



House of Commons

Work and Pensions Committee

**The Child Maintenance
and Enforcement
Commission and the
Child Support Agency's
Operational
Improvement Plan:
Government Response
to the Committee's
Third Report of Session
2009–10**

**First Special Report of Session
2010–11**

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The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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Committee staff

The current staff of the Committee are Carol Oxborough (Clerk), Andrew Hudson (Second Clerk), Hanna Haas (Committee Specialist), Laura Humble (Committee Media Adviser), Lisa Wrobel (Senior Committee Assistant), Dory Royle (Committee Assistant) and Stephen Price (Committee Support Assistant).

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First Special Report

On 24 February 2010 the Work and Pensions Committee published its Third Report of Session 2009–10, *The Child Maintenance and Enforcement Commission and the Child Support Agency's Operational Improvement Plan*, HC 118. On 6 October 2010 we received the Government's Response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government response

Information Technology

[Paragraph 16] We are concerned that the work conducted over the course of the Operational Improvement Plan to rectify the problems with the CS2 IT system have either not resolved the problems or have revealed new problems. More than 400 of these problems are sufficiently serious to cause new cases to get stuck in the system. We hope that our successor Committee will maintain a close interest in progress made in resolving the IT problems with the old and current systems. We request that the Commission supply our successor Committee with quarterly reports on progress in this respect.

The Coalition Government notes and shares the Committee's concerns surrounding the problems with the CS2 IT system. The part played by defects in the IT system and the consequent difficulties experienced by the CSA are well documented and not acceptable.

The Operational Improvement Plan (OIP) was designed as a root and branch restructuring of the CSA not just of the IT. The OIP included a focus on improving IT as far as was possible and the plan stated that the CSA had agreed a prioritised programme of work with their IT supplier to rectify some of the remaining problems with the IT systems and to support other changes throughout this period. No commitment was made to fix all of CS2 problems as it was known that the system was fundamentally flawed and not all problems could be remedied.

Some 500 defects were addressed through a programme of prioritised enhancements, including a number of IT upgrades and releases. The most significant of these was a major upgrade to the CS2 system known as Productivity Release 1 (PR1) which helped overcome the most troublesome CS2 defects and allowed the CSA to provide an acceptable level of customer service—including the identification of cases which became stuck in the system, which the Agency was previously unable to do.

Since PR1, a series of releases to CS2 have been implemented and a further major release was implemented in July 2010. Together, these have resolved more than 100 further problems in addition to a number of functional improvements.

The Coalition Government accepts CS2 still has underlying flaws and the system has not achieved what was intended when it was first implemented. These underlying flaws have resulted in the scope for further improvements to CS2 being limited. Given the current fiscal climate the Coalition Government agrees with the decision taken by the Commission that it is better to devote resources to a long term solution rather than to continue to spend money on CS2.

The Coalition Government notes and will give due consideration to the Committee's request for progress reports.

[Paragraph 22] We are concerned at the almost exponential rise in the number of clerical cases caused by shortcomings in information technology. The additional costs of clerical administration of cases are mounting alarmingly. We are concerned that this does not represent the “stable base” that the Operational Improvement Plan set out to establish for introduction of the future scheme.

The Coalition Government acknowledges that the number of cases being administered off the system is rising and shares the Committee's concerns. It is however important to correct the misconception that clients whose cases are handled in this way receive no child maintenance and poor customer service. £5 million is collected monthly from non-resident parents whose cases are handled off the system and the average amount collected each year is similar across all cases, whether administered off the system or not. The Commission also aims to ensure off system cases receive a similar high standard of client service that cases administered on the system receive. In 2009–10 the cash value accuracy figure for all cases was 96.5% (comprising off and on system cases) while for off system cases in the same period the figure was 96.9%.

The Coalition Government accepts that off-system cases constitute a significant expense for the Commission and that the costs of processing these will continue to rise. Furthermore, although the Commission continues to seek to find means to prevent cases from becoming “stuck”, which is preventing the number of cases from rising exponentially, it does not have confidence that there are any meaningful short-term solutions to the problem.

Although the Operational Improvement Plan had no specific commitments to reducing the off system caseload, the Coalition Government shares the concerns of the Committee that the increasing numbers of off system cases could be a risk to the stable base required for the planned launch of the future scheme. As part of the Spending Review 2010 process the Coalition Government is reviewing with the Commission all plans, including those for the future scheme, to ensure that child maintenance is delivered as efficiently and effectively as possible. Part of this work is to ensure that a long-term solution for off-system cases will be prioritised.

