery costs cover the costs of running the statutory maintenance schemes.

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

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

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

	Notes	2008/09 £'000	2007/08 £'000
Existing statutory service			
Investment		38,936	58,180
Delivery		518,617	497,958
New services[1]			
Investment		33,303	–
Delivery		10,584	–
Total[2]		**601,440**	**556,138**

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

2 The net operating costs comprise gross operating costs of £606 million expenditure, less income of £5 million. In addition there were £13 million of capital additions (notes 6 and 7).

3. Staff numbers and related costs

a) Staff costs consist of:

	2008/09 Directly employed people £'000	2008/09 Others £'000	2008/09 Total £'000	2007/08 Total (restated) £'000
Wages and salaries	199,958	11,945	211,903	215,721
Employers' National Insurance costs	12,804	93	12,897	13,560
Superannuation and pension costs	33,374	12	33,386	35,643
Total	**246,136**	**12,050**	**258,186**	**264,924**

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008/09 normal employers' contributions of £33.4 million (2007/08 restated, £35.6 million) were payable to the Principal Civil Service Pension Scheme at one of four rates in the range 16.2 per cent to 24.6 per cent (2007/08, 16.2 per cent to 24.6 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employers' contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Outstanding contributions amounting to £3.2 million (2007/08, £3.6 million) were payable to the Civil Superannuation Vote at 31 March 2009 and are included in creditors (note 10).

Employees joining after 1 October 2002 could opt to open a Partnership Pension Account, which is a stakeholder pension with an employers' contribution. Employers' contributions of £87,684 (2007/08, £105,992) were paid to one or more of a panel of four appointed stakeholder pension providers. Employers' contributions are age-related and range from 3 per cent to 12.5 per cent (2007/08, 3 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions of up to 3 per cent of pensionable pay. In addition, employers' contributions were paid to the Principal Civil Service Pension Scheme to cover the cost of the future provision of lump sum benefits on death-in-service and ill-health retirement of these employees. Contributions due to the Partnership Pension providers at the Balance Sheet date were £8,420 (2007/08, £10,179). Contributions prepaid at that date were £nil.

During the period 13 people (2007/08, 8 people) retired on ill-health grounds; the total additional accrued pension liabilities in the period amounted to £23,921 (2007/08, £13,254).

b) Average number of people employed

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

	2008/09 Directly employed	2008/09 Others	2008/09 Total	2007/08 Total
Total	9,332	239	9,571	10,480

4. Other costs

	Notes	2008/09 £'000	2007/08 (restated) £'000
Computer systems costs and IT service charges		155,883	135,042
Hire of plant and machinery		272	139
Other operating leases		433	–
Special payments	4a/22	6,098	5,825
Accommodation costs		30,434	28,591
Contracted out services		35,427	28,918
General office expenses		7,726	4,753
Consultancy		6,432	3,210
Printing, postage, publicity and stationery		4,063	4,725
Professional fees		1,144	1,818
Staff expenses		13,200	12,208
Refund payments and deferred debt payment		7,594	7,391
Bad debts written off		3,345	662
Impairment charges – debt		282	300
Impairment charges – fixed assets	7	851	–
Services provided by Northern Ireland Child Maintenance and Enforcement Division	4b	28,546	28,139
Corporate charges	4c	34,972	27,387
Depreciation/amortisation of fixed assets	6/7	659	1,107
Other		4,728	1,174
Movement in provisions for the period	11	6,879	3,500
Cost of capital credit		(1,594)	(861)
Auditor remuneration and expenses	4c	574	525
		347,948	294,553

	2008/09 £'000	2007/08 (restated) £'000
The above totals comprise:		
Cash items – directly charged	265,281	179,664
Non-cash items – provided without the transfer of cash:		
Notional – recharged	72,245	109,982
Other	10,422	4,907
Total	82,667	114,889
	347,948	294,553

a. Figure consists of compensation payments £3.876 million (2007/08, £4.407 million), advance payments of maintenance £1.098 million (2007/08, £1.096 million), special payments to staff/contractors/public £659 thousand (2007/08, £nil) and interest payable at £465 thousand (2007/08, £322 thousand) which represents payments to clients in lieu of bank interest lost due to late maintenance payments.

