



Department  
for Work &  
Pensions

# Client Funds Account 2023-24

2012 Child Maintenance Scheme





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Pensions

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## 2012 Child Maintenance Scheme

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

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# Foreword

The Department for Work and Pensions (the Department) is responsible for the management of client funds relating to both the 2012 statutory child maintenance scheme operated by the Child Maintenance Service (CMS) and 1993 and 2003 schemes which were originally delivered by the Child Support Agency (CSA).

The Department provides a Child Maintenance system that supports separated parents to work together to set up family-based child maintenance arrangements. Where this is not appropriate, it provides access to an effective and efficient service to ensure separated parents contribute towards the upkeep of their children.

CMS has responsibility for the management of client funds collected through the statutory service. Child maintenance assessed under the CMS 2012 scheme and CSA arrears only cases are managed on the CMS computer system launched in 2012. Although the CSA is now closed and its systems decommissioned, cases are administered according to the scheme rules under which the case was originally assessed.

The running costs of CMS are charged to the Department and reported in the Department's Annual Report and Accounts<sup>1</sup>. However, for Client Funds, CMS acts purely as custodian and the Department is required, by HM Treasury under section 7(1) and (2) of the Government Resources and Accounts Act 2000, to publish a Client Funds Account, which is separate from the accounts for the rest of the Department's activities.

This account reports on the 2012 statutory scheme, with the 1993 and 2003 statutory schemes being reported in a separate publication. The Comptroller and Auditor General provides separate opinions in the audit certificate within each publication.

<sup>1</sup> DWP annual report and accounts 2023 to 2024 - GOV.UK ([www.gov.uk](http://www.gov.uk))

# 1. Management Commentary

## 1.1. Background

Both parents are responsible for the costs of raising their children, even if they do not see them. The Department provides tools and support for parents to set up an arrangement that works for them and they may make their own private family-based arrangement (FBA) with little, or no government help. A child maintenance calculator is available online to estimate what might be a reasonable amount to pay. An FBA does not necessarily need to involve the exchange of money and can include things such as sharing care or covering certain costs like school uniforms – whatever works for the individual family circumstances.

The Department also recognises that such collaborative arrangements are not appropriate for a lot of parents and to get the right arrangement, many need extra help. The CMS provides the statutory child maintenance scheme for parents who need additional support.

The Department is also implementing (in England) a programme to reduce parental conflict, integrating evidence-based interventions into local services to support disadvantaged and workless families through the Reducing Parental Conflict Programme<sup>2</sup>. Whilst not part of the CMS portfolio, the outcomes from the programme will help support CMS's objectives.

Before applying to the statutory child maintenance scheme, separated parents are required to access 'Get Help Arranging Child Maintenance' through GOV.UK. This online service ensures parents are given impartial information on the different maintenance options available and support to help them put an arrangement in place. There is a telephony service to support those parents unable to use online services.

Within the statutory scheme, the CMS operate two service types: Direct Pay and Collect and Pay. For the Direct Pay service, the CMS calculates the amount of child maintenance that a paying parent (PP) must pay, and the case is managed on the CMS system, but parents currently agree between themselves how the money will be paid. The CMS provides the calculation, but transferring the money is currently the responsibility of the parents. The Government has just completed a consultation proposing reform of the Direct Pay service.

For the Collect and Pay service, the CMS calculates the amount of child maintenance, then collects the payment from the PP and pays it to the receiving parent (RP). Clients must pay fees for using the Collect and Pay Service. The PP fee is currently 20% on top of the maintenance amount due, whilst the RP has 4% deducted from the maintenance amount. The collection charge is only deducted when the maintenance is paid. Under existing arrangements, Collect and Pay is used in circumstances where the PP has failed to pay maintenance or has indicated that they are unlikely or unwilling to pay. Either parent can request to change the service type to Direct Pay, however the CMS has the right to refuse the PP's request where their payment history suggests they are unlikely to pay.

Receipts and Payments reported in these accounts relate only to Collect and Pay cases. Direct Pay cases are not included as parents arrange payments between themselves without the involvement of CMS.

<sup>2</sup> <https://www.gov.uk/government/collections/reducing-parental-conflict-programme-and-resources>



Child maintenance underwent major reform in the last decade with the creation of the CMS and the closure of the CSA. This process of reform is ongoing, with a review of the calculation currently underway as well as the consultation on reform of service types.

A £20 application fee that previously applied for new applications to the CMS (subject to certain exemptions) was removed in February 2024. The fee was removed to ensure that those parents on the lowest income did not face a financial barrier to accessing support from the CMS.

Unpaid maintenance for cases on the 1993 and 2003 schemes is now all housed on the 2012 computer system allowing the CMS to focus efforts on supporting those parents most in need and collecting outstanding maintenance. Under the CMS, the Department has stronger collection and enforcement powers – for example, it can apply to the courts for prison sentences. This has contributed to the collection of arrears where other enforcement actions have been exhausted and demonstrates that the CMS will take a strong stance against persistent non-compliance.

