



Department
for Work &
Pensions

Client Funds Account 2024-25

1993 and 2003 Child Maintenance
Schemes



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Pensions

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

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Foreword

Future Reporting of Client Fund Financial Balances

This account is the last to be published under Section 7(1) and (2) of the Government Resources and Accounts Act 2000.

Following a review of the financial reporting for client funds, the Department for Work and Pensions (the Department) and HM Treasury have agreed a new Accounts Direction under which future financial balances will be reported.

For the financial year 2025-26 and beyond, the year end financial balances for client funds, as set out in Sections 6 and 7, will be reported annually via official statistics. Performance data, service development information and relevant governance matters will be reported in the Department's Annual Report and Accounts, along with cash collected, paid and held at year end which will be subject to audit by the National Audit Office.

This change to annual reporting does not impact the operational future of the Child Maintenance Service, which continues as a going concern.

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 Accounts¹. 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 1993 and 2003 statutory schemes, with the 2012 scheme being reported in a separate publication.

The Comptroller and Auditor General has issued a disclaimed opinion on the 1993–2003 account, as detailed in the audit certificate (Section 4) and explained further in their report (Section 5). This is a

¹ DWP annual report and accounts 2024 to 2025 - GOV.UK (www.gov.uk)

change from previous years, when a modified 'properly presents' opinion was given due to material error in arrears balances, arising from historic inaccuracies in maintenance assessments and subsequent adjustments.

The Department managed a robust process for transferring CSA debt from the old scheme to the new as part of CSA case closure and continues to offer a transparent process for customers to challenge and review the value of the legacy debt, but it is accepted that there remain inaccuracies in the debt assessment due to these historic errors. As has been consistently set out in previous annual accounts since 2015, and given the limited future life of these schemes, the Department does not believe the use of public money to carry out a full recalculation can be justified.

1. Management Commentary

1.1. Closure of the CSA

Child Maintenance Schemes are referred to by the year in which they were launched. The CSA launched the first scheme in 1993; complexities in the calculation methodology led to reforms and a new scheme was introduced in 2003. A later review of child maintenance policy led to the creation of the CMS which opened for new applications in 2012 and since November 2013, all new applications for child maintenance have been made to this scheme. The term legacy is often used when referring to the historic schemes and their supporting infrastructure.

In June 2014, the Department began to close the cases managed by the CSA on the 1993 and 2003 Schemes. As part of this closure process, parents were advised to contact Child Maintenance Options and offered impartial information on the different maintenance options available which included support in making a family-based arrangement or, if appropriate, to make an application to the CMS. Guidance explaining how liabilities were ended under the CSA schemes can be found in the Child maintenance: ending liability scheme publication². The on-going liability (requirement to pay child maintenance) was ended on all CSA cases by December 2018.

In July 2018, the Department set out the approach for addressing non-paying historic arrears built up on CSA schemes in the Compliance and Arrears Strategy³. The CSA wrote to the parent with care to ask if they wanted a last attempt to be made to try to collect their debt in cases where:

- it built up on CSA systems and there had been no recent payment made,
- the case started before 1st November 2008 and the debt was over £1,000, or
- the case started on or after 1st November 2008 and the debt was over £500.

This process is called 'representation.' If the parent with care responded stating that they still want their debt recovered, CMS would determine if there is a reasonable chance of collection and contact the non-resident parent, else the debt was written off.

Following completion of the representation process, open CSA cases transitioned to the CMS system to allow the CSA systems to be decommissioned, and the associated bank accounts closed. The remaining 1993 and 2003 scheme cases are now housed on the 2012 computer system and all receipts and payments flow through the 2012 scheme bank accounts but are reported separately in this publication.

² <https://www.gov.uk/government/publications/child-maintenance-ending-liability-scheme>

³ <https://www.gov.uk/government/publications/child-maintenance-compliance-and-arrears-strategy-2018>

1.2. Performance during 2024-25

1.2.1.Caseload

The number of non-resident parents with CSA arrears continues to reduce and was 30,200 at 31 March 2025, down from 35,100 at 31 March 2024, a reduction of 14%.

