



Department  
for Work &  
Pensions

# Client Funds Account 2018/19

1993 and 2003 Child Maintenance  
Schemes

Presented to the House of Commons pursuant to Section 7 of the Government  
Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 30 January 2020

HC 35



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## Contents

<b>Foreword</b>		<b>3</b>
<b>Chapter 1</b>	<b>Management commentary</b>	<b>5</b>
<b>Chapter 2</b>	<b>Statement of Accounting Officer's responsibilities</b>	<b>11</b>
<b>Chapter 3</b>	<b>Governance Statement</b>	<b>12</b>
<b>Chapter 4</b>	<b>Certificate of the Comptroller and Auditor General to the House of Commons</b>	<b>15</b>
<b>Chapter 5</b>	<b>Report by the Comptroller and Auditor General to the House of Commons</b>	<b>19</b>
<b>Chapter 6</b>	<b>Receipts and Payments Statement for the year ended 31 March 2019</b>	<b>24</b>
<b>Chapter 7</b>	<b>Statement of Balances as at 31 March 2019</b>	<b>25</b>
<b>Chapter 8</b>	<b>Notes to the account for the year ended 31 March 2019</b>	<b>26</b>



# Foreword

The Department for Work and Pensions is responsible for the management of client funds for Child Maintenance in Great Britain operated by both the 1993 and 2003 statutory child maintenance schemes, delivered by the Child Support Agency, and the 2012 Scheme, delivered by the Child Maintenance Service. These schemes support children by collecting funds from non-resident parents and paying these funds to parents with care. In some 1993 and 2003 scheme cases, where parents with care have received benefits before 2008, the funds are retained by the Secretary of State in lieu of benefit paid.

The Department is required, by Her Majesty's Treasury, to publish a Client Funds Account which is separate from the accounts for the rest of its activities. This account reports on the 1993 and 2003 statutory schemes, with the 2012 statutory scheme being reported separately in its own account publication. This provides more clarity for the reader and allows the Comptroller and Auditor General to provide an independent opinion on each of the Accounts.

The opinions for this account are given by the Comptroller and Auditor General in the audit certificate, with rationale for these opinions explained in his report.

The first is a qualified opinion on the regularity of receipts and payments, because the assessment of some of the amounts due to be paid are incorrect. The second is an adverse opinion, because the accumulated arrears owed by some non-resident parents are misstated reflecting inaccurate assessments and incorrect processing since the inception of the statutory schemes.

Given the limited future life of the 1993 and 2003 systems, the use of public money to make a material difference to these issues could not be justified. While there will be a review of arrears balances during the Child Support Agency case closure process, the Department is not intending to carry out a wholesale review and re-calculation of these balances.

To strategically address these historic failings, the 2012 scheme was introduced, underpinned by a completely new IT system. Since 25 November 2013, all new applications for child maintenance have been made to the 2012 Scheme. The on-going liability (requirement to pay child maintenance) was ended on all CSA cases by 31 December 2018, of these 24% had made an application to the Child Maintenance Service.

Arrears arising from cases on the 1993 and 2003 schemes, which have been transferred to the 2012 computer system, are still particular to the 1993 and 2003 schemes and are reported in this publication.

The Department consulted on how to handle the historic arrears remaining on the 1993 and 2003 IT systems, these are cases where there is no on-going liability. Our response was published in July 2018 which set out the approach for addressing these arrears. Proportionate efforts will be made to collect arrears where the parent with care requests it, providing the values are above value for money thresholds.

Regulations came into force in December 2018 enabling debt to be written off below agreed thresholds or above this threshold where the parent has asked us to attempt collection and the published collection cycle has been exhausted. In these cases, the Department notifies both clients.

Receipts have decreased from 2017/18 by 68% and Payments have decreased by 66% and continue to decrease moving into 2019/20, which is due to case closure.

**Peter Schofield**  
**Principal Accounting Officer**

**Date: 22 January 2020**

# Management commentary

# 1

## 1.1 Major reforms

The Department continues to make progress in delivering the Government's major reforms to child maintenance. Through the provision of more support for separated families to work together and reach family-based arrangements, and an efficient statutory child maintenance service with effective enforcement for those that need it, the Department is determined to help maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. An arrangement is regarded as effective where some of the agreed amount is regularly received either in cash or in kind and the receiving parent considers the arrangement is working.

Alongside these reforms, the Department is taking steps to improve prospects for Britain's most disadvantaged children and families in the interest of creating a stronger, fairer society that works for everyone. This work includes developing a new approach to improving children's outcomes by increasing access to support that addresses parental conflict. This is reflected in the latest evidence which shows that, whether between couples or between separated partners, children growing up with parents who have good-quality relationships, with low parental conflict, tend to enjoy a wider range of better future outcomes.<sup>1</sup>

Where parents are unable, or it is not appropriate, to come to their own family based arrangement, they can apply to the Child Maintenance Service 2012 scheme. Further details about the scheme can be found in the Client Funds Account for the 2012 scheme.

Before accessing the statutory Child Maintenance Scheme, separated parents are required to contact Child Maintenance Options, a free service that provides impartial information and support to help them make informed choices about their child maintenance arrangements. We have enhanced this service through an improved online offering to support parents in considering the range of choices available in setting up an arrangement.

Another key element to the child maintenance reforms is the closure of existing Child Support Agency (CSA) 1993 and 2003 scheme cases, which affected 1.3m cases in total, around 800,000 of which had an on-going liability (the requirement to pay child maintenance) and around 500,000 cases had only arrears outstanding. All existing 1993 and 2003 clients have been given the opportunity to re-apply to the 2012 scheme or to make a family based arrangement.

<sup>1</sup> <https://www.gov.uk/government/consultations/strengthening-families-promoting-parental-responsibility-the-future-of-child-maintenance>



The Department has achieved its objective to end the on-going liability of all CSA cases by December 2018, at which point liabilities had been proactively ended on 739,500 (95%) cases; another 36,600 (5%) did not have a liability to end.

By being given the opportunity to look at their child maintenance arrangements again, many parents decided they do not need state intervention, leaving the 2012 scheme with a reduced caseload that can be run more effectively, ensuring more money for more children, while also reducing costs for the taxpayer.