## 1.2. Service Modernisation and Improvement

CMS has shifted its focus to look at how it can deliver services with increasing effectiveness and efficiency. The Modernisation programme began with a shift in service offering, with a view to optimising the use of digital channels and self-service by clients.

This is a multi-year programme of change to explore and deliver new and more innovative ways of delivering further improved service to its customers, prioritising sustainable, effective child maintenance arrangements; delivering a more modern, caring service, ensuring they keep children at the heart of what they do.

Like many public sector organisations, the Department is focused on operating more efficiently while reducing costs to the taxpayer. The Modernisation programme has already increased the choices for customers to make contact through digital routes whilst ensuring assistance is provided to help vulnerable and non-digital customers through the channel of their choice.

Changes made to online services including 'Get Help Arranging Child Maintenance', 'Apply for Child Maintenance (which now includes the 'Respond to Child Maintenance Application' service) and 'My Child Maintenance Case' increase the functionality available to customers so they can manage their child maintenance arrangements, report changes, receive updates on progress and make card payments, in a way that's more convenient and at a time that suits.

## 1.3. Performance during 2023-24

### Caseload

The CMS caseload as at 31 March 2024 including both the Collect and Pay and the Direct Pay services was 722,500 (31 March 2023, 655,500). This was an increase of 10% since 31 March 2023 and includes cases that closed on the old CSA schemes where those parents subsequently made applications to CMS.

Of the Collect and Pay caseload, 69% (2022/23, 65%) of case groups were contributing towards their current liability. This increase in those paying something towards their maintenance is positive in the context of cost of living crisis which could impact on some PP's ability to pay.

At 31 March 2024, 990,000 children were covered by the CMS: 620,000 (63%) through Direct Pay arrangements and 350,000 (35%) by arrangements through the Collect and Pay Service. Cases covering 21,000 (2%) children had not been assigned as parents were considering which service to use

or were in the process of changing service. If payments are not being made by parents using Direct Pay, the RP can ask the CMS to step in, the case is changed to Collect and Pay, and fees are charged.

In the last year, the Department estimates that £1,282.7 million (2022-23, £1,142.9 million) was paid between parents. These figures include both funds paid via the Department and where Direct Payments are made to the RP by the PP. This estimate assumes that Direct Pay payments due are paid in full and on time by the PP. It is recognised this might not be the case but, as noted in Direct Pay below, the client may change service type if the arrangement is not working.

The totals comprise:

- £1,017.2 million through Direct Pay (2022-23, £907.9 million) and,
- £265.5 million<sup>3</sup> through Collect and Pay (2022-23, £235.0 million).

Even when maintenance is arranged through the Collect and Pay service, there can be occasions where the PP makes payments directly to the RP and not through the CMS. Also, either parent can request to change the service type to Direct Pay, however the CMS has the right to refuse the PP's request where their payment history suggests they are unlikely to pay. Additional information can be found in Note 7.2.

Since the start of the CMS 2012 scheme, the Department estimates that £7,635.2 million (31 March 2023, £6,352.7 million) has been paid between parents.

### Direct Pay

While payments made through Direct Pay do not flow through the Client Funds bank account, they are a key part of the reforms.

Parents who choose Direct Pay are advised to keep a record of payments in case there are problems. Where payments due under Direct Pay are reported as missed, both clients are asked to provide evidence of the missed payment to the CMS. In cases where it is deemed the PP has not paid or is unlikely to pay, the case may be changed to Collect and Pay where enforcement tools are available to re-establish compliance and recover any outstanding unpaid maintenance, including any accumulated while the case was classed as Direct Pay. Unless advised otherwise, the Department assumes Direct Pay payments due are paid in full, and on time, by the PP.

In summer 2024, the previous Government launched a consultation on fundamental reforms to the way the CMS collects and transfers maintenance payments and proposed removing Direct Pay and managing all cases on a single Collect and Pay service. The consultation was extended by the Government at the end of July and ran until 30th September 2024. Responses to the consultation are being evaluated.

### Collect and Pay

#### Receipts and payment of child maintenance

During 2023-24, 2.6 million (2022-23, 2.4 million) individual receipts were received totalling £236.9 million (2022-23, £204.2 million) and 2.7 million (2022-23, 2.4 million) individual payments were made to

<sup>3</sup> Although maintenance was arranged utilising the Collect and Pay service, not all payments were received via the Department's collection service as clients can still choose to pay directly.

Additionally, clients with unpaid maintenance using the Collect and Pay service can choose to switch to the Direct Pay service. When this happens, the Paying Parent continues to pay any outstanding maintenance to the Receiving Parent, however payments are made directly to the Paying Parent, rather than via the Department.

Receipts quoted within Section 1.3 Collect and Pay (£236.9 million) relate only to those collected by the Department

RPs with a total value of £228.5 million (2022-23, £196.7 million). All receipts and payments are made electronically. The total value of receipts and payments in 2023-24 was higher than in 2022-23 and the number of cases also increased.

