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for Work &
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Rt Hon Frank Field, MP
Chair, Work and Pensions Select Committee
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Dear Frank

Child Maintenance Inquiry: follow up from evidence sessions

Following my appearance at the Committee on 7 December, you raised additional questions about Child Maintenance operations.

I attach at **Annex A** the information you have requested.

I look forward to reading your report in February.

Yours ever,

Caroline Nokes MP

Minister for Welfare Delivery

Annex A: Responses to Select Committee follow up questions

1) Family Based Arrangements

a) What proportion of CSA cases are moving to FBAs after closure?

The recently published CSA Case Closure Outcomes survey <https://www.gov.uk/government/publications/child-support-agency-case-closure-outcomes-survey> measures the child maintenance outcomes for parents whose CSA case has been closed. The surveys were conducted between August 2015 and September 2016. The research looked at the outcomes of cases at three and twelve months after their CSA case has closed. The survey covered the first four segments involved in the closure programme. A follow up survey looking at the remainder of Segment 4 and all of Segment 5 is due to commence in 2017.

Findings from the survey showed that at three months after case closure, of the 36% of Receiving Parents with an arrangement, half had a FBA. This is 18% of all Receiving Parents whose cases had closed three months earlier. The survey also looked at outcomes twelve months post case closure for the Nil Assessed and Nil Compliant segments. It found that for these segments, of the 27% with an arrangement, 44% had a FBA.

b) How are FBAs monitored to establish whether they are effective?

The intention of the Child Maintenance reforms is to encourage parents to make family based arrangements where they can do so. Family based arrangements allow families to create flexible arrangements that work for their individual circumstances. The department does not monitor the effectiveness of these arrangements as part of our business processes, but the Child Maintenance Service is there if the parents can't agree a family-based arrangement or feel that the arrangement is not effective.

As part of the 30 Month Review of charging, evidence on FBAs and their effectiveness for particular groups of parents is available from a number of surveys, as follows:

- Child Maintenance Options provide free information on setting up family-based arrangements and agreeing payments. The department surveys a sample of clients who contact Child Maintenance Options each quarter to see what type of arrangement they put in place and how effective they think it is. The results of these surveys are published here: <https://www.gov.uk/government/collections/family-based-child-maintenance-arrangements-statistics>
- 26% of parents who contacted Child Maintenance Options between 2015 and 2016 had a family-based arrangement. 77% of these arrangements were described as effective.
- We have also looked at FBAs in the wider separated family population in Great Britain and published analysis in October 2016 <https://www.gov.uk/government/statistics/estimates-of-the-separated-family-population-to-december-2014>. In 2013/14 there were around 2.6 million separated families in Great Britain. Of these, 38% of separated families had a family-based arrangement (FBA) and in 2013/14 the overall proportion of separated families with an effective FBA was 26%. This population differs from that surveyed who have had contact with CM Options. It is likely that there will be some overlap of people who have had contact with CM Options, but these are different populations and any differences reflect this.

Additionally, the recently published Case Closure Outcomes survey (December 2016 <https://www.gov.uk/government/publications/child-support-agency-case-closure-outcomes-survey>) looked at the outcomes of those whose CSA cases were being closed. Findings showed that half of all Receiving Parents with an arrangement had a FBA. Receiving Parents with a FBA were most likely to have an effective arrangement in place compared with other types of arrangements. Nearly three in four (72%) Receiving Parents with FBAs had an effective arrangement.

As with all survey data, the above definitions are subjective as they are dependent upon what respondents tell us.

2) Arrears

a) Breakdown of CSA arrears by amount of arrears, volume of cases, age of claimant's child and by age of arrears.

The distribution of CSA arrears by arrears amount, for cases still managed on the CSA's computer systems is published in the CSA quarterly summary of statistics <https://www.gov.uk/government/statistics/child-support-agency-quarterly-summary-of-statistics-september-2016> . As at end September 2016, the 1,015,600 CSA cases with arrears were distributed as follows.