With the work to end all existing CSA liabilities complete, the Department had to decide how to handle the historic arrears currently held on legacy computer systems; both to offer clients the opportunity to finally resolve the debt position on their case, and to allow the Department to decommission these systems. The Department's chosen approach is one that will allow Child Maintenance Service (CMS) to continue to support separated families, and tackle the historic CSA arrears, in a way that strikes the right balance between the needs of those families and the tax payer.

The key principles underpinning the new Compliance and Arrears strategy are to:

- Continue to prioritise collecting money for today's children.
- Continue to encourage collaboration between parents.
- Build on the success of CMS by introducing tougher new enforcement measures and making the best use of current powers.
- Address historic arrears built up under the CSA schemes by offering a final chance at collection where this is possible at a reasonable cost to the taxpayer and represents value for money in relation to the debt value.
- Avoid taxpayers funding activity that won't result in money going to children.

The Department publicly consulted on this matter and published a response setting out its final approach on 12 July 2018. This can be found here: [Child Maintenance: a new compliance and arrears strategy](#)

This strategy sets out how government will address non-paying historic debt that built up on the CSA schemes. The CSA is writing to the parent with care to ask if they want a last attempt to be made to try to collect their debt in cases where:

- It has built up on CSA systems and there has been no recent payment made
- The case started before 1st November 2008 and the debt is over £1000 or
- The case started on or after 1st November 2008 and the debt is over £500

If the parent with care responds stating that they would like their arrears collected, the Department will perform a number of checks to establish if there is a realistic chance of collection and proceed appropriately. If there is, the Department will decide what activity is reasonable. Where either the parent with care does not want us to collect the debt, does not respond to the letters within 60 days of the first letter, or the case is deemed as having little chance of successful collection the debt will be written off.

Regulations supporting the strategy came into effect in December 2018, as a result we have started to write off debt less than £500 (or debt less than £1000 for older cases). We do not ask parents in these cases if they want their debt collected, as collection activity would cost more than the value of the debt, but a notification letter is issued to both parents explaining what has happened with their case. In cases with debt below £65, the debt will be written off and notification letters will not be issued.

All debt owed to government accrued in the CSA will be written off as collecting this debt will not benefit families and it would cost more to collect than the value of the debt. Debt owed to government built up when a parent with care of the child was in receipt of benefit and the

Department could retain child maintenance to offset the value of benefit payments made to the parent with care of the child.

## 1.2 Performance during 2018/19

The CSA caseload continues to reduce. The number of CSA cases held on CSA or CMS IT systems decreased from 995,000 at the end of March 2018 to 472,700 in March 2019. All these cases had CSA historic arrears. There were no 1993 and 2003 scheme cases remaining with a current liability (i.e. excluding those cases with arrears only) (14,000 at 31 March 2018).

As at March 2019 129,900<sup>2</sup> cases have started the parent with care representation process. This is 70% of eligible cases on the CSA systems.

Of these cases:

- In 3,600 cases (3%) we were unable to trace the parent with care.
- In 1,700 cases (1%) issue of the letter is on hold while we attempt to trace a reliable address for the parent with care.
- In 124,700 (96%) cases we have written to the parent with care of which:
  - In 6,300 (5%) cases parents have asked us to attempt collection of the debt owed. We expect this proportion to rise as more cases progress through the process and reach the time limit to respond.
  - In 9,200 (7%) cases parents have either told us that they do not want us to collect the debt, or have not responded to the letter within 60 days of the first letter being issued.
  - 109,200 (88%) cases are still within the time limit for the parent with care to respond

Up to the end of March 2019, 245,900 cases on the CSA IT system with non-paying historical debt have had their debt adjusted or written off. Adjustment occurs as a result of corrections to system records as opposed to write-off allowed by Regulations. Of these: 43,500 cases where amounts were owed to government, 155,300 cases with amounts owed to parents which would not be subject to representation and a further 13,400 cases eligible for representation.

As a result, the CSA historic debt balance continues to reduce. This year, the value held on CSA or CMS IT systems has decreased by £1,328m from £3,506m March 2018 to £2,177m at March 2019. The debt owed to government and debt which has no reasonable chance of being collected is being written off.

In previous years we have reported on the number of children benefiting from child maintenance and the amount of child maintenance collected and arranged, however as all liabilities have now been ended on the 1993 and 2003 schemes, these measures are no longer meaningful.

## 1.3 Receipts of Child Maintenance

During 2018/19, 233,000 individual receipts were recorded, a 77% decrease in volume (2017/18: 1.0 million). Total monies received were 68% lower at £56 million (2017/18: £176 million). Of these, 98% of receipts by volume (2017/18: 96%) and 92% by value (2017/18: 93%) were received electronically.

By value, 59% of receipts from non-resident parents were paid using the following methods via the collection service: direct debit, deduction from earnings orders via employers and payment by debit or credit card, which is reflecting the declining caseload from 2017/18. Within the collection service, direct debit and deduction from earnings orders result in the highest levels of

<sup>2</sup> <https://www.gov.uk/government/statistics/child-support-agency-quarterly-summary-of-statistics-june-2019-experimental>

compliance. Collection by debit or credit card is particularly effective for one-off payment of arrears.

A further 27% of receipts were executed under the Faster Payments system (2017/18: 22%), introduced by the major UK clearing banks. Faster Payments has significantly reduced the timescales for receipts from non-resident parents and has the additional benefit of ensuring cleared funds are received promptly. Receipt failure rates remain low overall, except for direct debits, where 9% of receipts failed (2017/18: 9%). More than 99% of these failures were initiated by non-resident parents, the most common reasons being the cancellation of a direct debit instruction or insufficient funds in the paying account.

## 1.4 Payments of Child Maintenance

During 2018/19 the number of individual payments to parents with care decreased by 91% to 132,000, representing a decrease in volume of 1.3 million transactions, whilst the total value of payments at £60 million reduced by 66%, consistent with overall receipts. 100% of payments to clients by value and volume were made by funds transferred electronically directly to clients' bank accounts.