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

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

- Auditor remuneration which represents the cost of the audit of the Administration and Client Funds Accounts carried out by the Comptroller and Auditor General. Costs for the Administration Account were £130,000 (2007/08, £131,000) and for the Client Funds Account were £425,500 (incl. VAT) (2007/08, £394,000 (VAT was not included as in 2007/08 this was a notional charge)). Also included is the cost of audit work performed in respect of the implementation of International Financial Reporting Standards.
- IT costs, incurred by the DWP Corporate IT function.
- Corporate centre costs such as internal audit and planning.
- All other services provided by the DWP and Pensions.

5. Income and appropriations-in-aid

Operating income

Operating income not appropriated-in-aid (i.e. transferred to the Consolidated Fund (supply)) is analysed for resource budget purposes by distinguishing between that which is included in public expenditure and that which is not. In 2008/09 all operating income not classified as appropriations-in-aid was included in public expenditure.

The following analysis of income for services provided to external and public sector customers is provided for fees and charges purposes, not for SSAP 25 purposes (with comparatives):

	2008/09			2007/08		
	Appropriated-in-aid £'000	Payable to Consolidated Fund £'000	Total £'000	Appropriated-in-aid £'000	Payable to Consolidated Fund £'000	Total £'000
Operating income						
Fees and charges to clients	(840)	–	(840)	(218)	–	(218)
Fees and charges to other government departments	(2,561)	–	(2,561)	(2,066)	–	(2,066)
Consolidated Fund Extra Receipts	–	(1,282)	(1,282)	–	(1,055)	(1,055)
Secondment income	(11)	–	(11)	–	–	–
	(3,412)	(1,282)	(4,694)	(2,284)	(1,055)	(3,339)

An analysis of income from services provided to external and public sector clients is as follows:

	2008/09			2007/08		
	Income £'000	Full cost £'000	Surplus /Deficit £'000	Income £'000	Full cost £'000	Surplus /Deficit £'000
Sundry income	(840)	840	–	(218)	218	–
Income from other government departments	(2,561)	2,561	–	(2,066)	2,066	–
Secondment income	(11)	11	–	–	–	–
	(3,412)	3,412	–	(2,284)	2,284	–

6. Intangible fixed assets

The Commission's intangible fixed assets comprise purchased software licences.

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

All intangible fixed assets are owned by the Child Maintenance and Enforcement Commission.

	Notes	2008/09 £'000	2007/08 £'000
Purchases of intangible fixed assets	14(ii)	–	801
Capital expenditure accruals as at 31 March	10	6,279	–
		6,279	801

7. Tangible fixed assets

	Notes	Computer systems £'000	Plant and machinery £'000	Furniture and fittings £'000	Land and buildings £'000	Assets Under Construction (Note 7c) £'000	Total £'000
Cost or valuation							
As at 1 April 2008		3,459	463	648	–	2,509	7,079
Additions	7a	–	–	34	–	6,830	6,864
Transfers in		23	–	–	–	–	23
Reclassification		–	–	–	9,339	(9,339)	–
As at 31 March 2009		3,482	463	682	9,339	–	13,966
Depreciation							
As at 1 April 2008		2,353	446	320	–	–	3,119
Charged in year	7b	266	6	65	24	–	361
Impairment		851	–	–	–	–	851
As at 31 March 2009		3,470	452	385	24	–	4,331
Net book value as at 31 March 2009		12	11	297	9,315	–	9,635
Net book value as at 1 April 2008		1,106	17	328	–	2,509	3,960

a. Additions in the period were £6.86 million (2007/08, £2.54 million).

b. Depreciation in the period was £0.36 million (2007/08, £797,800). There is also an impairment of £0.85 million (2007/08, £nil).

c. During the period the Commission incurred £6.83 million (2007/08, £2.51 million) on assets in the course of construction. This expenditure relates to a new building at Callendar Gate in Falkirk. This work is part of a wider programme which is being managed on the Commission's behalf by Telereal Trillium. Total expenditure on the programme is estimated at £14 million, of which £0.41 million is disclosed as a capital commitment (see note 15). As the new building, Callendar Gate, came into use in February 2009 the cost of the building has now been reclassified under Land and buildings rather than Assets Under Construction.

8. Debtors

	Notes	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
Deposits and advances	8a	355	272
Other prepayments and accrued income		–	325
Balances with the Department for Work and Pensions		493	349
Value Added Tax		3,620	–
Other government departments		2,201	322
Trade debtors		689	7
Other debtors		14,293	14,719
Impairment provision	8b/8c	(13,091)	(12,857)
		8,560	3,137

a. Deposits and advances due within one year include £78,175 (2007/08, £102,627) of house purchase advances due from 12 employees (2007/08, 14 employees).