Arrears Band	Arrears Caseload (%): Sep 16	Value of Arrears (%): Sep 16
Under £100	17.6%	0.2%
Over £100 to £500	26.6%	2.0%
Over £500 to £1,000	12.8%	2.7%
Over £1,000 to £5,000	25.9%	17.9%
Over £5,000 to £10,000	7.9%	16.3%
Over £10,000 to £20,000	5.4%	22.1%
Over £20,000 to £50,000	3.3%	28.9%
Over £50,000	0.5%	9.9%

Figures on arrears by age of child, and by age of debt are neither published nor available as part of existing management information. As part of consulting on and developing a revised arrears strategy we will consider developing and releasing new analysis of CSA arrears in due course.

3) Financial Investigations Unit

a) Process for appealing CMS determinations and the role of FIU and HMRC in it?

In the Child Maintenance Service, we have opened our definition of income within variations to deal with almost all additional sources of gross income captured by self-assessment. This captures income from property, savings and investments (including dividends) and other miscellaneous income. Where a Paying Parent's income appears suspicious in any way, a caseworker may refer the case to the Financial Investigation Unit. This process is currently being trialled for all new cases and complaints cases, we are developing plans to expand this referral process in 2017 to all child maintenance cases.

The Financial Investigation Unit is a dedicated team within the Child Maintenance Group who have specialist skills and knowledge and can request information from financial institutions where the Paying Parent holds accounts in order to confirm or challenge the income used for the assessment. When an investigation identifies tax fraud, they will take steps either to prosecute the client for failing to provide accurate information upon request, or refer the person to HMRC for them to pursue fraud action.

These investigators work on identifying financial assets held by the self-employed and company directors that are beyond our reach. The team also manage and oversee all arrests and prosecutions for supplying fraudulent DNA samples.

Appeals

All decisions made by the Child Maintenance Service (CMS) in relation to the level of the weekly maintenance amount (i.e. the liability) carry an underlying right of appeal to an independent tribunal. Where a parent believes a maintenance calculation is incorrect, within 30 days of being notified of the decision, they should request that the decision be reviewed (known as a Mandatory Reconsideration) after which, and regardless of the outcome of the review, they may seek to appeal through HM Courts and Tribunals Service.

Whether or not HM Revenue & Customs (HMRC) or the Financial Investigation Unit (FIU) would have any involvement in an appeal will depend on the particular decision being appealed and the grounds on which the appealing parent is seeking to appeal.

Separately, when calculating a maintenance calculation, the CMS relies initially on income information sourced directly from HMRC. This is also the primary source of information for "additional" income (e.g. from investments) which may be included in the calculation of maintenance under a Variation.

Where an income amount is disputed and evidence is provided in support of that contention, the FIU may become involved in the determination of the correct income level.

b) Amount and type of investigations conducted by FIU and the proportion that result in action?

No robust management information is currently available in order to answer these specific questions at this time. Our publication strategy https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/488877/cms-2012-scheme-statistics-publication-strategy.pdf sets out our plans over coming months to publish new measures. As part of developing this strategy analysts will work with the FIU

and other operational stakeholders to develop suitable management information that could be published at a future date.

4) Enforcement

a) What is the process through which complaints about arrears are escalated to enforcement action?

When a Receiving Parent complains about the amount of child maintenance arrears owing the first step taken will be to seek a one-off payment, usually by credit card payment, for the full amount of the arrears balance. If the Paying Parent is unable to pay the arrears immediately or in full, we will look to put an agreed payment plan place. We aim to recover all child maintenance debt as quickly as possible, up to a maximum period of two years, so that children can benefit from maintenance payments while they are still children.

In some cases this will mean requesting a payment agreement of up to 40% of net income, including the regular child maintenance liability. There is also the potential for a Paying Parent to come to an arrangement to pay their arrears beyond the two year period where exceptional circumstances make this appropriate.

Where a Paying Parent does not make an acceptable payment offer then we may consider recovery through an appropriate arrears recovery or enforcement measure. We can use these methods in combination (concurrent action) to achieve the best outcome for the client. The same collection and enforcement powers apply to all three schemes.

The methods employed by the Child Support Agency (CSA) and Child Maintenance Service (CMS) to achieve compliance are largely discretionary. This means that the approach is flexible and can take full account of the individual circumstances of each case when considering how to collect or enforce payments. It also affords protection against the risk of financial hardship due to our actions.

b) Proportion of arrears complaints that are escalated to enforcement action, and how many occasions are each of these enforcement powers used?