Volumes of payments can vary considerably to receipts as one receipt from a non-resident parent can be allocated to multiple parents with care. Similarly, one receipt from an employer through a deduction of earnings order may relate to multiple non-resident parents, in which circumstances the single receipt will be allocated to a number of parents with care.

In 2018/19, more funds were paid out than were received due to prior year receipts paying out in this financial year. Total net payments to the Secretary of State fell by £3.7 million (43%) from £8.6 million to £4.9 million. Around £0.4 million per month relating to arrears continued to be paid to the Secretary of State. Only amounts relating to arrears are payable to the Secretary of State as the legislation linking maintenance to the benefit system was repealed in 2008. Any money received which relates to a period when the parent with care was in receipt of benefits, continues to be retained by the Secretary of State.

Maintenance monies received are paid to parents with care as quickly as possible, and cash held at 31 March 2019 equated to around 11% (2017/18 6%) of the funds received during the year. The Department's systems and policies do not support the use of Faster Payments as an outgoing payment on an industrial scale.

There are a very small number of receipts which historically have been difficult to match to individual clients and cases, and consequently have not been paid to the relevant parent with care. Once all avenues to correctly assign a receipt to a non-resident parent have been exhausted, surpluses are transferred to HM Treasury. Despite the inherent challenge of translating 233,000 receipts into 132,000 payments – including many instances of sub-dividing or aggregating payments between or across multiple cases – the vast majority of payments were made accurately and in a timely manner, whether processed automatically or manually.

## 1.5 Outstanding arrears of child maintenance

In addition to reporting the receipts and payments of maintenance monies, the Department is required to report on the value of outstanding child maintenance arrears, covering the 1993 and 2003 schemes.

Outstanding child maintenance arrears totalled £2,177 million at 31 March 2019 (a decrease of £1,328 million on 1993 and 2003 scheme arrears at 31 March 2018 of £3,506 million), and were owed by non-resident parents to their respective parent with care and to the Secretary of State. The £2,177 million arrears owing have accumulated over the last 26 years and the Department is addressing these through the Compliance and Arrears strategy.

## 1.6 Collectability

Although the level of reported arrears is decreasing, they are still a significant value. The Department considers the collectability of this debt to be a meaningful measure, aiding the readers understanding of our ability to collect this debt. It has been calculated, as in previous years for this publication. We are reviewing this calculation, applying the new criteria of the Compliance and Arrears strategy which will ensure proportionate efforts are undertaken when the client makes representation, and if not, the outstanding balances will be written off.

**Likely to be collected** Amounts outstanding, which meet certain criteria indicating that the Department had a good chance of collecting the outstanding arrears. The criteria are:

- Receipt of at least one payment against the outstanding arrears in the six-month period prior to the reporting date.
- Funds received in the Department's Client Funds bank account in excess of the on-going scheduled payments for cases with arrears which, due to system limitations, could not be allocated to a case, but indicate the non-resident parent's intent to clear arrears.

**Potentially collectable** Amounts outstanding for which the evidence base indicating that the arrears will be recovered is not as strong as for the 'likely to be collected' category, but which meet criteria suggesting that the Department has a reasonable chance of collecting the arrears. The criteria are:

- The existence of a maintenance arrears schedule at any point during the six months prior to the reporting date, even though no payments were received in the period. Arrears schedules are established following contact with the non-resident parent, who makes a commitment to clear the arrears over a specified period. Non-resident parents do not always adhere to the schedule, but the fact that contact had been made with the individual and a commitment had been made is considered to indicate that the arrears are potentially collectable.
- For recent arrears, i.e. aged three months or less, the receipt of at least one payment against those arrears after the reporting date. Recent arrears arise on new cases, where the set-up process can mean that no receipts can be accepted immediately, or on older cases where an existing maintenance arrangement has recently broken down. Schedules are seldom put in place until arrears have been accumulating for more than six months; enforcement resources are concentrated on re-establishing broken down arrangements quickly. Consequently, receipts after the balance sheet date for young arrears are considered to provide reasonable evidence that the arrears will be cleared.
- The anticipated impact of some of the enforcement powers on the arrears, were the powers to be used more widely. The two powers considered were the deduction order, which enables the Department to seize funds from non-resident parents' bank accounts, and the use of orders for sale of non-resident parents' property.

**Uncollectable** These balances represent amounts outstanding which do not meet any of the criteria outlined above for the 'likely to be collected' or 'potentially collectable' categories.

## Analysis of Collectability 2018/19

£'000	2003 System	1993 System	Child Maintenance Service 2012 <sup>3</sup>	Total	Percent age of total debt
Likely to be collected	7,250	2,303	6,107	15,660	0.7%
Potentially Collectable	125,233	42,671	105,488	273,392	12.6%
Uncollectable	694,808	608,342	585,259	1,888,409	86.7%
<b>Total</b>	<b>827,291</b>	<b>653,316</b>	<b>696,854</b>	<b>2,177,461</b>	<b>100%</b>

## Analysis of Collectability 2017/18

£'000	2003 System	1993 System	Child Maintenance Service 2012	Total	Percent age of total debt
Likely to be collected	114,037	45,099	19,766	178,902	5.1%
Potentially Collectable	332,412	92,050	0.00	424,462	12.1%
Uncollectable	1,668,902	1,014,038	219,434	2,902,374	82.8%
<b>Total</b>	<b>2,115,351</b>	<b>1,151,187</b>	<b>239,200</b>	<b>3,505,738</b>	<b>100%</b>

Arrears decreased by £1.328 billion which represented a 38% overall decrease. This was mainly driven by cases on the CSA IT system with non-paying historical debt which have had their debt adjusted or written off as mentioned in 1.2.

In line with the Public Consultation document the Department is approaching parents with care regarding arrears stretching back to 1993. The Department will do this by giving parents an opportunity to say if they want the Department to try to collect their debt one last time where it is cost effective to do so.

**Peter Schofield**  
Principal Accounting Officer

**Date: 22 January 2020**

<sup>3</sup> Relates to arrears which have transitioned from the 1993 and 2003 schemes and are now managed on the CMS 2012 IT system.