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

	Debtor £'000	Provision £'000	Net £'000
Balance as at 1 April 2008	12,350	(12,350)	–
Net movement during the period	–	–	–
Balance as at 31 March 2009	12,350	(12,350)	–

c. An impairment review has been carried out for all the debts against payments recoverable from clients and ex-employees. At 31 March 2009 the impairment provision was £741,000 (2007/08, £507,000).

Balances with other government departments

	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
Balances with other government departments	7,753	2,009
Balances with bodies external to government	807	1,128
	8,560	3,137

9. Cash at bank and in hand

	As at 31 March 2009 £'000	As at 31 March 2008 £'000)
Balance at 1 April	–	–
Increase in cash for the period		
Office of the Paymaster General	1,964	–
Commercial banks	29	–
Balance as at 31 March	1,993	–

The Commission holds its own bank accounts with the Office of Paymaster General and HSBC and they are reported above. There is a nil balance in the comparative column because the CSA did not have any bank accounts and used those of the DWP, which were reported in the Departmental Resource Account.

10. Creditors

	Notes	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
Amounts falling due within one year:			
Taxation and National Insurance		4,303	3,784
Superannuation		3,168	3,628
Trade creditors		1,923	3,407
Other creditors		645	17
Other government departments		943	23
Accruals and deferred income – non capital		30,648	32,883
Accruals and deferred income – capital	6	6,279	–
Balances with Department for Work and Pensions		10,275	2
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund – received		56	2
		58,240	43,746

Balances with other government departments

	Amounts falling due within one year	
	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
Balances with other government departments	27,525	7,436
Balances with bodies external to government	30,715	36,310
	58,240	43,746

11. Provision for liabilities and charges

	As at 31 March 2009 £'000	As at 31 March 2008 (restated) £'000
Early departure and pension provision	72	–
Other provisions	10,060	3,500
	10,132	3,500

Early departure and pension provision

	Notes	2008/09 £'000
Balance as at 1 April		–
Amounts utilised in period		(3)
Increase in provisions:		
New entrants	4	75
Movement	4	–
Uplift	4	–
		72
Unwinding of discount	4	–
Balance as at 31 March		72

Other provisions

	Notes	2008/09 Parklands remedial work Note (a) £'000	2008/09 Contractual provisions Note (b) £'000	2008/09 Office closure costs Note (c) £'000	2008/09 Total other provisions £'000
Balance as at 1 April 2008		3,500	–	–	3,500
Increase in provisions:					
New provision	4	200	4,263	2,341	6,804
		3,700	4,263	2,341	10,304
Amounts utilised in period		(244)	–	–	(244)
Balance as at 31 March 2009		3,456	4,263	2,341	10,060

a. In 1998 the Department (formally the Department of Social Security) entered into a sale and leaseback agreement with Telereal Trillium for the Departmental estate.

The Department and Telereal Trillium have agreed the scale and scope of the remedial work at Parklands which commenced at the end of the 2008/09 financial period. The remaining costs of the remedial work are £3.456 million and this amount has been fully provided at 31 March 2009.

b. Other contractual provisions represent the end of contract payments for three separate contracts, relating to legal enforcement, clerical cases and the development of the new client funds ledgers. The timing and value of these remain uncertain and the estimate of £3.268 million represents management's best estimate of the amounts eventually due. In addition a provision has been made for employees who have agreed to change their working patterns. This will be effective from June 2009 and this is estimated at £995,000.

c. The provision is in relation to office closure costs for Antonine House, Falkirk. The 12 month notice period was provided in March 2009 and the costs are expected to be incurred through 2009/10 as the building is vacated.

12. Reconciliation of net operating costs to movements in General Fund

	Notes	2008/09 £'000	2007/08 (restated) £'000
Net operating costs		(601,440)	(556,138)
Income not appropriated-in-aid payable to the Consolidated Fund	5	(1,282)	(1,055)
Financing	14 (iii)	529,995	436,173
Notional recharges	4	72,245	109,982
Transfer to General Fund of realised element of Revaluation Reserve	13	–	11
Cost of capital	4	(1,594)	–
Fixed asset transfers	7	23	(1,315)
Other		(1)	(7)
Net movement in General Fund		(2,054)	(12,349)
General Fund as at 1 April		(39,701)	(27,410)
Prior Year adjustment		–	58
General Fund as at 31 March		(41,755)	(39,701)

The General Fund represents the historical cost of the assets employed by the Commission in its operations.

