
Delivering a compliance opportunity for Child Support Agency clients

Department for Education

RPC rating: validated

Description of proposal

The Child Support Agency is currently offering clients on legacy payment schemes the chance to transfer to a new payment scheme ('the 2012 scheme'). As part of this process, individuals are given the opportunity to make a new child maintenance arrangement, including the chance to demonstrate that they could make maintenance payments through voluntary processes (a 'compliance opportunity').

The proposal will amend the process for transferring schemes, so that the compliance opportunity is only offered to individuals who apply for the 2012 scheme, rather than all those on the legacy schemes. This is expected to reduce the costs to government from implementing the change. Businesses employing individuals who make child support payments, through deduction from earnings orders (DEOs) face some costs, as a result of setting up or ending arrangements and through processing changes to the payment schedules.

Impacts of proposal

The Department estimates that, of the 85,900 non-resident parents with DEOs, half will apply to the 2012 scheme. Of those, just under 60% are expected to be affected by the proposal, as a result of applying in sufficient time and wanting to use 'direct pay' (such as direct debit). On this basis, the Department estimates that up to a total of 25,400 non-resident parents will take up the compliance opportunity, with all the transfers taking place within three years.

Compared to the baseline, for non-resident parents who do not default on payments, businesses will incur an additional administrative cost of setting up and, subsequently, ending a DEO, estimated to cost businesses between £3.70 and £10 for each person. For non-resident parents who default on payments, businesses will incur an additional administrative cost of rescheduling a DEO. A rescheduling of the DEO would, however, have occurred in the baseline so, for individuals who default, there are not expected to be any additional costs to business.

This proposal, in total, is expected to cost business between £12,000 and £33,000 each year, with a best estimate of £20,000, for the three years it will take to complete the transition between schemes.

The RPC validates the equivalent annual net cost to business (EANCB) of the proposal as £0.0 million. This is a qualifying regulatory provision, which will be reported under the business impact target.

Quality of submission

The Department has provided sufficient information to enable the validation of the expected cost to business of the proposal. As a low-cost regulatory change, in line with the requirements of the better regulation framework, the Department is not required to provide information that is not directly related to the validation of the EANCB figure. The Department, however, may wish to improve the published IA to include further information on the rationale for intervention and, in particular, the benefits to government of the proposed changes – in particular the extent to which these benefits are expected to outweigh the additional cost to business (paragraph 45), and an explanation of why the proposed approach to the compliance opportunity is expected to respond to consultees' concerns regarding potential disruptions to existing payments (paragraph 42).

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net cost to business (EANCB)	£0.02 million
Business net present value	-£0.06 million
Societal net present value	-£0.06 million

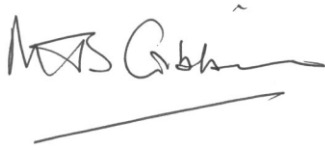
RPC assessment

Classification	Qualifying regulatory provision (IN)
EANCB – RPC validated ¹	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million (3 year time limited measure)

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.

Opinion: validation impact assessment
Origin: domestic
RPC reference number: RPC-3333(1)-DWP
Date of implementation:

Small and micro business assessment	Not required (low-cost regulation)
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Michael Gibbons CBE, Chairman