# Statement of Accounting Officer's responsibilities

# 2

As Principal Accounting Officer of the Department, I have responsibility for the 1993 and 2003 scheme Client Funds Account.

Under Section 7(1) and (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Work and Pensions to prepare, for each financial year, a Client Funds Account for the current 1993 and 2003 statutory schemes in the form and on the basis set out in the Client Funds Account Direction.

In preparing the account, the Accounting Officer is required to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis; and,
- make judgements and estimates on a reasonable basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money.

I confirm that there is no relevant audit information that the Comptroller and Auditor General has not been made aware of, and that I have taken all necessary steps to ensure access to relevant information has been given. I can also confirm that this report as a whole and the judgement required in preparing it, is fair, balanced and understandable, and that I take personal responsibility for this being so.

**Peter Schofield**  
Principal Accounting Officer

**Date: 22 January 2020**

# Governance Statement

# 3

## 1 Introduction

- 1.1 The Department for Work and Pensions has responsibility for the management of client funds relating to the 1993 and 2003 statutory child maintenance schemes, which include the flow of receipts from non-resident parents, payments to parents with care, the Secretary of State, and accumulated maintenance arrears. The Department operates through the Child Support Agency for the 1993 and 2003 schemes, part of the Child Maintenance Group.
- 1.2 In accordance with HM Treasury Direction under Section 7 of the Government Resources and Accounts Act 2000, dated 6 May 2015, the Department is required to publish a Client Funds Account for cases assessed under 1993 and 2003 scheme rules and a separate account for the 2012 scheme.
- 1.3 The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2019 relate to the Child Maintenance Group as part of the Department.
- 1.4 This statement covers topics which are specific to the Child Maintenance Group operating within the Department with particular emphasis on the significant control challenges identified in relation to child maintenance.
- 1.5 The control weaknesses of the systems underpinning the 1993 and 2003 statutory schemes are a result of the limitations of the systems, which have led to successive qualifications by the Comptroller and Auditor General. This statement records the action which the Department has taken to manage these control weaknesses.

## 2 Significant Control Challenges

### 2.1 Incorrect maintenance assessments

- 2.1.1 Since 2013, all new maintenance assessments have been carried out by the Child Maintenance Service. However, assessment accuracy remains an issue for the 1993 and 2003 schemes as it is central to the modified audit opinions on the Client Funds Account. This is due to historic inaccuracies in maintenance assessments and their impact on reported arrears. The accumulated inaccuracies arising mainly from earlier years continue to affect arrears balances and also contribute to the qualified regularity opinion on receipts and payments.
- 2.1.2 Cash Value Accuracy in 2018/19 is 70% well below the 87% in 2017/18. This decrease is due to the impact of case closure on the calculation which compares the aggregate value of errors to the aggregated value of correct assessments however, as the majority

of correct assessments are now nil, the value of any errors found on open cases has a disproportionately high impact.

- 2.1.3** The accuracy of adjustments made to arrears has been a weakness for many years. As a result of continuing management focus and caseworker education programmes, there was a marked improvement in recent years however this financial year saw accuracy falling slightly from 97% to 96%. This is due mainly to the increase in volume of debt adjusted through write-off as part of the Compliance and Arrears Programme.

## **2.2 System and transaction controls**

- 2.2.1** During 2018/19, the Department continued to utilise the 1993 and 2003 child maintenance systems to ensure efficient processing of receipts and payments however some transactional processing is handled by small systems outside of the main IT systems. There is a control challenge to ensure these small systems remain compatible with system and process changes arising from activities to close all Legacy cases.

- 2.2.2** One of these small systems improved the accuracy and efficiency of receipts and payment processing. This system evolved as the Case Closure Programme volumes increased and receipts paid into 1993 and 2003 systems needed to be transferred to 2012 system. Further changes will be needed as the Case Closure Programme progresses to automatically direct receipts to the 2012 system to enable the close down of Legacy bank accounts.

- 2.2.3** A second small system is used to maintain financial control of cases moving from Legacy schemes to the CMS 2012 system, this ensures arrears balances transferring between systems are reconciled on a daily basis.

- 2.2.4** As in prior years, Note 5 has been prepared using a suite of reports developed as a result of weaknesses in the information on outstanding levels of maintenance arrears (Client Funds Account 2008/09 covers this in detail). Moving cases to the 2012 IT system is the main way in which CMG addressed this challenge to provide case based accounts automatically through the system.

## **2.3 Information Security**

- 2.3.1** The control challenge remains to protect the vast amount of sensitive personal data necessary to assess and pay child maintenance while at the same time making efficient use of that data. The Department's information security risk appetite remains low. However, the system introduced to manage the 1993 scheme, is not security accredited and given its expected limited life there are no plans to pursue accreditation.

- 2.3.2** The General Data Protection Regulations (GDPR) came into effect on 25 May 2018 together with the 2018 Data Protection Act. These changes represent the biggest shake-up in data protection and privacy legislation in the EU for three decades, strengthening existing data protection law and updating it to take into account changes in technology and attitudes to privacy in the digital age. As a result, the Department has adopted the GDPR Article 29 Working Party guidelines on Personal Data Breach Notification which may be accessed at:

[http://ec.europa.eu/newsroom/article29/item-detail.cfm?item\\_id=612052](http://ec.europa.eu/newsroom/article29/item-detail.cfm?item_id=612052).

In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner which can be found at: <https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/personal-data-breaches>.



In 2018-19 the ICO made 44 enquiries of the Department, about issues reported to ICO by child maintenance clients. In each case, DWP made a prompt and satisfactory response to ICO.

Further information about Data Protection is being addressed within the Department can be found in the DWP Annual Report and Accounts for 2018-19:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/812722/dwp-annual-report-and-accounts-2018-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/812722/dwp-annual-report-and-accounts-2018-2019.pdf)

## **2.4 Case Closure Programme**

- 2.4.1** The Case Closure Programme began in 2014 including processes to contact all 1993 and 2003 system clients advising them their liabilities would be ending. Liabilities were ended on the last cases in December 2018.
- 2.4.2** For clients who decide to have their arrears managed on the 2012 system, the final cases have begun their transition journey from the 1993 and 2003 systems to the 2012 system via an automated process. Financial control is still maintained via a daily reconciliation to ensure arrears are accurately received and attributed to the correct payee, either parent with care or the Secretary of State.
- 2.4.3** During the reporting year to 31 March 2019 £275.4 million had transferred to the 2012 system (2017/18: £194.3 million) with only £5.99 million relating to 1,704 cases (2017/18: £1.26 million relating to 336 cases) not held on a system at year end due to timing delays in building the cases on the 2012 system. The balances transferring between the systems are fully reconciled.