It should also be noted that while the off system caseload has increased; the Operational Improvement Plan has achieved performance improvements which will assist with transition to the future scheme.

[Paragraph 26] We welcome the steps that the Commission has taken to learn from the disastrous mistakes made in commissioning the CS2 IT system. We are encouraged by the organisation's confidence that the IT system to administer the future scheme will be

more efficient to run and we note the strong case that has been made for using off-the-shelf packages.

[Paragraph 27] However, it is often the process of making different packages work together that creates IT problems. We ask the Commission to keep our successor Committee up to date with the progress of development of the future scheme system and we therefore request that it make six-monthly reports to our successor Committee on its work in this area.

The Coalition Government welcomes the Committee's acknowledgement that lessons from the past have been learnt.

The Commission acknowledges there would normally be risks associated with any new IT system working with older systems, relating to data quality issues and technology conflicts. Consequently there is no intent for the Commission's new core business IT system to be integrated with or interfaced to old CSA systems.

The old IT systems have known data quality issues and therefore there is no intent to migrate any data from old systems to new, for fear of contamination.

In addition, a separate Data Warehouse system is in development which will hold old data for retrieval to support our business processes without the need to migrate data.

The Government notes and will give due consideration to the Committee's request for progress reports.

Transitional arrangements

[Paragraph 36] The launch of the future scheme represents the "clean break" from the past and current systems of child maintenance recommended by Sir David Henshaw. It is essential for the future health and equity of the system of child maintenance that this launch and the transition of cases from the old and current schemes is managed successfully. However, we are concerned that the requirement to operate three schemes on three different IT systems concurrently during the transitional period will pose a formidable administrative headache.

[Paragraph 37] We are very concerned that the escalating costs of clerical administration of cases risk placing an intolerable burden on the Commission at just this crucial moment. We also note that delaying the process of transition will only increase the long-term costs of clerical administration.

[Paragraph 38] It will be for our successor Committee to oversee the transition process and maintain a close eye on the work of the Commission in this crucial period. We call on the Commission to provide our successor Committee with six-monthly updates on what steps it is taking to contain the number of clerical cases and on the total monthly cost of clerical administration. We also ask for six-monthly reports on its planning for handling old and current scheme cases in the transitional period.

The Coalition Government accepts that any transition period to the future scheme is a critical time. The Commission assures us it has a robust plan for handling this. The Coalition Government is committed to ensuring that the mistakes of rushed policy and

implementation are not repeated, which is why the current plan envisages a transition process lasting three years. The plan is predicated on reducing the running costs of the two existing schemes, year on year, taking advantage of the efficiencies and reductions in headcount which are and will continue to be made within the CSA.

A key component of the Commission transition plan is, as stated above, to prioritise off-system cases. The Commission view is that, assuming the future scheme and transition begin on schedule, there will be minimal risk of an intolerable burden in the way that the Committee has envisaged. However, the Coalition Government accepts that if the need for off-system processing continues for longer than planned then expected costs are likely to increase. As stated above, as part of the Spending Review 2010 process the Coalition Government is reviewing with the Commission all plans, including those for the future scheme, to ensure that child maintenance is delivered as efficiently and effectively as possible.

The Commission provides detailed reports on performance through its Annual Report and Accounts and its Quarterly Summary of Statistics.¹ The latter contains statistics on volumes of clerical (off-system) cases. In addition, the Commission's approach to launching the planned future scheme and transition will be put out to full public consultation and regulations to introduce these will be laid before Parliament through affirmative resolution.

The Coalition Government notes and will give due consideration to the Committee's request for progress reports.

Improving service delivery and case management

[Paragraph 50] We commend the staff and management of the CSA for their very substantial achievements in exceeding their target by a wide margin for clearing the backlog of uncleared cases and for meeting their target for processing new claims. The CSA has also made big strides in improving its accuracy and its levels of customer service. It is to the credit of all in the organisation that, in these respects, it has never been working more effectively. However, there is still room for improvement and we hope that the Commission will be able to maintain this momentum and urge it to ensure that it learns from these successes in designing operations for the future scheme.

The Coalition Government welcomes the Committee's comments on performance improvements achieved by the CSA's management and staff and its recognition that the CSA has never been working more effectively. Since the oral evidence session in December, performance has improved further with the highest ever number of children benefiting on the statutory scheme and the highest ever maintenance outcome figure.