No information is currently available on enforcement action in the Child Maintenance Service. As set out in our publication strategy for the Child Maintenance Service https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/488877/cms-2012-scheme-statistics-publication-strategy.pdf we intend to begin publishing statistics on enforcement in early 2017, to include the total number of cases in enforcement each month, the proportion of the entire caseload in enforcement, and a summary of enforcement actions taken.

5) Fees and Charges

a) What monitoring is done of calls to CM Options that don't progress to CMS because they cannot pay the £20 fee? How many have there been?

This specific piece of information is not collected by CM Options management information. However as part of the 30 Month Review of charging, evidence on client's views on the affordability of the application fee, and the impact on their behaviour, is available from a number of surveys, as follows.

The Survey of Child Support Agency (CSA) Case Closures Outcomes published in December 2016 <https://www.gov.uk/government/publications/child-support-agency-case->

closure-outcomes-survey, involved contacting Receiving Parents three months after receiving the last communication telling them their CSA case was going to close. Where Receiving Parents had gone on to make an arrangement with the Child Maintenance Service (CMS), the survey showed that in the majority of cases (68%), the Receiving Parent paid the £20 application fee. Whilst two thirds (66 %) of these Receiving Parents who paid the fee said it was very or quite easy to afford, around a third (29%) reported that it was difficult to afford. Furthermore, nearly a half (45%) of Receiving Parents with no child maintenance arrangement three months after the end of liability cited the £20 application fee as a factor in their decision to have no arrangement (29% said that the application fee did not influence their decision much or at all).

The Survey of Child Maintenance Service Direct Pay Clients (December 2016 <https://www.gov.uk/government/publications/child-maintenance-service-direct-pay-clients-survey>) involved contacting Receiving Parents with Direct Pay arrangements three months after receiving a calculation for Direct Pay. The majority (69%) said they had paid the application fee and of these just under two thirds (61%) said it was very or quite easy to afford. However, this means that a substantial proportion (39%) thought the application fee was difficult to afford, with those on low incomes most likely to report this.

b) What proportion of CMS Direct Pay case do not progress to Collect and Pay despite regular arrears and underpayments?

Survey based evidence is available on the change over time in arrangement types of clients who initially have a Direct Pay arrangement in the Child Maintenance Service. Moving to Collect and Pay works as follows:

Neither client can impose collection fees on the other. This means that either client can opt for Direct Pay against the wishes of the other client. However, there is an exception to this: if the Receiving Parent wants Collect and Pay, and we deem the Paying Parent to be "unlikely to pay".

If the Paying Parent has either communicated to us that they do not intend to pay, or they have missed payments or otherwise refused to cooperate, we can deem them to be unlikely to pay, and deny them the option of Direct Pay.

Once they have been deemed unlikely to pay, we will put an enforced method of payment in place wherever possible. However, it would not be fair to force them to remain on Collect and Pay forever, so after a period of at least 6 months has elapsed, we do allow them to access Direct Pay if they request this and can demonstrate a further six month period of voluntary compliance on the Collect and Pay service.

For cases on Direct Pay, where a payment is missed, and the Receiving Parent requests to switch to Collect and Pay, we will deem the Paying Parent unlikely to pay, move them onto Collect and Pay, and recover the amount.

The Survey of Child Maintenance Service Direct Pay Clients (December 2016: <https://www.gov.uk/government/publications/child-maintenance-service-direct-pay-clients-survey>) involved contacting Receiving Parents with Direct Pay arrangements three months after receiving a calculation for Direct Pay. Three months after receiving a Direct Pay calculation, of those Receiving Parents who made an arrangement over two thirds (68%) still had their Direct Pay arrangement in place. Of these Direct Pay arrangements, over two thirds (69%) were effective and 31% were not. Over a quarter (26%) of Receiving Parents had no arrangement in place at the 3 month stage.

The research shows that many Direct Pay arrangements are sustained, as at thirteen months after the original Direct Pay calculation 59% of Receiving Parents had the same arrangement and an additional 3% had a new DP arrangement. Of this 64% of clients still on Direct Pay, 70% of these arrangements were effective – a similar proportion to at the 3 month stage. Overall at the 13 month stage, 64% of parents were still on Direct Pay, 16% had moved to Collect and Pay, 18% had no arrangement with the remaining 4% having either a court arrangement or family based arrangement.