Maintenance monies received are paid to RPs as quickly as possible, subject to normal banking clearance cycles, if a method of payment has been supplied by the RP. There are occasions where funds are pending allocation to a case or have been received in advance of when they are due. This led to the CMS holding a cash balance at 31 March 2024 of £10.5 million, after adjusting for the estimate of receipts due to legacy schemes referred to in Note 3 to the account, equating to 3.5% of the funds received during the year (31 March 2023, £13.7 million, 5%).

During the 2021/22 audit a receipt from a PP was identified that had not subsequently paid out to the RP. The CMS acted promptly to investigate and found other instances where clients had continued to pay CMS when their case had either closed or had changed to Direct Pay. A team was established within the CMS to review affected cases, ensure that unallocated receipts were identified and to contact clients to arrange for reimbursement. In addition, system enhancements have been implemented to highlight this issue in the future and to facilitate the processing of repayments. This work was completed by December 2023 and unallocated receipts have settled back to business as usual levels where timing differences occur.

### Unpaid maintenance

In addition to reporting the receipts and payments of child maintenance, the Department is required to report on amounts that PPs owe to RPs. This totalled £623.9 million at 31 March 2024 (31 March 2023, £538.1 million).

Included in the unpaid maintenance balances is an element which has not yet been requested from the PP. This occurs because there is a short period between the date of the claim and the first payment being scheduled for payment. Such a case is not technically in an arrears position but still reflected here as owing to RPs. At 31 March 2024 this was £7.5 million (31 March 2023, £5.4 million)<sup>4</sup>.

When a payment is missed on the Collect and Pay service, the CMS contacts the PP to find out why they have not paid and arranges for them to pay what they owe or informs them about possible enforcement action if they do not pay. If the PP is using the Collect and Pay service, this will happen automatically. When parents use the Direct Pay service for child maintenance and a payment is not made, the receiving parent can request that the CMS change them to the Collect and Pay Service to collect child maintenance on their behalf. On the Collect and Pay service the CMS can collect unpaid child maintenance in several ways. This includes:

- Taking money from the PP's earnings through a deduction from earnings order/request. The CMS will tell the PP's employer how much to take from their wages. The employer must then pass on the money, they have been ordered to pay to CMS, or they can be taken to court.
- Deduction from Benefit if the PP is in receipt of benefit payments.
- Taking money directly from the PP's bank or building society account by deduction order, including from Joint, Business and Partner accounts linked to the PP.
- Taking action to secure payment from PP in Court. The courts can grant liability orders which allow the parent to be referred to Enforcement Agents who attempt to influence a change in PP's behaviour towards their Arrears and can remove goods of value from the property to pay the unpaid maintenance and any costs. The courts can also apply a charging order which secures the debt against a property and ultimately force the parent to sell property through an order for sale, using the money to pay off the unpaid maintenance.

<sup>4</sup> Table 2 refers.

If these methods fail, the CMS can apply for the courts to disqualify the parent from driving, send them to prison or confiscate the passports of non-compliant PPs.

Sanctions are only used when every other method of recovering unpaid child maintenance has been attempted. The CMS only pursues these sanctions when they believe the PP can pay but is refusing to do so. If it is concluded that a PP is currently unable to pay the case is moved into the Surveillance category.

In the past year to March 2024, the CMS has collected £5.0 million (2022-23, £3.9 million) from PPs with a sanctions action in process across all schemes.

In addition, referrals are made to the CMS's Financial Investigations Unit to check that the right amount of child maintenance is being paid. These investigations can be criminal investigations to gather evidence to help decide if a parent can be charged using the Crown Prosecution Service. Investigations may also be carried out into why deduction from earning orders are not being successful in collecting child maintenance, and into complex earners who are parents with multiple income streams, company directors and the self-employed. In these cases, the parent may have some control over the way in which their income is paid and the amount of child maintenance they are meant to pay may not reflect the parent's true income.

### Collectability

The intent of the CMS 2012 scheme is that all debt is collectable unless CMS are instructed by the receiving parent (or child in Scotland) to cease acting on their behalf or under other limited provisions such as where the PP dies and the debt cannot be recovered from the estate.

CMS focuses on recovering unpaid maintenance by evaluating the paying parent's ability to pay, which can fluctuate over time. Since the debt is owed to the other parent rather than the Secretary of State, CMS neither stipulates a timeframe for debt collection nor deems it uncollectable.

CMS maintains that the most effective way to handle arrears is through continued enforcement efforts, ensuring children receive the financial support they require.

As the level of reported arrears continues to increase, the CMS has considered the collectability of all unpaid maintenance. The CMS continues to target unpaid maintenance of all ages and continues to see a reduction in unpaid maintenance arising in previous years.