## **2.5 The Child Maintenance Compliance and Arrears Strategy**

- 2.5.1** We have already noted our approach to tackling historic arrears in paragraph 1.1 Management Commentary. As part of this strategy, Ministers also decided, with agreement from Treasury, that we could write-off CSA debt owed to the Secretary of State which was non-paying in the last 90 days. Functionality was introduced into our IT systems and this work commenced at the end of July 2018.
- 2.5.2** The CMG Compliance and Arrears Programme (CaAP) introduced automated functionality on 23 July 2018 to close Nil debt cases, Negative debt cases, Maintenance Direct cases and non-paying Secretary of State debt cases.
- 2.5.3** The CMG CaAP received Parliamentary approval on the 14 December 2018 to write-off further CSA arrears that are owed to the parent with care where the case is non-paying. The parent with care cases with a value of under £65 were included in the automated functionality to close and write off their debt. Cases with a value greater than £65 receive a letter before the case is removed from the CSA system either through closure and write-off or transfer to the CMS for collection. Cases with a debt value greater than £65 but below thresholds set by Parliament receive a letter when the debt is removed from the CSA system. Cases with a debt value greater than the value set by Parliament will receive a letter enabling them to make a representation before the debt is written off.

# Certificate of the Comptroller and Auditor General to the House of Commons

# 4

## Opinion on financial statements

I certify that I have audited the Client Funds 1993 and 2003 schemes Account for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Receipts and Payments Statement, the Statement of Balances, Note 5 'Outstanding Maintenance Arrears' and other related notes. These financial statements have been prepared under the accounting policies set out within them.

In my opinion because of the significance of the matter discussed in the Basis for Adverse Opinion section below, the accompanying financial statements do not properly present the financial position as at 31 March 2019, in accordance with the HM Treasury account direction.

## Basis for Adverse Opinion

In my opinion, Note 5 to the financial statements does not properly present the outstanding maintenance arrears as at 31 March 2019.

The individual arrears balances supporting the reported outstanding arrears balance are misstated as a result of:

- inaccurate maintenance assessments by caseworkers since the inception of the statutory schemes; and
- incorrect processing of cases with arrears since the inception of the statutory schemes.

The Department is unable to estimate the value of the misstatements as a result of inaccurate maintenance assessments, but our audit work indicates that the cumulative impact on the value of arrears as at 31 March 2019 is material.

The best estimates available to me of the impact of incorrect processing of cases with arrears indicate that they have led to overstatements of at least £17.8 million and understatements of £125.9 million within the reported balance of £2.2 billion in Note 5 to the financial statements.

There are no longer Child Maintenance cases under the 93 and 03 child maintenance schemes with continuing maintenance assessments, so the arrears balances are considered the substantial proportion of the financial statements. For that reason, I consider the material error within the arrears balance to be pervasive to the financial statements.

## Opinion on regularity for the Client Funds 1993 and 2003 schemes Account

### Qualified opinion on regularity

In my opinion, except for the over and underpayments relating to errors in maintenance assessments, in all material respects the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis for qualified opinion on regularity as a result of transactions not conforming with legislation

Certain receipts from non-resident parents (and the subsequent payments to the parent with care or Secretary of State) were for incorrect amounts because of errors in the underlying maintenance assessments. Receipts from non-resident parents of £56 million are shown in the Client Funds 1993 and 2003 schemes Account. I estimate that errors in underlying maintenance assessments resulted in overpayments of around £845k and underpayments of around £886k which are not in accordance with the relevant legislation.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department for Work and Pensions (DWP) in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the DWP's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer of DWP is responsible for the preparation of the financial statements and for

being satisfied that they properly present the receipts and payments of the Client Funds 1993 and 2003 scheme Account for the year ended 31 March 2019, the cash balances held as at 31 March 2019 and the outstanding maintenance arrears as at 31 March 2019.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DWP's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on

the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion:

- in the light of the knowledge and understanding of DWP and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the account is not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Further details of my modified opinions are provided in my report on pages 19 to 23.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date: 27 January 2020**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# Report by the Comptroller and Auditor General to the House of Commons

# 5

## Introduction

**1** The Department for Work and Pensions (the Department) is responsible for administering statutory child maintenance schemes in Great Britain, and the management of client funds relating to these schemes. The Child Support Agency (CSA) 1993 and 2003 Schemes, and the new Child Maintenance Service (CMS) 2012 statutory Child Maintenance Scheme, support children by collecting funds from non-resident parents and paying these funds to parents with care.

**2** This report relates specifically to the Child Maintenance Client Funds 1993 and 2003 Schemes Account (the Account) and my qualified opinions on that Account. It also considers the Department's progress in its management and closure of cases on these schemes. I have provided a separate certificate and report on the Child Maintenance Client Funds 2012 Scheme Account (HC 34).

## Key findings

**3 The Department for Work and Pensions (the Department) has not managed 1993 and 2003 child maintenance scheme cases with sufficient accuracy.** I have therefore qualified my opinions on the Account due to errors in arrears balances and in maintenance assessments.

