

## Summary: Intervention & Options

<b>Department /Agency:</b> <b>Child Support Agency (Department for Work and Pensions)</b>	<b>Title:</b> <b>Impact Assessment of the Child Support Information Regulations 2008</b>	
<b>Stage:</b> Implementation	<b>Version:</b> Final	<b>Date:</b> 9 September 2008
<b>Related Publications:</b>		

**Available to view or download at:**

<http://www.dwp.gov.uk/resourcecentre/ria.asp>

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**What is the problem under consideration? Why is government intervention necessary?**

Many non-resident parents fail to cooperate when they are asked to provide personal details necessary to calculate their child maintenance liability. The Child Support Agency is however able to take enforcement action in these circumstances; and where the Agency has failed to establish a dialogue with the non-resident parent, establishing a "financial link" between a non-resident parent and an address is important. Information held by gas and electricity companies can assist in this purpose. Furthermore, bank account details held by energy companies will enable the Agency to pursue enforcement

**What are the policy objectives and the intended effects?**

The primary policy objective is to assist the Child Support Agency in securing child maintenance for 40,000 more children, which equates to an additional £70m in child support maintenance collected, and to reduce the number of non-resident parents that avoid their child maintenance liabilities, by improving case compliance to 80%, by March 2009.

**What policy options have been considered? Please justify any preferred option.**

1. No intervention - continue using current provision to gather information by way of the Data Protection Act 1998 or an inspector visit to employers.
2. To add energy companies to the bodies required to provide the Agency with specific information about a non-resident parent on request.

Option 2 is the preferred option. Option 1 is relatively costly and of limited effectiveness.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** One year from the date of implementation.

**Ministerial Sign-off** For SELECT STAGE Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:

.....Date:

## Summary: Analysis & Evidence

<b>Policy Option:</b>	<b>Description:</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>	Description and scale of <b>key monetised costs</b> by 'main affected groups' Energy companies would have to bear the administrative cost of providing the Agency with the required information. This is however more than offset by not having to deal with a CSA inspector visit. There is also a cost to the CSA in terms of making the request for information.
	One-off (Transition) <span style="float: right;">Yrs</span> £ 0 <span style="float: right;">1</span>	
	Average Annual Cost (excluding one-off) £ 64709	
	<b>Total Cost (PV) £ 64,709 (1 Year)</b>	
Other <b>key non-monetised costs</b> by 'main affected groups' None		

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>	Description and scale of <b>key monetised benefits</b> by 'main affected groups' The Child Support Agency will benefit from reduced costs. Energy companies will benefit from reduced costs, as they will no longer have to deal with inspectorate visits.
	One-off <span style="float: right;">Yrs</span> £ 0 <span style="float: right;">1</span>	
	Average Annual Benefit (excluding one-off) £ 221520	
	<b>Total Benefit (PV) £ 221,520 (1 Year)</b>	
Other <b>key non-monetised benefits</b> by 'main affected groups' None		

### Key Assumptions/Sensitivities/Risks

This assumes that there will not be a significant rise in the number of criminal prosecutions and third party debt orders (county court enforcement). Key sensitivities surround ECHR and DPA compliance.

Price Base Year 2008	Time Period Years 1	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £ 156,811
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What is the geographic coverage of the policy/option?	UK				
On what date will the policy be implemented?	27/10/2008				
Which organisation(s) will enforce the policy?	Child Support Agency				
What is the total annual cost of enforcement for these organisations?	£ 0				
Does enforcement comply with Hampton principles?	Yes				
Will implementation go beyond minimum EU requirements?	N/A				
What is the value of the proposed offsetting measure per year?	£ N/A				
What is the value of changes in greenhouse gas emissions?	£ N/A				
Will the proposal have a significant impact on competition?	Yes/No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Yes/No</td> <td style="width: 25%; text-align: center;">Yes/No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	Yes/No	Yes/No	N/A	N/A
Yes/No	Yes/No	N/A	N/A		

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)
Increase of £ 23,400	Decrease of £ 46,800	<b>Net Impact £ -23,400</b>

Key: Annual costs and benefits: Constant Prices (Net) Present Value

## Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

### Objectives

Tackling child poverty is a key priority for the Department for Work and Pensions (DWP), to meet the Government's targets of halving child poverty by 2010 and eradicating it completely by 2020 – this is set out within the Public Service Agreements.

The system administering child maintenance has a key role to play in achieving these goals. The Child Support Agency's Operational Improvement Plan, published in February 2006, sets targets for the Agency, in 2008/09, to help 40,000 more children to benefit from child support maintenance payments (750,000 currently benefit), which equates to an additional £70m in child support maintenance collected (£1 billion was collected in 2007/08), and to reduce the number of non-resident parents that avoid their child maintenance liabilities, by improving case compliance to 80%.

Amendments to the Child Support Agency's information gathering powers (contained within the Child Support Information Regulations 2008) will help to achieve this goal. The evidence base for this is set out below.