<b>Table 1</b> Analysis of unpaid maintenance by year they originate:	<b>As at 31 March 2024</b>  <b>(£ million)</b>	<b>As at 31 March 2023</b> <b>Restated</b> <b>(£ million)</b>	<b>As at 31 March 2023</b> <b>Original</b> <b>(£ million)</b>
2013-14	0.5	0.5	0.5
2014-15	3.6	4.1	4.1
2015-16	9.2	10.4	10.4
2016-17	21.3	24.1	24.1
2017-18	38.6	43.8	43.8
2018-19	54.5	62.0	62.0

2019-20	67.1	76.7	76.7
2020-21	64.9	76.2	76.2
2021-22	88.4	104.8	104.8
2022-23	124.9	135.5	146.0
2023-24	150.9		
<b>Total (see Note: 7.4)</b>	<b>623.9</b>	<b>538.1</b>	<b>548.6</b>

Data previously published for 31 March 2023 has been restated to address challenges identified in reporting the aggregate unpaid maintenance balance. (See Note 7.4)

Cases are moved into enforcement and more reliable methods of payment such as deductions from earnings orders are promoted where appropriate.

Table 2	As at 31 March 2024		As at 31 March 2023 Restated		As at 31 March 2023 Original	
	£ million	%	£ million	%	£ million	%
Unpaid Maintenance Categories						
Not due <sup>5</sup>	7.5	1.2	5.4	1.0	5.4	1.0
Trying to Collect	229.8	36.9	218.9	40.8	229.3	41.8
Paying <sup>6</sup>	202.2	32.4	145.8	27.1	145.8	26.6
Enforcement	159.0	25.5	140.2	26.0	140.2	25.6
Surveillance	25.2	4.0	27.7	5.1	27.7	5.0
Other	0.2	0	0.2	0	0.2	0
	<b>623.9</b>	<b>100</b>	<b>538.1</b>	<b>100</b>	<b>548.6</b>	<b>100</b>

Table 2 analyses unpaid maintenance into the categories CMS use when managing cases. Data previously published for 31 March 2023 has been restated to address challenges identified in reporting the aggregate unpaid maintenance balance. (See Note 7.4)

Not all parents are fully compliant and as a result, unpaid maintenance balances are growing. To address this, 25% of the amount outstanding is being pursued through enforcement work and 4% is in surveillance (where a Paying Parent is currently unable to pay, and enforcement action would not be

<sup>5</sup> Not due relates to liabilities that have been charged where the client is not yet due to pay

<sup>6</sup> Paying relates to arrears cases where clients are making payments

appropriate at this time). The Department are actively pursuing collection of 70% of scheduled payments.

The Department's ability to monitor changes in the life circumstances of its clients through new benefit claims or new employment details, means it has more opportunity than the private sector to establish or enforce compliance through deductions from benefits and deductions from earnings. The Department is achieving compliance now from a significant number of PPs who have never paid before.

Since March 2023 there has been an increase from 65% to 69%, in those paying anything towards their maintenance and the percentage of parents paying over 90% of their maintenance due for the quarter ending March 2024 increased to 46% from 41% in the quarter ending March 2023. In the quarter ended March 2024, the most prevalent method of payment was through deduction from benefits, with 38% of PPs making payment this way.

In addition, the Department has significant enforcement powers which are not available in other sectors e.g., order for sale of property, confiscation of driving licenses and passports, which can be utilised when necessary. These sanctions act as a significant deterrent to non-payment.

After 12 months in enforcement and despite these powers, there are some cases which remain non-paying as there are instances where no assets or income sources can be found. System changes are being implemented to ring-fence these cases to determine if there is evidence of ability to pay to support ongoing enforcement action, so cases can be actively managed. CMS also track the small number of cases who remain non-paying despite all legal enforcement action being taken to inform policy discussions on future treatment.

CMS has continued to make use of write off powers granted as part of Write off and Part Payment legislation introduced in 2010, more information can be found in Note 7.4.2. Although the debt is not ultimately collected in these cases, the Department does not view this as uncollectable because a decision has been taken not to pursue it. During 2023-24, £11.7 million has been written off against the estimate of £11.7 million reported in the 2022-23 Accounts (see Note 7.4.4). The Department wrote off £10.1 million (2.2%) in 2022/23. The best estimate is that the Department will write off in the region of £13.6 million (2.2%) in 2024/25.

<b>Table 3</b>	
Unpaid maintenance write off in 2023-24	
Unpaid Maintenance at 31 March 2023 (£ million)	538.1
Unpaid Maintenance written off during 2023-24 (£ million)	11.7
% Unpaid maintenance written off	2.2%
Unpaid maintenance at 31 March 2024 (£ million)	623.9
Estimated unpaid maintenance write off 2024/25 (£ million)	13.6

### **Statutory Child Maintenance Scheme costs, fees and charges**

Non-child maintenance receipts of £60.6 million collected during 2023-24 (2022-23, £52.9 million) related mainly to application fees and collection and enforcement charges, which are paid to the Secretary of State. As previously referenced, a £20 application fee was removed from February 2024. The administrative cost to the CMS of collecting these fees is reported as part of the CMS costs within the Department for Work and Pensions Resource Accounts.