**4 I have issued an adverse opinion as the £2.2 billion arrears balance reported in note 5 does not properly present unpaid maintenance.** I estimate that the arrears balance is understated by at least £108.1 million, 4.9% of the total arrears balance due to errors in adjustments made to arrears balances. Individual arrears on cases are also misstated due to errors in the underlying assessment calculations. Where receipts and payments reflect recovery of arrears, these errors may also affect the accuracy of these transactions. (paragraph 11 to 18)

**5 The material level of errors in maintenance assessments has also led me to qualify my regularity opinion.** I estimate that there are errors totalling £1.7 million affecting receipts and payments in 2018-19, 3.08% of the total value of receipts received during the year. Where assessment calculations are inaccurate, the associated receipts and payments do not conform to scheme rules and are irregular. (paragraph 19 to 23)

**6 The Department has closed all active cases and is working to close the remaining arrears cases.** Using new powers, in 2018-19 the Department has reduced the outstanding maintenance arrears balance by £1.3 billion, from £3.5 billion in March 2018. This reduction relates to 217,500 cases where arrears have been adjusted or written off. (paragraph 24 to 32)

**7 On the £2.2 billion arrears cases that remain, where the criteria set out in the Compliance and Arrears Strategy is met, the Department must contact parents to either gain permission to write off arrears or begin active collection.** The Department will not take action to cleanse any historic inaccuracies in arrears balances before attempting collection. (paragraph 24 to 32)

## Recommendations

**8** The issues that have led to qualified opinions on past Accounts have not been sufficiently addressed in the course of case closure.

**9** To improve customer service, the Department should:

- establish a clear process to support parents who are concerned that arrears balances now being collected are inaccurate; and
- ensure adequate records and systems are maintained until all arrears are written off or collected, and these schemes can be brought to a full close.

**10** To enhance accountability, the Department should:

- review its assessment of collectability of arrears relating to the 1993, 2003 and 2012 Schemes in light of its new powers; and
- report its assessment of collectability transparently in the 2019-20 Accounts.

## Adverse opinion

**11** The Department assesses maintenance to be paid by the parent who does not live with their child or 'non-resident parent' to the 'parent with care'. Where a non-resident parent fails to pay maintenance in accordance with their child maintenance assessment, the Department records this in the 'outstanding maintenance arrears' balance and reports it in Note 5 of the Account. The balance of £2.2 billion as at 31 March 2019 is the recorded cumulative total of outstanding maintenance arrears on 1993 and 2003 scheme cases since the Child Support Agency was established in 1993. This balance represents the total amount owed by non-resident parents to either the parent with care or, in some instances, the Secretary of State<sup>4</sup>.

**12** As the independent external auditor, I am required to give an opinion on whether the financial statements, including the outstanding maintenance arrears balance as at 31 March 2019, is properly presented. In my opinion there is material error in the value of arrears recorded in Note 5 to the Account, and therefore the outstanding maintenance arrears balance does not properly present the balance outstanding at 31 March 2019.

**13** As there are no longer active Child Maintenance cases under the 1993 and 2003 child maintenance schemes, the outstanding maintenance arrears and receipts and payments relating to collection of arrears are a substantial proportion of the financial statements. For that reason, I consider the material error within the arrears balance to be pervasive to the financial statements and have issued an adverse opinion on the Account.

**14** I consider that the outstanding maintenance arrears balance is misstated due to incorrect adjustments to arrears balances over many years, and incorrect maintenance assessments. Of these, I am only able to quantify reliably the impact of incorrect adjustments to arrears balances. Incorrect adjustments to arrears balances can arise where caseworkers administering child maintenance cases adjust the value of arrears on individual cases, for example to take into account a change in circumstances altering the value of the maintenance due.

**15** As a result of incorrect adjustments, I estimate that arrears are understated by around £108.1 million, representing 4.91% of the total arrears balance (2017-18 £100.4 million, 2.86% of the total arrears balance). This is made up of an estimated overstatement of £17.8 million or 0.81% of the total arrears balance (2017-18, £16.2m, 0.46% of the total arrears balance) and an estimated understatement of £125.9 million or 5.72% (2017-18 £116.6 million, 3.3% of the total arrears balance). The Department is unable to adjust the arrears note to correct these errors as this is an estimate of misstatement rather than individual errors on individual arrears balances.

<sup>4</sup> In some 1993 and 2003 scheme cases, where parents with care have received benefits before 2008, the funds are retained by the Secretary of State in lieu of benefit paid.

**16** The Department is no longer able to provide sufficient data to quantify the impact of its incorrect maintenance assessments on arrears. Where the Department has made incorrect maintenance assessments, any arrears accruing will also be at an incorrect rate. Historic estimates of the impact of incorrect assessment on arrears were material; as no action has been taken to correct these assessments, I consider there remains a material level of error in arrears balances as a result of incorrect maintenance assessments.

**17** We have previously reported that the Department was unable to quantify the level of errors introduced in administering cases outside of its IT systems, and the impact of these on the related arrears balances. As part of case closure the Department has closed its database for managing such clerical cases by creating records within the main child maintenance administration system for any arrears. There are previously identified errors in these records that the Department has not acted to correct. This leads to further unquantifiable error in the outstanding maintenance balances reported.

**18** As the quantifiable impact of incorrect adjustments to arrears is material to the value of the arrears balance, I have not sought to quantify the impact of incorrect maintenance assessment or errors in the administration of records outside of the IT systems in forming my opinion on the arrears balance.

## Qualified opinion due to irregular receipts and payments

**19** I am also required to give an opinion on whether, in all material respects, the transactions comprising the receipts and payments within the Account have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion).

**20** I have estimated that there is a material level of error in the maintenance assessments underpinning receipts and payments reported in the 2018-19 Account. Errors in the calculations of maintenance assessments mean that these assessments are not in accordance with the specific legislative requirements and therefore the associated receipts and payments are irregular.

**21** The original 1993 legislation required up to 148 different pieces of information to calculate a maintenance assessment. An error in any element of the assessment will impact the accuracy and so the regularity of the child maintenance received from the non-resident parent. Ordinarily there are multiple assessments throughout the lifetime of a case to reflect changes in circumstance. Where such reassessments occur, the likelihood of error increases as the level of manual case worker intervention increases. It is this level of complexity, together with inadequate computer systems, that has led to the significant levels of error in historical child maintenance assessment calculations.