13. Reserves

	Notes	2008/09 £'000	2007/08 £'000
Revaluation Reserve			
Balance as at 1 April		44	55
Transfer to General Fund of realised element of Revaluation Reserve	12	–	(11)
Balance as at 31 March		**44**	**44**

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

14. Cash flow notes

	Notes	2008/09 £'000	2007/08 (restated) £'000
i) Reconciliation of net operating costs to net cash flow from operating activities			
Net operating costs		(601,440)	(556,138)
Depreciation	7	361	798
Amortisation	6	298	309
Fixed asset impairment	7	851	–
Notional recharges	4	72,245	109,982
Cost of capital credit	4	(1,594)	(861)
(Increase)/decrease in debtors	8	(5,423)	2,702
Increase in creditors	10	8,161	7,931
Increase in provisions	11	6,632	3,500
Net cash outflow from operating activities		**(519,909)**	**(431,777)**
ii) Analysis of capital expenditure and financial investment			
Tangible fixed asset additions	7a	(6,864)	(2,542)
Intangible fixed asset additions	6	–	(801)
Net cash outflow from investing activities		**(6,864)**	**(3,343)**
iii) Analysis of financing			
Financing	12	529,995	436,173
Financing		**529,995**	**436,173**

15. Capital commitments

At 31 March 2009 the Commission had capital commitments of £0.41 million (31 March 2008, £6.4 million) in relation to building works on the Falkirk Estate.

16. Commitments under operating leases

The Commission has entered into operating lease contracts for the provision of photocopiers and also for the lease of the 6th floor of Stockley House, London.
At 31 March 2009 the Commission was committed to making the following payments during the next year, analysed according to the period in which the lease expires:

	31 March 2009 £'000	31 March 2008 £'000
Expiry within one year	55	81
Expiry after one year but not more than five years	611	158
Expiry thereafter	–	–
	666	239

17. Commitments under PFI contracts

The Commission has not entered into any Private Finance Initiative (PFI) contracts.

18. Other financial commitments

The DWP entered into a PFI Partnership Agreement to provide fully serviced accommodation (PRIME). The Commission utilises these services through a service level agreement between the Commission and the Department.

DWP has a PFI contract called TREDSS, relating to the provision of IT, which came into effect during 2005/06. The Commission utilises these services through a service level agreement between the Commission and the Department.

Similarly, DWP has a telephony contract called ICONS (created following the consolidation of two existing telephony contracts during 2005/06). The Commission utilises these services through a service level agreement between the Commission and the Department.

19. Financial instruments

19.1 Financial instruments by category

	2008/09		2007/08	
	Loans and receivables £'000	Total £'000	Loans and receivables £'000	Total £'000
Financial assets				
Deposits and advances	355	355	272	272
Balances with the Department for Work and Pensions	493	493	349	349
Other government departments	2,201	2,201	322	322
Trade debtors	689	689	7	7
Other debtors	1,202	1,202	1,862	1,862
Cash and cash equivalents	1,993	1,993	–	–
Total	6,933	6,933	2,812	2,812

	2008/09		2007/08	
	Financial liabilities at amortised cost £'000	Total £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Superannuation	3,168	3,168	3,628	3,628
Trade creditors	1,923	1,923	3,407	3,407
Other creditors	645	645	17	17
Other government departments	943	943	23	23
Accruals	36,927	36,927	32,883	32,883
Balances with Department for Work and Pensions	10,275	10,275	2	2
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund – received	56	56	2	2
Total	53,937	53,937	39,962	39,962

19.2 Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The book values of the Commission's financial assets and liabilities at 31 March 2009 are not materially different from their fair values. They have accordingly not been shown separately.

19.3 Exposure to risk

As the cash requirements of the Commission are met through the Estimates process, via the DWP, financial instruments play a more limited role in creating risk than would apply to a commercial organisation of a similar size. Financial instruments that relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements expose the Commission to little credit, liquidity or market risk.

a) Credit risk

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

The Commission's exposure to credit risk is limited due to the majority of administrative related debt being with other government departments. There is also the risk of non-payment in relation to maintenance overpayment or staff overpayment. This risk is limited to the extent that the debt can be recovered from future maintenance payments or future salary costs.

Minimal deposits are held with commercial banks.

b) Liquidity risk

Each financial year, Parliament makes provision for the use of resources by the Commission for revenue and capital purposes in the annual Appropriation Act (the Act), via a Request for Resource in the DWP, main Estimate. Resources may be used only for the purposes specified and up to the amounts specified in the Act. The Act also specifies an overall cash limit for the financial year. The Estimates process offers further opportunities throughout the year to amend funding levels and purposes. The Commission is not therefore exposed to significant liquidity risks.

c) Market risk

The Commission has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Commission in achieving its objectives.