### **Assessment accuracy**

Assessment accuracy compares the aggregate weekly value of correct and incorrect child maintenance calculations to determine the percentage of cases that have been correctly assessed.

The Department legally relies on data from HM Revenue & Customs (HMRC) and its own benefits data to assess 90% of Paying Parents earned income and benefit status, which are key parts of the maintenance calculation.

The Modernisation Programme has led to a slight increase in the volume of automated transactions on the CMS 2012 system, now at 76.5% (up from 76.3% in 2022-23). Consequently, this has decreased the need for caseworker intervention and enhanced error prevention measures. The Department's Quality Assurance Team confirmed there were no errors in the automated calculations they reviewed.,

CMS MVE accuracy has remained stable at 99.5% (2022-23, 99.4%).

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

**Date: 09 December 2024**

## 2. Statement of Accounting Officer's responsibilities

As Principal Accounting Officer of the Department, I have responsibility for the 2012 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 2012 statutory scheme in the form and on the basis set out in the Accounts Direction. The accounts are prepared on a cash basis and properly present the monies flowing into and out of the Client Funds bank accounts and the balances of those accounts, to the extent that these relate to amounts assessed under the 2012 scheme.

In preparing the account, I have complied with the relevant accounting and disclosure requirements in the Government Financial Reporting Manual (FReM), in so far as it applies to a receipts and payments account, and any other guidance issued by HM Treasury. In particular I have:

- observed the Client Funds Account Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- made judgements and estimates on a reasonable basis
- prepared the Account on a going concern basis
- Stated whether applicable accounts standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the accounts

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.

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.

**Peter Schofield**  
Principal Accounting Officer

**Date: 09 December 2024**



## 3. Governance Statement

### 3.1. Introduction

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2024 relate to CMS, as CMS is an intrinsic part of the Department. This statement covers topics which are applicable to the CMS operating within the Department and significant control challenges identified in relation to child maintenance<sup>7</sup>.

In December 2012, the Department launched the 2012 statutory child maintenance scheme, delivered by the CMS and by 31 December 2018 all cases on the existing 1993 and 2003 schemes had their liability ended. As a result, parents had to choose between making their own, family-based arrangement, or making an application to the CMS where a family-based arrangement is not possible. Outstanding arrears balances have moved from 1993 and 2003 computer systems to the CMS 2012 computer system. These arrears continue to relate to, and will be reported in, the Client Funds Account for the 1993 and 2003 schemes.

### 3.2. Significant Control Challenges

The Department aims to create a modern accessible service, where clients have a greater choice of when and how to contact us through multiple channels ('digital first'), allowing clients to complete simpler tasks themselves.

There are a number of control challenges that impact on the 2012 scheme.

#### System upgrades

System and process changes will always carry a small level of risk even after extensive testing.

System changes are introduced on a regular basis throughout the year to deliver targeted improvements in functionality. These are either already planned as part of the multi-year Child Maintenance Service Modernisation Programme which aims to allow customers and caseworkers to manage child maintenance arrangements in an efficient and convenient way through online services, or in response to recognising an improvement such as speeding up the process for customers to request a change in their service type.

Changes in 2023-24 included improvements to the Enforcement process with screens now displaying how long each stage in the Enforcement process has taken alongside faster and more accurate bailiff referrals made via a secure DWP interface integrated with the CMS system which removed the requirement for clerical referrals.

A new service called PP respond was also introduced to allow Paying Parents to complete their information online, at a time that suits them, after being notified of an application.

Continuing on from last year further changes have been made to reduce the number of system processes that require caseworker intervention and optimise screens used by Child Maintenance caseworkers to speed up information gathering and decision making. CMS also continue to roll out

<sup>7</sup> DWP annual report and accounts 2023 to 2024 - GOV.UK ([www.gov.uk](http://www.gov.uk))

enhanced online guidance for case workers to ensure they follow correct processes when implementing customer changes and decisions.

### Assessment accuracy

The Department's estimate of assessment accuracy for 2023-24 is 99.5%.

The Department expects system and process upgrades to continue to have a positive impact on accuracy as the proportion of calculations carried out by the system rises relative to the manual activity of caseworkers. Whilst the risk of manual caseworker error cannot be removed, significant efforts are being made to reduce the likelihood of error.

Better Management Information has also contributed to improving accuracy through increased transparency of the CMS 2012 system. CMS operations has implemented targeted checking regimes, developed using this improved MI. This has allowed early identification of emerging trends, allowing greater focus on getting things right first time for the client. New and improved training materials have been developed and work is also being done to embed a culture of continuous improvement, with a full roll out of 'Delivering a Quality Service' standards across operational teams.

### Information security

The Department is committed to treating client's data with respect and to handling the large quantities of personal data it processes in ways that meet data protection and other privacy requirements. The Department's Data Protection Policy sets out how compliance with its duties is achieved under the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA).

In relation to personal data breaches, the Department follows the guidelines from the Information Commissioner's Office (the ICO).