Caseload at 31 March ⁴	2025	2024
	Volume	Volume
Total Non-Resident Parents with CSA Arrears	30,200	35,100
Number of corresponding arrangements	38,100	43,900

As part of case closure, CSA clients with ongoing maintenance liabilities were supported in making a choice regarding their future child maintenance arrangements. The total non-resident parents with CSA arrears includes those parents who chose to open a new case with the CMS and these parents will also be counted in the CMS statistics if their CMS arrangement is still ongoing.

Cases with no ongoing maintenance liabilities at the time of transfer completed representation on the CSA system and transferred to the CMS system for ongoing collection of the debt on behalf of the parent with care.

Of the remaining case groups, some may start the representation process in the future due to changes in circumstances under the terms agreed in the compliance and arrears strategy and the caseload will continue to reduce.

1.2.2.Receipts and payments of child maintenance

All receipts and payments made in 2024-25 were in relation to outstanding maintenance arrears. Total receipts during 2024-25 were £14.1 million (2023-24: £17.6 million). Payments to Parents with Care were £13.7 million (2023-24, £17.6 million). These reductions reflected the reducing overall caseload within this scheme.

Child Maintenance received is paid to Parents with Care as quickly as possible, and the estimated cash held at 31 March 2025 attributed to CSA cases was £344k, equivalent to 2% of receipts (31 March 2024 £179k, 1.0%). Additional information can be found in Notes 8.2 and 8.3.

1.2.3.Outstanding arrears of child maintenance

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

Outstanding child maintenance arrears that have accumulated over the life of the CSA schemes have reduced by £22.1 million in year to £150.4 million on 31 March 2025, all of which is owed by non-resident parents to their respective parent with care. A breakdown of this reduction can be found in Note 8.4.

The CMS continues to either collect outstanding maintenance payments from non-resident parents, progress cases through representation or, where appropriate write off these arrears.

⁴ Child Maintenance Service statistics - GOV.UK (www.gov.uk)

1.2.4. Sanctions

When a payment is missed, the CMS contacts the non-resident parent 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 parents are paying child maintenance using Direct Pay, the parent with care can request that the CMS act. The CMS can collect unpaid child maintenance in several ways. This includes:

- Taking money from the non-resident parents earnings through a deduction from earnings order/request. The CMS will tell the non-resident parents employer how much to take from their wages. The employer must then pass on the money, or they can be taken to court.
- Deduction from benefit if the non-resident parent is in receipt of benefit payments.
- Taking money directly from the non-resident parents bank or building society account by deduction order, including from Joint, Business and Partner accounts linked to the non-resident parent.
- Taking the non-resident parent to court. The courts can grant liability orders which allow the parent to be referred to Enforcement Agents who could 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. 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 non-resident parents.

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 non-resident parent can pay but is refusing to do so.

In the past year to March 2025, the CMS collected £5.1 million (2023-24, £5.0 million) from non-resident parents with a sanctions action in process across all schemes.

1.2.5. Collectability

Following completion of the initial representation process in June 2021, all remaining cases are treated as potentially collectable, and action is taken to seek to collect the outstanding arrears. Cases which subsequently become non-paying are progressed through enforcement. All cases are either in payment, in enforcement or subject to representation and write off, if a decision is taken not to pursue the debt.

Assuming that payment trends from the previous year continue, then the Department broadly estimates that around a quarter of outstanding arrears will be collected in the next five years, half of the arrears will eventually be written off and the remaining quarter will be collected in the longer term. This estimate assumes that parents' circumstances and payment behaviour will not change.

Peter Schofield
Principal Accounting Officer

Date: 28 November 2025

2. Statement of Accounting Officer's responsibilities

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 1993 and 2003 statutory schemes in the form and on the basis set out in the Client Funds 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 1993 and 2003 schemes.