**22** My estimate of inaccuracy in maintenance assessments is based on the work of the Department's Quality Assurance Team (QAT), who carry out testing of child maintenance assessments. I have estimated that errors in assessments resulted in overpayments of child maintenance of £845k in 2018-19, representing 1.50% (£1.8 million, representing 1.03% in 2017-18) and underpayments totalling £886k, representing 1.57% in 2018-19 (£1.9 million, representing 1.08% in 2017-18). The cases affected by overpayments are unconnected to the cases affected by underpayments, and consequently I have considered the gross error figures in forming my opinion. I have qualified my regularity audit opinion based on a gross value of irregular receipts and payments of £1.7 million for 2018-19, representing 3.08% of total receipts (£3.7 million in 2017-18, representing 2.11% of total receipts).

**23** The error rate I have estimated will differ from the in-year error rate calculated by the Department, as set out in section 2.1 of the Governance Statement. The 1993 and 2003 Child Maintenance Scheme cases are not subject to an annual review. As a result, there are receipts and payments in the 2018-19 account that are based upon maintenance assessments that were calculated in previous years. To take account of this fact, I consider the accuracy of calculations



processed in 2018-19 and take account of historic rates of error when forming my estimate of accuracy in receipts and payments.

## Closure of the 1993 and 2003 child maintenance scheme cases

**24** The Department's focus over the past year has remained on the closing of cases on the 1993 and 2003 Schemes. The first stage of this was completed by 31 December 2018, when all assessments requiring continuing maintenance payments between parents ended. The next stage of case closure is to write-off or collect outstanding maintenance arrears. Where separated parents require support with child maintenance arrangements, they must now apply to the 2012 Scheme.

### Impact of case closure on the regularity of receipts and payments

**25** The value of receipts in the Account has fallen, from £175.6m in 2017-18 to £56.2m in 2018-19, in line with the ending of all cases with continuing maintenance payments. Since 1 January 2019, all receipts and payments reported in the 1993 and 2003 Scheme Account will solely relate to historic arrears. I consider the arrears balance to be materially incorrect due to historic inaccurate maintenance assessments and incorrect adjustments. The Department is not taking action to correct 1993 and 2003 Scheme arrears balances and so some receipts and payments will continue to relate to arrears that are not in accordance with the schemes' rules. I therefore anticipate I will continue to qualify my regularity opinion on the receipts and payments reported in the Account going forwards.

### Addressing the outstanding arrears balance

**26** In 2018 legislation, The Child Support (Miscellaneous Amendments) Regulations 2018, was enacted to address historic arrears built up under the Child Support Agency (CSA) for the 1993 and 2003 Schemes, as well as ensuring compliance and supporting collection of newer arrears arising on the 2012 Scheme.

**27** In addition to existing powers that enable the Department to write-off 1993 and 2003 Schemes arrears that are below £65 or write-off debts owed to the Secretary of State, this legislation allows the Department to write-off arrears where:

- the value is less than £500 and the arrears are less than 10 years old, on the basis it is not cost effective to pursue such debts;
- the value is less than £1,000 and the arrears are more than 10 years old, on the basis that it is not cost effective to pursue such debts;
- the value is more than £1000 if the parent with care does not confirm that they want the arrears pursued within a specified time-frame following written communication from the Department;

and,

- the parent with care requests that the arrears are pursued but the Department is unable to make contact with the non-resident parent to collect the arrears.

**28** The Department sets out in the Account at section 1.2 that the arrears balance has reduced by £1.3 billion, from £3.5 billion March 2018 to £2.2 billion at March 2019, due to 217,500 cases where the arrears have been adjusted or written off during 2018-19.

**29** For arrears balances that are to be collected, as part of its Compliance and Arrears Strategy, the Department plans to utilise existing powers to enforce compliance with assessments, such as preventing non-paying parents from holding or obtaining a UK passport for a maximum period of 2 years, and removal of passports for non-paying parents. It will also use new powers

included in the December 2018 legislation to enforce compliance, such as recovery from joint bank accounts. The Department does not yet have sufficient data to evaluate the effectiveness of its Compliance and Arrears Strategy in enforcing compliance and collection of arrears.

**30** The Department notes in its annual report that £1.9 billion of the £2.2 billion arrears balance at 31 March 2019 is considered uncollectable. The 2012 Scheme reports £275 million of unpaid maintenance (arrears) outstanding (HC 34) as at 31 March 2019, all of which it currently considers collectable. As the Department implements its Compliance and Arrears strategy, it will need to revisit its assumptions around collectability of arrears relating to the 1993, 2003 and 2012 Schemes to reflect its experience of the new write-off and enforcement powers, and report this transparently.

**31** Child Maintenance cases generate the largest volume of all correspondence received by the NAO; with correspondents raising concerns about inaccurate arrears and the customer service received from the Department when parents query assessments or arrears across the 1993, 2003 and 2012 Schemes. The current policy that arrears will not be cleansed and corrected as part of the case closure programme creates a risk that parents will be pursued for collection of incorrect arrears. The impact of this on parents leads me to recommend that the Department should establish a clear process to support parents who are concerned that arrears balances now being collected are incorrect, and ensure adequate records and systems are maintained until all arrears are written off or collected, and the schemes can be brought to a full close.

**32** As arrears balances will not be recalculated as part of case closure and write-off procedures, I anticipate that I will continue to consider that the balance reported in the 1993 and 2003 Scheme Account does not properly present the outstanding maintenance arrears balance, due to historic incorrect maintenance assessments and adjustments.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date: 27 January 2020**

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London  
SW1W 9SP

# Receipts and Payments Statement for the year ended 31 March 2019

# 6

	Notes	2018-19 £000's	2017-18 £000's
Receipts	2	56,249	175,625
Bank Interest	3	-	-
<b>Total Receipts</b>		<b>56,249</b>	<b>175,625</b>
<b>Less payments to:</b>			
Persons with Care	2	54,708	167,659
Secretary of State	2	4,899	8,614
Non-resident Parents/employers	2	855	1,837
Department in respect of fees	2	5	37
<b>Total Payments</b>		<b>60,467</b>	<b>178,147</b>
<b>Net receipts/(payments)</b>		<b>(4,218)</b>	<b>(2,522)</b>
<b>Balance as at 1 April</b>		<b>10,734</b>	<b>13,256</b>
<b>Balance as at 31 March</b>		<b>6,516</b>	<b>10,734</b>

# Statement of Balances as at 31 March 2019

# 7

	Notes	31 March 2019 £000s	31 March 2018 £000s
Opening balance		10,734	13,256
Movement		(4,218)	(2,522)
Closing cash balance	3	6,516	10,734

# Notes to the account for the year ended 31 March 2019

# 8

## 1 Statement of accounting policies

The account has been prepared on a cash basis and in the form directed by Her Majesty's Treasury (HM Treasury). The outstanding maintenance arrears note, which is prepared on an accruals basis, records amounts owed by non-resident parents as at 31 March 2019, along with movements in these arrears balances during the financial year.