During financial year 2023-24 the Department's Data Protection team reported 19 personal data breaches to the ICO, 2 of these were in respect of CMS (2022-23, 2). There were also 143 enquires in the form of Request for Assessment (RFAs) from ICO for the same period for the whole of the Department, of which 28 (2022-23, 19) specifically involved enquiries about CMS. This data is not collected at scheme level.

CMS recognises the importance of protecting client's data and have delivered security awareness and education sessions to all staff, using internal communications to reinforce the impact that incorrect data and security breaches have on clients and updating security procedures to be more reflective and easier to follow for caseworkers.

Accountability for breaches has visibility at senior levels reinforced by improvements in Management Information.

### Management Information

All cases are now hosted on the CMS 2012 IT system and accounting data is sourced from a General Ledger which holds summary level information, with detailed records held in a supporting Management Information System.

The development of new end user products from CMS's data and analytics solution (ChADS) has continued during the year, exploiting the datasets available and improving the information available to the business.

## Detection of fraud and error

The Department has in place controls to prevent and detect fraud and error by child maintenance staff. An Audit Trail process exists to enable the Department to provide a single, consolidated view of all audited user activity on the Department's systems, to improve the detection and deterrence of data misuse. The audit trail provision requires a cohesive collaborative working relationship between a number of independently managed teams including:

- The Management Information and Audit Requirements team (MIART) who are responsible for the identification, development and enhancement of audit trails and associated Management Information.
- The Audit Data as a Service Team- ADaaS, who provide the analysis of user activities on The Departments IT systems using an agreed set of rules which raise exceptions requiring further investigation.
- The Internal Abuse Monitoring team who are part of the Cyber Resilience Centre (CRC) and who have Departmental responsibility for developing pre-defined business activity or risks against which audit trails are run to detect/deter data misuse.

CMS provide audit data feeds to ADaaS which enable CRC to monitor potentially inappropriate activity within those systems. The Department always investigates such cases and prosecutes as appropriate. It isn't possible to ascribe a robust estimate specific to child maintenance fraud as such investigations might uncover activities which go beyond fraud in the context of child maintenance.

To reduce the risk of errors arising CMS adheres to the Departmental wide ADAPT model. This is a framework for continuous improvement that covers **A**ccountability – clearly establishing responsibilities, **D**iagnosis – using information to establish cause and effect, **A**ssurance – targeting areas of high error to examine how and why, **P**roducts – providing standard products to ensure consistency and **T**raining – improving capability through feedback, coaching and mentoring.

Each service line has developed a set of quality standards detailing how to provide a quality service. Operational leaders use these service expectations to regularly review their team's performance and provide tailored 121 coaching, share supportive feedback on individual performances and if necessary, agree a course of action to support them.

This approach is supported by random sample checking to ensure entitlement decisions are correct. Any incorrectness found is corrected and the insight provided is used as learning to improve overall capability. In response to recommendations from the Public Accounts Committee and NAO, CMS has commissioned the Government Internal Audit Agency (GIAA) to conduct an independent fraud risk assessment on the service.

The level of error arising from caseworker actions is referred to in Assessment accuracy on Page 11.

# 4. Certificate and Report of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the financial statements of the Client Funds 2012 Child Maintenance Scheme for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Client Funds 2012 Child Maintenance Scheme:

- Receipts and Payments Statement, the Statement of Balances; and
- The related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the Accounts Direction issued by HM Treasury under the Government Resources and Accounts Act 2000.

In my opinion, the financial statements:

- properly present the Client Funds 2012 Child Maintenance Scheme receipts and payments for the year ended 31 March 2024; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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 opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. The Department for Work and Pensions (the Department) is responsible for the management of the Client Funds 2012 Child Maintenance Scheme. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Client Funds 2012 Child Maintenance Scheme Account's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Client Funds 2012 Child Maintenance Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

## Other information

The other information comprises information included in the Foreword, Management Commentary, Statement of Accounting Officer's Responsibilities and Governance Statement but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit, the information given in the Foreword, Management Commentary, Statement of Accounting Officer's Responsibilities and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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 by the Client Funds 2012 Child Maintenance Scheme or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Client Funds 2012 Child Maintenance Scheme from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing the financial statements and management commentary which are in accordance with the applicable financial reporting framework; and
- assessing the Client Funds 2012 Child Maintenance Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## **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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Client Funds 2012 Child Maintenance Scheme Account's accounting policies.

- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Client Funds 2012 Child Maintenance Scheme's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Client Funds 2012 Child Maintenance Scheme's controls relating to its compliance with the HM Treasury Accounts Direction issued under the Government Resources and Accounts Act 2000, Managing Public Money and other relevant legislation relating to Child Support and Maintenance;
- inquired of management, the Department's head of internal audit, and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and relevant internal specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Client Funds 2012 Child Maintenance Scheme Account for fraud and identified the greatest potential for fraud in the following areas: adjustments to arrears, revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Client Funds 2012 Child Maintenance Scheme Account's framework of authority and other legal and regulatory frameworks in which it operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Client Funds 2012 Child Maintenance Scheme. The key laws and regulations I considered in this context included Managing Public Money, the HM Treasury Accounts Direction issued under the Government Resources and Accounts Act 2000 and other relevant legislation relating to Child Support and Maintenance.