In preparing the account, I have complied with the relevant accounting and disclosure requirements in the Government Financial Reporting Manual, 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 applied 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.

I also confirm that this will be the last set of accounts to be published under Section 7(1) and 7(2) of the Government Resources and Accounts Act 2000. Following a review of the financial reporting for client funds, the Department and HM Treasury have agreed a new Accounts Direction under which future financial balances will be reported. From 2025-26 the year end financial balances for client funds will be reported annually via official statistics. Performance data, service development information and relevant governance matters will be reported in the Department's Annual Report and Accounts, along with cash collected, paid and held at year end which will be subject to audit by the National Audit Office.

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: 28 November 2025

3. Governance Statement

3.1. Introduction

The governance arrangements set out in the Departmental Resource Account for year ended 31 March 2025 relate to the 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 maintenance⁵.

The historical control weaknesses of the systems underpinning the 1993 and 2003 statutory schemes resulted from limitations of the Information Technology systems.

The legacy systems have now closed, and the remaining cases assessed under the 1993 and 2003 schemes are managed on the 2012 system.

3.2. Control Challenges

3.2.1. Historical incorrect maintenance assessments

Since 2013, all new maintenance assessments have been carried out by the CMS. However, historic assessment accuracy remains a significant issue due to longstanding inaccuracies in maintenance assessments and technical adjustments, which continue to materially affect reported arrears. The Comptroller and Auditor General has issued a disclaimed audit opinion, reflecting the extent to which these historic inaccuracies impact the auditability of the account. Further details are available in the audit certificate (Section 4) and the audit report (Section 5). There were no maintenance assessments calculated in 2024-25 as all ongoing maintenance had ended on these schemes by December 2018.

Prior to debt balances transferring to the CMS system, a case cleanse process was introduced which consisted of a combination of system checks to prompt caseworker action to improve case accuracy. These processes ensured that any outstanding activities that could affect the debt balance on the case had been completed prior to undergoing write off or representation. Full recalculation of each case could not be justified on value for money grounds given the limited future life of the schemes.

All debt balances are now housed on the CMS system, but they can still be amended in response to client contact.

3.2.2. 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 and the Data Protection Act 2018.

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

During financial year 2024-25 the Department's Data Protection team reported 14 personal data breaches to the ICO, 5 of these were in respect of CMS (2023-24, 2). There were also 215 enquires in the form of Request for Assessment from ICO for the same period for the whole of the Department, of

⁵ DWP annual report and accounts 2024 to 2025 - GOV.UK (www.gov.uk)

which 34 (2023-24, 28) 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. Processes have been reviewed and system changes introduced to reduce the potential for information breaches to occur, along with updated security procedures that are more reflective and easier for caseworkers to follow.

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

3.2.3. The Child Maintenance Compliance and Arrears Strategy

Most of the debt write off under the Compliance and Arrears strategy was completed on CSA systems prior to their closure. A small number of cases were transitioned to the CMS system to undergo representation, to allow the CSA systems to be decommissioned.

CSA cases on the CMS system will continue to be selected for representation where no payment has been received in the past 90 days. Where debt is requested to be pursued in the representation process, CMS will attempt to contact the non-resident parent to establish payment and, where appropriate, if payment is not forthcoming, enforcement powers can be administered to aid compliance.

Where contact cannot be made, for example there is insufficient evidence to trace the non-resident parent, the debt may be written off.

3.2.4. Legacy funds in the CMS Bank Accounts

The legacy bank accounts which were used to manage receipts and payments in the legacy systems were closed as part of the CSA decommissioning in August 2020. All payments for CSA cases hosted on the CMS system are now received into the CMS Accounts.

There may be a small time delay where funds in the account are not immediately identified as relating to either the CMS or CSA schemes. This could be because an incorrect reference number has been quoted by the client or due to the clearance time between the receipt arriving in the bank account and its allocation to the appropriate CMS or CSA case. As a result, there is a potential risk that receipts received in the CMS bank account, pending allocation to a CSA scheme case, might be incorrectly identified between the CMS and CSA financial statements.