(i) Interest rate risk

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

(ii) Currency risk
The Commission is not exposed to any foreign currency risk.

20. Contingent liabilities disclosed under FRS 12

The Commission has no contingent liabilities as at 31 March 2009. At 31 March 2008 there were three contingent liabilities concerning advanced payments of maintenance, contracts for debt collection agencies (now a provision) and an IT contract.

21. Third party assets

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

	31 March 2009 £'000	31 March 2008 £'000
Client funds	17,432	18,528

22. Losses and special payments

	2008/09		2007/08	
	£'000	Number of cases	£'000	Number of cases
Losses	3,345	18,597	734	2,389
Special payments	6,098	17,742	5,966	19,626
	9,443	36,339	6,700	22,015

Losses

Salary related losses totalled 295 cases amounting to £182,845 (2007/08, 111 cases amounting to £115,374) and are related to monies unable to be recovered from ex-employees. Non-salary related losses totalled 18,302 cases amounting to £3,162,489 (2007/08, 2,278 cases amounting to £618,638) and were overpayments of maintenance to clients which have not been recovered. The increase in non-salary related costs in 2008/09 was as a result of detailed reviews of all cases prior to the transfer of functions to the Commission and the reassessment of the possibility of collection.

Details of losses over £250,000

There are no cases over £250,000 (2007/08, nil).

Special payments

	2008/09		2007/08	
	£'000	Number of cases	£'000	Number of cases
Compensation payments	3,876	13,086	4,407	12,827
Advance payments of maintenance	1,098	307	1,096	368
Special payments to employees/contractors/public	659	2,557	–	–
Interest	465	1,792	322	1,629
Compensation and advance payments	6,098	17,742	5,825	14,824
Other	–	–	141	4,802
	6,098	17,742	5,966	19,626

Details of special payments over £250,000

There are no individual cases over £250,000 (2007/08, nil).

23. Related party transactions

The DWP is regarded as a related party. During the period, the Commission has had a number of material transactions with the DWP and with other entities for which the DWP is regarded as the parent. The Commission has therefore relied upon the exemption available under FRS 8 and has not disclosed transactions between these entities which are shown in the DWP Consolidated Resource Account.

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

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

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

No Board member, senior executive or other related party has undertaken any material transaction with the Commission during the period.

24. Child Support Agency Remuneration

All Non-Executive Directors' contracts terminated on 31 October 2008.

Salary

Salaries quoted relate solely to the period when the individuals concerned served on the CSA Board. Non-executive directors received fees rather than a salary.

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance or expense to the extent that it is subject to UK taxation. Also included are any gross taxable allowances incurred during the period. The tax included has yet to be finalised and the amounts subject to taxation remain under discussion with Her Majesty's Revenue and Customs. This presentation is based on payments made by the CSA and thus recorded in these accounts.

Child Support Agency Board members

Non-executive directors

	2008/09 Fees £'000	2007/08 Fees £'000
Richard Arthur	10–15	15–20
Bryan Foss	20–25	30–35
Bill Griffiths	note 1	20–25
Peter Holden	10–15	15–20
Susan Jillings	5–10	15–20

Executive directors

		2008/09 Salary £'000	2007/08 Salary £'000
Stephen Geraghty	Chief Executive	note 1	275–280
Alan Hardy	Finance and Business Assurance	note 1	165–170
Mark Grimshaw	Strategic Programme and Chief Operating Officer	note 1	190–195
Susan Park	Strategy, Policy and Development	note 1	105–110
Ian Pavey	Human Resources	note 1	125–130
Keith Woodhouse	Business Design and Chief Information Officer	note 1	170–175

Note 1: The fees or salaries in relation to this person are disclosed in the Remuneration Report.

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

Non-cash remuneration
All remuneration of the directors of the Child Support Agency is disclosed. No director was in receipt of any non-cash benefits during 2008/09.

Compensation to former senior managers
The Child Support Agency did not make any awards to former senior managers.

Payments for loss of office
The Child Support Agency did not make any payments for loss of office.

25. Operating Cost Statement of the Commission for the period 24 July 2008 to 31 March 2009

The Child Maintenance and Enforcement Commission was established on 24 July 2008. All costs in relation to its activities from this date are detailed below.