### Background

Many non-resident parents seek to evade their responsibilities, and the total amount of outstanding money owed by non-resident parents in respect of their children is around £3.8bn. In many cases the Agency has difficulties gathering information to correctly establish the maintenance liability and recovering maintenance from non-resident parents that have not paid the maintenance due to support their children.

The Child Support Agency is usually able to trace non-resident parents via the parent with care of the child(ren), information held by the Department for Work and Pensions, Her Majesty's Revenue and Customs, credit reference agencies or the Driver and Vehicle Licensing Agency / Prison Service (where the parent with care provides the car registration information or indicates that the non-resident parent may be in prison).

Establishing a "financial link" between the non-resident parent and an address held is necessary before a prosecution – in accordance with Section 14A of the Child Support Act 1991 – should proceed where a non-resident parent has been traced but that person fails to provide information.

At present, this link is established via local authority confirmation that a non-resident parent is paying council tax at the address held.

This type of information is considered the most recognisable level of proof to a Criminal Court that a defendant would have been likely to have received requests for information from the Agency.

In addition, bank account details (most likely held by these organisations because the person pays by direct debit) could be used to facilitate third party debt orders (garnishee proceedings in the county court), and (in the future) deduction orders – essentially an administrative equivalent to existing county court action. The Child Support Agency would only take such forms of

enforcement where the non-resident parent has failed to pay child maintenance and it is not possible to take other forms of enforcement action, such as a Deduction from Earnings Order (where maintenance is taken directly from the non-resident parent's PAYE earnings).

### Rationale for Government Intervention

The Government is committed to ensuring that parents fulfil their responsibilities towards their children, but some deliberately evade their responsibilities. It is in the best interests of the child for the Government to enforce the payment of child maintenance in the most efficient way that it can.

In seeking information necessary to facilitate enforcement action, it is estimated that 6600 requests for information are made to local authorities each year. Of these 20% will be successful and 80% not.

Where the Child Support Agency cannot establish a "financial link" to the non-resident parent's address via local authorities, it may make a request to energy companies under Section 29(3) of the Data Protection Act 1998. In the event that the Agency cannot collect information using this route, child support inspectors – invoking Section 15(4A)(c) of the Child Support Act 1991 – are able to gather the information directly. The Child Support Agency estimates 4800 such visits by inspectors each year to energy companies (based on the number of visits in the South East region and multiplied to produce a national average).

The Agency estimates that the number of requests under the amended regulations – which enables the Agency to make requests for information via administrative means – rather than by visit – will be the same.

The aim of the proposed policy is therefore to give the Child Support Agency access to energy company data via administrative means – whereas currently an inspector visit would be needed to gather this information. In effect, the same results would be achieved but cheaper and more efficiently. It would also save the organisations themselves time and effort in dealing with an inspector's visit i.e. they can simply fill in a form confirming whether the non-resident parent's name/ address details match their records – and that the most recent bill had been charged/ paid.

In seeking bank account information to facilitate an application for a third party debt order, the Agency would first seek data via credit reference agencies; but it estimates that credit reference agencies hold bank account information in only 70% of cases, i.e. where the account is linked to a credit application. The Agency therefore requires access to data held by energy companies to act as an alternative data source in these circumstances.

The Child Support Agency anticipates that the number of requests made for this additional data would be subsumed within the number of requests made for information relating to prosecution proceedings (4800 per year).

While we do not anticipate any increase in the 4,800 visits that we estimate inspectors currently make, the ability to request this information via administrative means (rather than via an inspector) will free up the Agency's resources and will enable it to concentrate relative scarce investigative resource into other areas.

### Options Considered

#### **1. Do nothing**

In some circumstances the Agency is currently able to gather information via the Data Protection Act 1998 or, failing this, by use of an inspector exercising the powers under Section 15(4A)(c) of the Child Support Act 1991. The Agency could continue to use this power.

Advantages:

There would be no administrative changes for the Agency or for energy companies, therefore avoiding the need for implementation costs and familiarisation.

Disadvantages:

The practical limitations and relative costs (to the Agency and the holder of the premises inspected) of this approach limits its enforcement effectiveness.

Taking these factors into account, it is disproportionate to use inspectors on each occasion where the Agency would otherwise wish to exercise a power to request information directly from energy companies.

**2. Add energy companies (suppliers of gas and electricity) to the bodies required to provide the Agency with specific information** about a non-resident parent on request, for the purposes of taking enforcement action against non-resident parents that have failed to provide information, or pay child support maintenance.

Advantages:

Having this power available as an administrative function would release resources currently required to operate the system of inspection of premises, and would provide for more efficient enforcement processes:

- Prosecution: Energy companies could be required to provide the Agency with information confirming whether the non-resident parent's name/ address details match their records – and confirmation that the most recent bill had been charged/paid; and
- Enforcement: Establishing details of the non-resident parent's specific account information, could improve the Agency's ability to secure a Third Party Debt Order (and Deduction Orders – from April 2009).

The Child Support Information Regulations 2008 provide a ready mechanism for the Agency to require the provision of information.

The collection of data from energy companies is not without precedent. Section 109B(2A)(h) and (i) of the Social Security Administration Act 1992 allows an officer authorised by the Secretary of State to require the provision of information from gas and electricity companies for the purposes of investigating social security fraud.