In addition, I considered the relevance of changes to the laws and regulation on my assessment of regularity of receipts and payments and maintenance arrears.

### **Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Departmental Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I reviewed the processes, verifying the data used and the appropriateness of the assumptions and judgements applied for the estimate associated with cash allocation in the accounts;

- I assessed the impact of historic maintenance assessments on the regularity of transactions and addressed the risk of non-compliance of Receipts and Payments with the relevant Child Maintenance legislation;
- I assessed the impact of historic incorrect maintenance assessment and arrears adjustment errors on the valuation of the arrears balance; and
- I performed testing of arrears written-off during the year to supporting evidence, to ensure that these adjustments were compliant with the relevant legislation.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### **Other auditor's responsibilities**

I am required to obtain sufficient appropriate evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**Date 10 December 2024**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP



## 5. Receipts and Payments Statement for the year ended 31 March 2024

	Notes	2023-24	2022-23
		£000's	£000's
<b>Receipts:</b>			
Child Maintenance from Paying Parents		236,919	204,184
Fees, charges and other recoveries collected on behalf of the Secretary of State		60,609	52,937
<b>Total Receipts</b>	7.2	<b>297,528</b>	<b>257,121</b>
<b>Payments to:</b>			
Child Maintenance to Receiving Parents		228,474	196,747
Refunds to Paying Parents/employers		11,657	6,047
Fees, charges and other recoveries collected on behalf of the Secretary of State		60,609	52,937
<b>Total Payments</b>	7.2	<b>300,740</b>	<b>255,731</b>
<b>Net receipts/(payments)</b>		(3,212)	1,390
<b>Balance as at 1 April</b>		13,730	12,340
<b>Balance as at 31 March</b>	7.3	<b>10,518</b>	<b>13,730</b>

## 6. Statement of Balances as at 31 March 2024

	Notes	31 March 2024	31 March 2023
		£000's	£000's
<b>Opening balance</b>		13,730	12,340
Movement in year		(3,212)	1,390
<b>Closing balance</b>	7.3	10,518	13,730

**Peter Schofield**  
Principal Accounting Officer

**Date: 09 December 2024**

# 7. Notes to the account for the year ended 31 March 2024

## 7.1. Statement of Accounting policies

The account has been prepared in the form directed by HM Treasury and shows receipts into and payments out of, the Client Funds bank accounts during the financial year and a statement of the balances of those bank accounts at the end of the financial year, to the extent that these relate to amounts assessed under the CMS 2012 scheme. An element of these receipts and cash is estimated as described in Notes 7.2 and 7.3 below and accounts adjusted to reflect this best estimate.

The aggregate of the maintenance assessment balances at the start and end of the financial year are reported on an accrual's basis, along with movements in these arrear's balances during the financial year.

The account has been prepared under the historic cost convention.

## 7.2. Receipts and payments

Receipts from clients relate to child maintenance and also application fees and charges collected from Paying and Receiving Parents using the Collect and Pay Service. Recoveries are also obtained from PPs in respect of non-child maintenance payments, such as DNA and court costs.

The receipts quoted in the cash based Receipts and Payments Statement differ from the receipts total shown in movements on outstanding unpaid maintenance (Note 7.4). This is principally due to timing differences around the year end.

Most receipts received in the bank account can be identified at a client level, allocated to the correct service and reported in the appropriate annual account. However, receipts do not allocate immediately, for reasons such as standard bank clearance times, incorrect reference numbers quoted by PPs, liability not yet due and more. Until receipts are allocated, the Department is not always able to determine whether it relates to a CMS case, or a CSA case which has transitioned to the CMS 2012 IT system. As a result, an element of the total receipts must be estimated, as described further in note 7.3 Statement of balances.

Payments made also include payments relevant to the Department for Communities in Northern Ireland to fund payments made on behalf of DWP. In addition to payments of child maintenance, refunds and reimbursements are made to PPs and employers for overpayments of maintenance and any costs recovered from PPs and income from fees and charges are paid to the Department. Payments to the Secretary of State may also include receipts which cannot be identified to a case because the reference number provided by the client is either missing or incorrect. Whilst every effort is made to identify and allocate such receipts correctly, after 12 months has elapsed and all avenues have been exhausted to identify the correct RP, these funds are transferred to HM Treasury.

## 7.3. 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.

As the historic systems and associated bank accounts have closed, CMS now uses common bank accounts for both CMS cases and CSA cases that have transitioned to the CMS system. As such, the CMS bank balance as at the 31 March each year includes both CSA and CMS balances.

However, as highlighted in Note 7.2, the Department is unable to fully analyse each receipt held at year end and as such, an element of the bank statement must be estimated.