The Department has sourced reports from the system to address this issue and an adjustment of £344k is shown in the Receipts and Payments Statement (Section 6) and the Statement of Balances (Section 7) below, alongside an explanation of the estimation process in Note 8.3 to the account.

3.2.5. Detection of fraud and error

The CMS has in place controls to prevent and detect fraud and error by child maintenance staff and all instances identified are referred to line managers and dealt with appropriately. An Audit Trail process exists to enable the Department to provide a single, consolidated view of all audited user activity on DWP systems, to improve the detection and deterrence of data misuse. The audit trail provision requires a cohesive collaborative working relationship between several independently managed teams including:

- The Management Information and Audit Requirements team 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 DWP 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 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 enables the Cyber Resilience Centre 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. To further strengthen this, the CMS Operational Head of Quality, whose role encompasses a broad range of responsibilities to ensure that quality standards are met, has developed a new CMS Quality Strategy and delivery plans.

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 2024-25 the Department commissioned the Government Internal Audit Agency's' Counter Fraud and Investigation Team to develop a comprehensive fraud risk assessment, supporting CMS in evaluating the level of fraud risk.

The CMS welcomed GIAA's findings indicating that no high-risk areas were identified requiring immediate action. For the majority of risks, GIAA concluded that CMS maintains a robust control environment to effectively mitigate the risk of fraud. When facing risks beyond departmental control, CMS are proactive in reviewing and exploring innovative strategies to achieve better outcomes for customers. In terms of error, procedures are in place to support clients who dispute the information the Department hold, and they can challenge decisions made on Legacy Schemes. It is noted in 3.2.1 that historic levels of error continue to impact on the opinion of the Comptroller and Auditor General.

3.2.6. 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 has continued during the year, exploiting the datasets available and improving the information available to the business.

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

Disclaimer of opinion on financial statements

I am required to certify the audit of the financial statements of the Client Funds 1993 and 2003 Child Maintenance Scheme for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Client Funds 1993 and 2003 Child Maintenance Scheme's

- Receipts and Payments Statement;
- 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.

I do not express an opinion on the financial statements of the Client Funds 1993 and 2003 Child Maintenance Scheme for the year ended 31 March 2025. Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of my certificate and separate report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Disclaimer of opinion on regularity

I do not express an opinion on the regularity of the transactions recorded in the financial statements of the Client Funds 1993 and 2003 Child Maintenance Scheme for the year ended 31 March 2025. Because of the possible effects of the matters described in the Basis for Disclaimer of opinion section of my certificate and separate report, I have not been able to obtain sufficient appropriate audit evidence over the nature of transactions entered into by the Client Funds 1993 and 2003 Child Maintenance Scheme to provide a basis for an audit opinion about whether:

- 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 disclaimer of opinion

I have been unable to obtain sufficient appropriate audit evidence for the following reason:

Impact of past incorrect maintenance assessments on the remaining arrears balance

The individual arrears balances, which are the difference between the amounts due from non-resident parents and the amounts which have been collected under the Schemes, aggregate to the total outstanding maintenance arrears balance of £150 million as at 31 March 2025 as disclosed in note 8.4. I was unable to obtain sufficient and appropriate evidence to determine the accuracy of the arrears balance and related receipts and payments. Historic estimates indicated material error arising from incorrect maintenance assessments and subsequent adjustments,

but these estimates are outdated and underlying data has not been retained. Furthermore, the Client Funds 1993 and 2003 Child Maintenance Scheme has taken no corrective action to resolve these known errors. As a result, I consider the impact of not being able to obtain sufficient and appropriate evidence to be pervasive to the accounts.

Regularity

Practice Note 10, 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)', requires that where I disclaim my opinion on the financial statements, I also disclaim my opinion on regularity.