The Coalition Government agrees that there is still room for improvement, which is why ministerial targets for the Commission for 2010–11 are stretching. The target for numbers of children benefiting through a maintenance agreement reached following contact from Child Maintenance Options or through the CSA is 950,000, and the maintenance outcomes target is 76%, compared to 840,000 and 72% respectively for 2009–10. The target

¹ The Child Support Agency Quarterly Summary of Statistics can be found at:
<http://www.childmaintenance.org/en/publications/statistics.html>

The Child Maintenance and Enforcement Commission's Annual Report & Accounts can be found at:
<http://www.childmaintenance.org/en/pdf/annual-report/CMEC-2009.pdf>

for collections and arrangements made through the statutory scheme will remain at £1.135 billion for 2010–11, a reflection of the current economic climate and the declining inflow of cases into the statutory scheme following the repeal of section 6 of the Child Support Act in October 2008, which allowed benefit clients to decide whether or not to use the CSA.

However, it must be emphasised that only limited improvement is possible on the current statutory schemes. The OIP's objective was to stabilise performance on these schemes and it succeeded in delivering this. The Coalition Government is now considering the best way forward to build on this in order to deliver the improvements and efficiencies which clients need and deserve and which represent value for money for the taxpayer. The Commission has engaged a range of people recruited from the private and voluntary sectors as well as harnessing the experience of people who have worked in the CSA to ensure that the future scheme learns from the lessons of the past.

Improving outcomes

[Paragraph 58] Whilst the newer maintenance outcomes target may be more complete, it nonetheless appears to have been set at a much more achievable level than the previous case compliance target. Although the Commission met its revised Operational Improvement Plan maintenance outcomes target, it missed the original case compliance target by a wide margin. We ask the Commission to set out how it calculated the maintenance outcome target to ensure that it was sufficiently challenging.

The Commission is pleased that the Committee recognises the shortcomings of the case compliance target and the fact that the maintenance outcomes target is a more complete measure of performance.

For the financial years 2007–08 and 2008–09, the Department for Work and Pensions set maintenance outcome targets for the CSA. These were intended to be consistent with the Operational Improvement Plan case compliance targets of 75% by March 2008 and 80% by March 2009. In order to calculate these:

- the baseline was set at September 2005 (the last period for which data was available when the original Operational Improvement Plan targets were set); and
- the 80% case compliance target, which had originally been intended for current scheme cases only, was extended to cover the old scheme as well as the current scheme.

This resulted in a March 2009 maintenance outcome target of 68.7% which was rounded to 69%. Further information on how the calculation was made is included as an Annex.

The Coalition Government understands that this target:

- a) was challenging because the base—61% in September 2005—was so low and because the 80% case compliance target, against which the new maintenance outcome target was based, was itself a stretch (in September 2005, case compliance was 68%); and

b) was effective because it drove an increase in the absolute number and percentage of cases with a liability actually receiving maintenance as set out in the table below.

Number of Cases	Baseline (Sept 05)	End of Operational Improvement Plan (March 09)	% change
With a liability	674,500	841,000	25
Receiving maintenance	411,400	593,500	44
% Receiving maintenance	61%	71%	16

[Paragraph 66] The Commission missed its 2008–09 target for collection of arrears and acknowledges that the 2009–10 target is looking very challenging. However, we welcome the Commission’s achievement in stemming the growth in arrears and anticipate that the suite of new powers that it has obtained will stimulate further progress. Reducing levels of arrears are key to restoring confidence in the child maintenance system and represent an essential element of the platform for launching the new system.

[Paragraph 67] We encourage our successor Committee to maintain a close eye on progress in reducing arrears and to that end, we call on the Commission to provide a six-monthly update on progress, including specifically reporting on the use that has been made of its new statutory powers.

The Coalition Government would also like to highlight that it does not agree with the previous administration which allowed the arrears target to be dropped from the Commission’s suite of Ministerial targets for 2010–11. Arrears collection is a key priority and it is the Coalition Government’s intention to reintroduce an arrears target.