A new Account Direction, dated 6 May 2015, confirmed all transactions relating to cases assessed under the 1993 or 2003 schemes will be reported in a separate Client Funds Account to the 2012 Scheme assessed cases. There is a separate Account Direction and Client Funds Account publication for 2012 Scheme cases.

The account has been prepared under the historical cost convention.

## 2 Receipts and payments

Receipts from clients relate to child maintenance and fees collected from non-resident parents by the Department for payment to parents with care (maintenance) or to the Secretary of State (where pre-2008 maintenance offsets benefits paid to the parent with care and monies due to the Department (fees for DNA and court costs)).

The receipts quoted in the Receipts and Payments Statement differ from the receipts total shown in movements on outstanding maintenance arrears (see Note 5.0). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Statement.

Monies are also received from the Secretary of State to refund non-resident parents in cases where an overpayment has been made and the amount is irrecoverable. Such payments are treated as losses in the Department's Annual Report and Accounts. However, in line with the declining volumes of cases on Legacy Schemes and the more automated processes by which cases are managed that have transitioned to the CMS 2012 system, the reported value in 2018/19 is nil (2017/18 £2.6m).

Included in the £54.7 million (2017/18, £167.7 million) paid to the parent with care is £5k (2017/18, £300k) transferred from Northern Ireland's Child Maintenance Service to fund payments made on the Department's behalf.

The payments to the Secretary of State of £4.9 million have been made in respect of funds received on cases where clients were in receipt of benefit at the time of the assessment, pre-October 2008. The repeal of Section 6 of the Child Support Act 1991 in October 2008 resulted in all cases being re-classified as private cases with no involvement with the benefit system.

However, when funds are received which relate to periods when clients were in receipt of benefits these payments continue to be retained by the Secretary of State.

Other payment categories relate to refunds/reimbursements to non-resident parents and employers for overpayments of maintenance, totalling £0.9 million in 2018/19 (2017/18, £1.8 million). Also, payments were made to the Department in respect of fees for DNA tests and court costs, £5,000 in 2018/19 (2017/18, £40,000).

### **3 Statement of balances**

The balances relate to monies collected, which had not been paid over at year end and were held in the Client Funds bank accounts.

### **4 Outstanding Maintenance Arrears**

Under the Accounts Direction dated 6 May 2015 issued by HM Treasury, the Department is required to disclose the balances outstanding from non-resident parents at the year end, and the movements in the balances outstanding between the beginning and end of the year.

The Department published on 12 July 2018 its new Compliance and Arrears Strategy. Regulations to support the new strategy came into force in December 2018 enabling debt to be written off once we have exhausted our enforcement options and have been unable to collect the debt, in which case we will notify both clients. This will allow us to close the remaining cases on CSA systems and ultimately decommission these systems.

The operational priority of the statutory service is to collect money for children who will benefit from regular on-going maintenance payments today, rather than prioritising the pursuit of historic arrears in cases where the children have now grown up.

## 5.0 Outstanding maintenance arrears at 31 March 2019

	£'000	CS2	CSCS	CMS	Total
Outstanding Maintenance Arrears as at March 2018 (Note a)		1,775,135	1,097,231	633,372	3,505,738
Write Off (Note 5.1ii)		(431,706)	(345,658)	(164,500)	(941,864)
Maintenance Charged in Year (Note 5.1i)		(508,640)	(94,725)	254,149	(349,216)
Maintenance Received in the year (Note 5.1iii)		(7,498)	(3,532)	(26,167)	(37,197)
<b>Outstanding Maintenance Arrears at 31 March 2019</b>		<b>827,291</b>	<b>653,316</b>	<b>696,854</b>	<b>2,177,461</b>

### Note a)

The format of this note reports by system rather than scheme basis. CSCS (1993) and CS2 (2003) scheme arrears of £696.9 million at 31 March 2019 (£633.4 million, 31 March 2018) are hosted on the CMS (2012) system and are reported in the table above.

## 5.1 Movements in outstanding maintenance arrears

The following notes explain movements from the opening outstanding maintenance arrears balance to the closing balance:

- i) Maintenance charged during the year and other adjustments. This comprises: assessments made on non-resident parents during the year; outstanding maintenance arrears transferred to and from the Northern Ireland Child Maintenance Service, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due. The amount charged in 2018/19 was a negative value of £349 million (2017/18, £31 million); the decrease is in line with the Case Closure Programme, to close cases on the 1993 and 2003 systems. For both the 1993 and 2003 schemes, (CSCS and CS2) adjustments to reduce arrears balances, have exceeded in value the amount of maintenance charged during the year, leading to a negative balance of maintenance charged.
- ii) Under the powers introduced as part of the Compliance and Arrears Strategy and in addition to the Write Off and Part Payment legislation introduced in 2010 the Department has made adjustments to the value of arrears, with £942 million being restated on 1993 and 2003 scheme cases (2017/18, £120 million), the increase from last year is a direct result of the Compliance and Arrears Programme.
- iii) Maintenance received during the year. This comprises amounts received from non-resident parents and the Northern Ireland Child Maintenance Service during the year. When a receipt is subsequently assigned to a case by the child support computer systems, the receipt is allocated to that case. The timing difference between receipt, assignment and allocation contributes to the difference between the value of the receipts in the Receipts and Payments Statement and the receipts in Note 5. The total value of receipts allocated to cases in 2018/19 was £37 million (2017/18, £150 million).
- iv) Outstanding maintenance arrears as at 31 March 2019. This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after receipts of maintenance have been deducted.

## **6 Events after the reporting date**

These accounts were authorised for issue on the date the Comptroller & Auditor General signed his certificate and report.