In undertaking my audit, I noted that receipts from non-resident parents are presented on the Receipts and Payments Statement at £14.1 million. A material portion of these recognised receipts from non-resident parents (and the subsequent payments to the parent with care or Secretary of State) are for incorrect amounts because of errors made in underlying maintenance assessments. These errors have resulted in incorrect calculations of child maintenance payments which is not in keeping with the intentions of Parliament for the fund. As there are no active maintenance assessments relating to the 1993 and 2003 schemes, my assessment of irregularity in these transactions is based on previous estimates of error. Errors in underlying maintenance assessments have resulted in material levels of irregularity being identified in our audit since the inception of these schemes. The Department is not reviewing and correcting previously materially incorrect assessments on individual cases.

Matters on which I report by exception

In respect of the matters referred to in the 'Basis for disclaimer of opinion' section above:

- Adequate accounting records have not been kept by the Client Funds 1993 and 2003 Child Maintenance Scheme or returns adequate for my audit have not been received from branches not visited by my staff; and
- I have not received all of the information and explanations I require for my audit;

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

- the financial statements are not in agreement with the accounting records and returns; and
- 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 1993 and 2003 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 financial statements and Management Commentary which are in accordance with the applicable financial reporting framework; and
- assessing the Client Funds 1993 and 2003 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 anticipates that the services provided by the Client Funds 1993 and 2003 Child Maintenance Scheme will not continue to be provided in the future.

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.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10, 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)'. However, because of the matters described in the 'Basis for disclaimer of opinion' section of my certificate, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Those standards require me and my staff to comply with the Financial Reporting Council's 'Revised Ethical Standard 2024'. I am independent of the Client Funds 1993 and 2003 Child Maintenance Scheme, 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.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 02 December 2025

5. Report by the Comptroller and Auditor General to the House of Commons

Introduction

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 Child Maintenance Service (CMS) 2012 scheme support children by collecting funds from non-resident parents and paying these funds to parents with care. There are no active child maintenance cases under the 1993 and 2003 Child Maintenance Schemes; only transactions and balances relating to outstanding child maintenance assessed under these historic Schemes are reported in this account.

This report relates specifically to the Child Maintenance Client Funds 1993 and 2003 schemes Account (the Account) and my disclaimed modified opinion on that Account. I have provided a separate certificate on the Child Maintenance Client Funds 2012 Scheme Account.

Under the 1993 and 2003 Schemes, the Department assessed 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 failed 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 8.4 of the Account. The balance of £150 million as at 31 March 2025 is the recorded remaining total of outstanding maintenance arrears on 1993 and 2003 scheme cases since the Child Support Agency was established in 1993.

As the statutory external auditor, I am required to give an opinion on whether the Account, including the outstanding maintenance arrears balance as at 31 March 2025, is properly presented. During my audit, I have not been able to obtain sufficient, appropriate evidence upon which to form an opinion. It is possible that the impact of undetected misstatements and irregularities is both material and pervasive to the financial statements. Accordingly, I have disclaimed my 'properly presents' and 'regularity' opinions on the financial statements.

In this report, I explain the matters which have led me to disclaim my opinions on the financial statements.

Disclaimed properly presents opinion

The Department is unable to provide sufficient data to quantify the impact of its past incorrect maintenance assessments on the remaining arrears balance. Where the Department has made incorrect maintenance assessments, any arrears accumulated as due from the paying parent will also be at an incorrect rate. Historic estimates, based on the work completed in 2011-12 of the impact of incorrect assessment on arrears were material. The arrears balance has reduced over time (through repayments and write-offs) and therefore both accurate and inaccurate arrears have reduced.

Adjustments have been applied to the arrears balance as part of preparing this Account and past Accounts. I have previously estimated that these adjustments have led to material error in the arrears balance. The Department has taken no corrective action to resolve these known errors in arrears adjustments. 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 form the entirety of the Account.

Due to the age of the estimate, which dates back to 2011-12 and reflects a material level of incorrect maintenance assessment, I consider there to be a lack of sufficient and appropriate evidence to determine the current level of error in the arrears balance and the receipts and payments arising from the outstanding balance. I consider the impact of this limitation in evidence to be pervasive to the financial statements.