The Coalition Government accepts that there are a number of non resident parents who wilfully refuse to meet their child maintenance liabilities. The Commission recognises that these more difficult cases need to be tackled and is committed to taking a number of steps to enhance the way it pursues arrears. This includes the following:

- re-deploying over 400 members of staff to chase historic arrears
- when a non-resident parent misses a payment and legal action is appropriate ensuring that this commences within 12 weeks

The Commission is also utilising the enforcement powers available to secure arrears owed from non-resident parents who refuse to pay. For the year ending April 2010 over 109,000 enforcement actions were taken. In addition from April 2010 where the Commission has evidence that a person is about to transfer an asset with the intention of avoiding payment of child maintenance, or has already done so, it has the power to ask the High Court to prevent the transfer from happening or to reverse it.

The Commission is also discussing with Ministers the introduction of further enforcement powers, including those contained in the Welfare Reform Act 2009 which permit the Commission to issue administrative orders for the disqualification of driving licences or travel authorisation.

The Commission reports on maintenance arrears and the use of enforcement powers in its Quarterly Summary of Statistics and Annual Report & Accounts. The introduction of further powers will be subject to full public consultation.

The Coalition Government notes and will give due consideration to the Committee's request for progress reports.

[Paragraph 72] The Operational Improvement Plan explicitly set out to lift 40,000 children out of poverty. Improving the operation of the child maintenance system is integral to the Government's strategy for reducing levels of child poverty. We are unhappy that the Commission's contribution to those cross-Government targets cannot be precisely quantified. We call on the Department to establish meaningful performance indicators for the Commission to measure its contribution to efforts to combat child poverty.

The Coalition Government agrees that the lack of quantifiable evidence as to the role the CSA has in reducing child poverty is concerning. The Commission's role in reducing child poverty is under review by the Coalition Government.

Following a number of attempts to develop a methodology, it became clear that it was unlikely that a suitable measure could be developed to precisely quantify the contribution of the measures in the Operational Improvement Plan to reducing poverty. Assessing the contribution of individual policies or initiatives (such as the Child Maintenance Options service) or packages of policies to the relative income poverty indicator is very difficult. This is especially the case with the contribution of child maintenance because of data challenges in this area. The Department acknowledges that framing the 40,000 figure in the Operational Improvement Plan as a target that could be measured was very unfortunate and misleading.

Since the Operational Improvement Plan, the Department has conducted extensive work to enhance our understanding of the role of child maintenance in tackling child poverty. This work indicates that, in terms of boosting household income, child maintenance does not make a large contribution to reducing child poverty: Child maintenance payments are estimated to have a small, non-reportable, impact on the relative income poverty indicator.

The Department acknowledges the Committee's call for performance indicators to measure the Commission's contribution to tackling child poverty. Subject to the outcome of ongoing reviews of Government expenditure/preparation for Spending Review 2010, in future the Department will assess what role the Commission can play in achieving the Coalition Government's child poverty targets.

Annex : Calculation of 2008–09 maintenance outcomes target

The September 2005 QSS, published in October 2005, was used as the basis of the target calculation.

At September 2005, the breakdown of cases with a positive assessment was as follows:

Assessed, not charging	119,800
Nil compliant	143,300
Compliant	309,700
Maintenance direct	101,700
Total	<u>674,500</u>

Case compliance at September 2005 was computed as follows:

Case compliance	$\frac{\text{Compliant cases}}{\text{Compliant} + \text{nil compliant}}$	68%
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Maintenance outcomes at September 2005 were computed as follows:

Maintenance outcomes	$\frac{\text{Compliant cases} + \text{maintenance direct}}{\text{Total cases with a positive assessment}}$	61%
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The maintenance outcomes target for 2008–09 was set using the following assumptions:

Maintenance direct cases remain static
 Assessed not charging cases remain static.
 Overall case volumes remain static
 Case compliance rises to 80%

With these assumptions, the relative case volumes would need to look like this:

Assessed, not charging	119,800
Nil compliant	91,000
Compliant	362,000
Maintenance direct	101,700
Total	<u>674,500</u>

Leading to case compliance of 80%, computed below:

Case compliance	$\frac{\text{Compliant cases}}{\text{Compliant} + \text{nil compliant}}$	80%
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Maintenance outcomes would therefore be calculated as follows:

Maintenance outcomes	$\frac{\text{Compliant cases} + \text{maintenance direct}}{\text{Total cases with a positive assessment}}$	69%
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It is therefore clear that the maintenance outcome target of 69% and the previous case compliance target in replacement of 80% are equivalent. Maintenance outcomes has the advantage that it can not be achieved by increasing the 'assessed not charging' cases by ceasing to request maintenance from non-compliant parents.