At 31 March 2024, the CMS bank account balance was £10.7 million. Of this balance, £7.6 million has been identified as attributable to the CMS 2012 scheme, £0 million to the 1993 and 2003 schemes, and £3.1 million cannot be determined. This balance has been apportioned based on receipts actually allocated to each of the schemes during the 2023-24 reporting year and 94% (£3 million) has been included in the CMS 2012 scheme receipts and balance, with the remaining 6% (£0.2 million) included within the 1993 and 2003 scheme accounts.

The cash balance included in the CMS 2012 scheme accounts of £10.5 million is made up of £7.56 million which has been directly attributed, and £2.96 million apportioned based on annual receipts.

## 7.4 Movements in unpaid maintenance

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

<b>Unpaid Maintenance</b>	<b>Notes</b>	31 March 2024	31 March 2023 Restated	31 March 2023
		£000s	£000s	£000s
Outstanding unpaid maintenance at start of year	7.4.1	538,072	465,761	474,256
Maintenance charged in year and other adjustments	7.4.2	327,565	285,693	285,692
Maintenance Correction	7.4.3	1,063	(1,989)	
Write Off	7.4.4	(11,737)	(10,114)	(10,114)
Maintenance received in the year	7.4.5	(231,030)	(201,279)	(201,279)
<b>Outstanding unpaid maintenance at year end</b>	7.4.6	<b>623,933</b>	<b>538,072</b>	<b>548,555</b>

### 7.4.1 Unpaid maintenance - prior year restatement

The complexity of the CMS 2012 system has led to challenges emerging in reporting the movement in the aggregate unpaid maintenance balance, with non-cash adjustments between Direct Pay and the 2012 scheme being miscategorised. This affects the previously reported unpaid maintenance balances at year end. These are now restated to correct for this previous inaccuracy. We have also restated for maintenance received held as cash as at the year-end not yet allocated to a case. When this is allocated to a case it will reduce arrears.

The impact of correcting for this, up to 31<sup>st</sup> March 2022, is to reduce the previously reported unpaid maintenance balance by £8.5m, in line with the total outstanding across each individual case.

#### 7.4.2 Maintenance charged in year and other adjustments

This comprises assessments made on PPs during the year; outstanding maintenance arrears transferred to and from the Department for Communities in Northern Ireland. Adjustments can arise from cancelled or terminated assessments; or where the liability has been reduced, for example, because of a direct payment between parties being offset against the maintenance due. Once the initial calculation is provided to clients, they are given an opportunity to review and confirm details before a payment schedule is issued. This necessary delay means that some arrears have accumulated before the payment plan is in place, which is usually scheduled for receipt in the first 12 months.

#### 7.4.3 Maintenance Correction

The complexity of the CMS 2012 system has led to challenges emerging in reporting the movement in the aggregate unpaid maintenance balance, with non-cash adjustments between Direct Pay and the 2012 scheme being miscategorised. With the year end balances being restated this correction is included to reconcile the in-year movement. CMS is collaborating with Digital colleagues to address this aggregated variance.

Maintenance correction also adjusts for cash which has been received by CMS but has not yet been allocated to a case as at the year end but will reduce arrears when it is allocated.

The impact of correcting for these issues, in 2022-23 is to reduce the previously reported unpaid maintenance balance by £2.0m, in line with the total outstanding across each individual case and to increase the totals available from the MI system by £1.1m for 2023-24

#### 7.4.4 Write Off

CMS has continued to make use of write off powers granted as part of Write off and Part Payment legislation introduced in 2010. The regulations allow part payment of child maintenance arrears to be accepted in full and final settlement with the agreement of the RP. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the RP tells us that they do not want the arrears to be collected, or the PP has died. If a PP dies and there are arrears of child maintenance outstanding, the CMS can make a claim for those arrears against the estate of a deceased parent, where it is appropriate to do so.

#### 7.4.5 Maintenance received in the year

When a receipt is allocated to a case by the CMS 2012 system, the receipt reduces the outstanding liability of the PP immediately but does not pay out to the RP until funds are cleared. Times vary depending on the method of payment and its associated clearance cycle. The total value of maintenance receipts allocated to cases in 2023-24 was £231.0 million (2022-23, £201.3 million). The principal difference between the value of the receipts in the Receipts and Payments Statement 2023-24, £297.5 million (2022-23, £257.1 million) and those reported in Note 7.4 is due to the inclusion of non-child maintenance receipts, mainly fees and charges in the Receipts and Payments Statement. Also, the Receipts and Payments statement is prepared on a cash basis so there is a further timing difference between cash being received in the bank account and being allocated to a case.

#### 7.4.6 Outstanding maintenance arrears at 31 March 2024

This is the balance of outstanding maintenance arrears recognised by the Department, after allowing for maintenance assessments in the year and after maintenance receipts have been deducted.

## 7.5 Events after the reporting date

There have been no events after the reporting period.

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