Disclaimed opinion on regularity

I am also required to give an opinion on whether, in all material respects, the transactions and balances within the account have been applied to the purposes intended by Parliament and conform to the authorities which govern them (the 'regularity' opinion). Errors in underlying maintenance assessments have resulted in material levels of irregularity being identified in receipts and payments since the inception of these schemes.

All receipts and payments reported in 2024-25 relate to collection of arrears. As explained earlier, errors in the historic calculations of the maintenance assessments that underpin these arrears mean that the assessments are not in accordance with specific legislative requirements and therefore the associated receipts and payments are irregular. The Department has assessed that it is not value for money to review and correct previously materially incorrect assessments on individual cases, therefore the level of irregularity in receipts and payments remains cannot be quantified.

I have been unable to obtain sufficient appropriate evidence to determine the precise level of irregularity, and I have therefore disclaimed my regularity opinion as possible effects on the financial statements of undetected misstatements could be both material and pervasive.

Future of child maintenance scheme accounts

The basis for preparing the client fund accounts is the HM Treasury accounts direction. A decision has been made to withdraw the accounts direction for both the 93-03 and 2012 scheme accounts, therefore removing the requirement to continue to produce the client fund accounts and for me to audit the accounts. The 2024-25 account represents the final year of the 93-03 and 2012 accounts under the current accounts direction. A new accounts direction is in place for 2025-26 and future years, requiring key information for the client funds to be disclosed in the Departmental Resource Accounts from 2025-26. Such information will be subject to my audit of and opinion on the Resource Accounts.

Gareth Davies

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London
SW1W 9SP

Date: 02 December 2025

6. Receipts and Payments Statement for the year ended 31 March 2025

	Notes	2024-25	2023-24
		£000's	£000's
Total Receipts	8.2	14,106	17,605
Payments to:			
Parents with Care		13,740	17,553
Secretary of State		201	278
Total Payments	8.2	13,941	17,831
Net receipts/(payments)		165	(226)
Balance as at 1 April		179	405
Balance as at 31 March	8.3	344	179

7. Statement of Balances as at 31 March 2025

	Notes	31 March 2025	31 March 2024
		£000's	£000's
Opening balance		179	405
Movement in year		165	(226)
Closing balance	8.3	344	179

Peter Schofield
Principal Accounting Officer

Date: 28 November 2025

8. Notes to the account for the year ended 31 March 2025

8.1. 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 CSA 1993 and 2003 schemes. An element of these receipts and cash is estimated as described in Notes 8.2 and 8.3 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 arrears' balances during the financial year.

The account has been prepared under the historic cost convention.

8.2. Receipts and payments

Receipts from clients relate to monies collected from non-resident parents by the CMS for child maintenance and due to Parents with Care. For 2024-25 these relate to maintenance arrears only.

The receipts quoted in the Receipts and Payments Statement differ from the total receipts shown in the movements in the Outstanding Maintenance Arrears note (Note 8.4). This is principally due to timing differences.

Most receipts received in the bank account can be identified at a client level and can be 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, liability not yet due. Until receipts are allocated, the CMS are 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 in Note 8.3, Statement of balances.

Receipts have reduced in year by £3.5 million (20%) to £14.1 million. As the CSA caseload is now arrears only, and the Compliance and Arrears Strategy referred to on Page 14 is substantially complete, this decline is expected to continue, but at a lower rate as cases become fully paid, part paid or written off.

Payments to the Secretary of State relate to 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 parent with care or non-resident parent, these funds are transferred to HM Treasury. The value of this in 2024-25 was £0.2 million.

8.3. Statement of balances

At 31 March 2025, CMS bank account held a total balance of £13.25 million, representing monies collected but not yet paid out.

Following the closure of historic systems and associated bank accounts, CMS now operates a single account for both CMS cases and CSA cases that have transitioned to the CMS system. As a result, the year end balance includes receipts from both schemes.