	Pre-transfer of functions 24 July 2008 to 31 October 2008 £'000	Post-transfer of functions 1 November 2008 to 31 March 2009 £'000	Total for Commission for period 24 July 2008 to 31 March 2009 £'000
Operating costs			
Staff costs	2,864	111,701	114,565
Other costs	16,164	163,350	179,514
Gross operating costs	19,028	275,051	294,079
Operating income	–	(3,746)	(3,746)
Net operating costs	19,028	271,305	290,333

Reconciliation of total Commission costs to the Operating Cost Statement for the period from 1 April 2008 to 31 March 2009

	Child Support Agency costs 1 April 2008 to 31 October 2008 £'000	Total for Commission for period 24 July 2008 to 31 March 2009 £'000	Total costs for the 12 month period to 31 March 2009 £'000
Operating costs			
Staff costs	143,621	114,565	258,186
Non-staff costs	168,434	179,514	347,948
Gross operating costs	312,055	294,079	606,134
Operating income	(948)	(3,746)	(4,694)
Net operating costs	311,107	290,333	601,440

Transfer of functions

At 31 October 2008 the DWP transferred the functions of the CSA to the Commission. The values of the assets and liabilities transferred at that date were as follows:

	As at 31 October 2008 £'000
Fixed assets	
Intangible fixed assets	312
Tangible fixed assets	5,781
Current assets	
Debtors	6,705
Cash at bank and in hand	–
	6,705
Current liabilities	
Creditors falling due within one year	(12,251)
Net current liabilities	(5,546)
Total assets less current liabilities	547
Provisions for liabilities and charges	(3,500)
	(2,953)
Financed by Taxpayers' Equity	
General Fund	(2,997)
Revaluation Reserve	44
	(2,953)

26. Prior period restatement

When the functions of the former CSA were transferred to the Child Maintenance and Enforcement Commission on 1 November 2008 from the DWP, certain assets, liabilities and expenses remained within the accountability of the Department. The effect on the financial statements for the prior year is given below in line with the Government's Financial Reporting Manual in Section 5.4.4. The actual General Fund balance transferred to the Commission at 31 October 2008 was debit balance of £1.55 million (see note 25).

Balance Sheet

	Child Support Agency published accounts at 31 March 2008 £'000	Balances retained within the Department for Work and Pensions at 31 March 2008 £'000	Balances restated for the Commission at 31 March 2008 £'000
Fixed assets	4,452	–	4,452
Current assets			
Debtors	5,873	(2,736)	3,137
Cash at bank and in hand	–	–	–
Current liabilities	5,873	(2,736)	3,137
Creditors: amounts falling due within one year	(43,731)	(15)	(43,746)
Net current liabilities	(37,858)	(2,751)	(40,609)
Total assets less current liabilities	(33,406)	(2,751)	(36,157)
Provisions for liabilities and charges	(4,404)	904	(3,500)
	(37,810)	(1,847)	(39,657)
Financed by Taxpayers' Equity			
General Fund	(37,854)	(1,847)	(39,701)
Revaluation Reserve	44	–	44
	(37,810)	(1,847)	(39,657)

26. Prior period restatement continued

Operating Cost Statement

	Child Support Agency published accounts at 2007/08 £'000	Balances retained within the Department for Work and Pensions at 2007/08 £'000	Balances restated for the Commission at 2007/08 £'000
Operating costs			
Staff costs	271,751	(6,827)	264,924
Other	294,789	(236)	294,553
Gross operating costs	566,540	(7,063)	559,477
Operating income	(3,339)	–	(3,339)
Net operating costs	563,201	(7,063)	556,138

These balances were restated for the Commission accounts and are disclosed on page 50. The net operating costs transferred to the Commission, at the date of the transfer of functions, was £311.1 million (see note 25).

27. Post Balance Sheet events

There have been no events which affect these accounts since the Balance Sheet date.

The Commission's Annual Report and Accounts are laid before the House of Commons by the Secretary of State. FRS 21 requires the Commission to disclose the date on which the Annual Report and Accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the Commission's management to the Secretary of State.

The authorised date for issue is 13 July 2009.

How to Contact the Commission

Child Maintenance and Enforcement Commission

The Commissioner
Child Maintenance and Enforcement Commission
PO Box 239
Holbeck
LS1 1EB
www.childmaintenance.org

Child Maintenance Options

National helpline: 0800 988 0988
www.cmoptions.org

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

Child Support Agency

National helpline: 08457 133 133
(textphone: 08457 138 924)
www.csa.gov.uk

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

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