Of the total balance, £7.76 million has been directly attributed to the CMS 2012 scheme and £0.14 million to the 1993 and 2003 schemes. The remaining £5.35 million could not be specifically identified and has therefore been apportioned based on the proportion of receipts allocated to each scheme during the 2024-25 reporting year. As a result, £5.15 million (96.3%) has been allocated to the CMS 2012 scheme and £0.20 million (3.7%) to the 1993 and 2003 schemes.

The total cash balance included in the CMS 1993 and 2003 scheme accounts is therefore £0.34 million, comprising both directly attributed and apportioned amounts.

8.4 Movements in 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.

Following the closure of the CSA systems, all arrears are now hosted and administered on the CMS systems.

The following table and accompanying notes explain movements between the opening and closing outstanding maintenance arrears:

CSA Arrears hosted on the CMS system	Notes	31 March 2025	31 March 2024
		£000s	£000s
Outstanding maintenance arrears at start of year		172,490	205,776
Adjustments in Year	8.4.1	(1,670)	(2,290)
Maintenance Correction	8.4.2	23	427
Movement in unallocated ⁶ cash	8.4.3	(105)	
Write Off	8.4.4	(6,377)	(13,592)
Maintenance received in the year	8.4.5	(13,942)	(17,831)
Outstanding maintenance arrears at year end	8.4.6	150,419	172,490

⁶ Reclassified in the current year; prior year figures were not adjusted due to immaterial impact.

8.4.1 Adjustments in year

This includes outstanding maintenance transferred to and from the Northern Ireland Child Maintenance Service, and adjustments where the liability has been reduced, for example, because of a direct payment between parties which is offset against the maintenance due. In 2024-25 these adjustments reduced outstanding arrears by £1.7 million (2023-24, £2.3 million) in line with reducing arrears balances.

8.4.2 Maintenance Correction

The complexity of the CMS 2012 system continues to present challenges in accurately reporting movements in the aggregate unpaid maintenance balance. Specifically, non-cash adjustments between Direct Pay and the 2012 scheme have been miscategorised, requiring a balancing adjustment to reconcile the in-year movement.

This correction brings the total outstanding arrears reported as at 31 March 2024 and 31 March 2025 into line with the total of the arrears outstanding across all individual cases.

8.4.3 Movement in unallocated cash

As at 31 March 2025, CMS reported a £0.1 million movement in unallocated cash that had not yet been applied to individual cases.

Unallocated cash arises when payments received from Paying Parents are still being processed within the system as at the reporting date. To ensure the arrears balance is not overstated, an adjustment is made to reduce the reported arrears by the value of these unallocated amounts. This approach provides a more accurate representation of outstanding maintenance arrears at year end.

8.4.4 Write Off

The Department makes 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 parent with care. The regulations also allow child maintenance arrears to be written off in certain explicit circumstances for example where the parent with care tells the Department that they do not want the arrears to be collected or the non-resident parent has died. If a non-resident parent dies and there are arrears of child maintenance outstanding, the CMS can make a claim for those arrears against the estate of a deceased non-resident parent, where it is appropriate to do so.

In addition, the Department has adjusted the value of arrears through the representation process under powers introduced as part of the Compliance and Arrears Strategy referred to on page 14, with £6.4 million being written off in 2024-25, (2023-24, £13.6 million).

8.4.5 Maintenance received during the year

This relates to amounts received from non-resident parents during the year. Where a correct reference is quoted by a client, a receipt is assigned automatically by the system to the case. Where an incorrect reference is quoted, CMS investigates; this will lead to a delay in the allocations process. 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 8.4 The total value of receipts allocated to cases in 2024-25 was £13.9 million (2023-24, £17.8 million) which reflects the declining arrears balances.

8.4.6 Outstanding maintenance arrears as at 31 March 2025

This is the balance of outstanding maintenance arrears recognised by the Department after arrears have been adjusted or written off arrears and receipts of maintenance have been deducted.

8.5 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.