There is an increased cost to the Agency, although the cost of this will be less than the current use of inspectors to gather such information.

Disadvantages:

This policy will impose administrative costs upon those energy companies that are required to provide the Agency with the information requested, although the Agency will aim to limit such costs – for example by providing pre-paid envelopes for responses or seeking the supply of information via phone or email, there will still be costs in terms of staff time.

[There of course the larger off-setting savings from not having to deal with inspectorate visits]

## Analysis of Costs and Benefits/Impact on business – average annual cost

The cost and impact on business of these regulations has been estimated using the Standard Cost Model, which provides a simplified but consistent framework for assessing the administrative costs imposed by regulation on business. Costs have been estimated for a single year, at which point the policy will be reviewed.

### **Costs – formula used**

Administrative cost = internal costs (£) + external costs (£)

Internal costs = Price (£) x Quantity + overheads (non-wage costs)

Price = tariff x time

Quantity = population x frequency

Overheads = (Price x Quantity) x 30%

Tariff is the hourly wage costs for activities carried out

Time is the amount of time required to complete the activity

Population is the number of businesses affected (the costs have been estimated for the sector as a whole)

Frequency is the number of times that an activity must be completed each year by a business

The information used within the calculation below represents an average of the cost details provided by the energy companies

### **Current Costs – per annum**

Price	=	£15 * 0.50	=	£7.50
Quantity	=	4,800 x 1	=	4,800
Overheads	=	£36,000 x 30%	=	£10,800
Internal costs	=	£7.50 x 4,800 + £10,800	=	£46,800

### **Anticipated Costs – per annum**

Price	=	£15 x 0.25	=	£3.75
Quantity	=	4,800 x 1	=	4,800
Overheads	=	£18,000 x 30%	=	£5,400
Internal costs	=	£3.75 x 4,800 + £5,400	=	£23,400

External costs – there are no external costs associated with these regulations

**Administrative cost = £23,400**

Over 1 year this represents a cost (at Present Value) of £23,400

### Impact on the public sector

Powers to require energy companies to provide the Agency with specific information upon request would strengthen the Agency's ability to seek prosecution action (confirming a "financial link" to an address held by the Agency where the case reaches court) and enable greater use

enforcement powers (third party debt orders – leading to the administrative deduction order from April 2009).

There will also be a financial benefit as the administrative cost of the new procedure will be lower than the use of inspectors visits.

Please note that the tariff information within the “current cost” field (£14 per hour) reflects the fact that inspectors are more highly paid than Agency caseworkers.

### **Current Cost**

Price	=	£14 x 2	=	£28
Quantity	=	4,800 x 1	=	4,800
Overheads	=	£134,400 x 30%	=	£40,320
Internal costs	=	£28 x 4,800 + £40,320	=	£174,720

### **Anticipated Cost**

Price	=	£8.28 x 0.8	=	£6.62
Quantity	=	4,800 x 1	=	4,800
Overheads	=	£31,776 x 30%	=	£9,533
Internal costs	=	£6.62 x 4,800 + £9,533	=	£41,309

### **Potential Saving**

£174,720 - £41,309 = **£133,411**

Over 1 year this represents a benefit (at Present Value) of £133,411

### Risk, uncertainty and unintended consequences

The financial impact on the private sector is based on the assumption that the number of criminal prosecutions and use of third party debt orders remains steady, and as a consequence 4800 requests will be made to energy companies each year, on average. The increased focus on enforcement in the final year of the Agency’s Operational Improvement Plan may increase the number of these activities, which in turn could lead to a greater need for data. However, information to facilitate these actions is available from other sources and guidance to staff (enforced by management checks) will make clear that they should be used first.

### Implementation

It is envisaged that, if the Agency had reason to believe that a particular energy company held information about a non-resident parent, it will be able to request the information in the same way that it currently does for employers, i.e. issuing a form to the company in question, highlighting the legal authority for making the request and specifying what information about the non-resident parent is needed. In practice it is likely to confirm the name and address of the non-resident parent and that the non-resident parent is receiving a bill for energy services at that address, and that the bill is being paid. It may also request further information, such as bank account numbers.

The Agency would ask the energy companies to return the form within seven working days, providing a pre-paid envelope or email address for this purpose (or alternatively negotiating a system using email or phone contact).

These arrangements would be subject to further consultation with the Energy Retail Association and its members; and will be kept under review to ensure that it remained effective for both the Agency and those responding to information requests.

## **Volumes**

*Prosecution* - In seeking information necessary to facilitate a criminal prosecution, it is estimated that 6600 requests for information are made to local authorities each year, of these 20% will be successful and 80% not.

Where the Child Support Agency cannot establish a “financial link” to the non-resident parent’s address via local authorities, it may make a request to energy companies under Section 29(3) of the Data Protection Act 1998. In the event that the Agency cannot collect information using this route, child support inspectors – invoking Section 15(4A)(c) of the Child Support Act 1991 – are able to visit the premises of energy companies in order obtain the necessary information directly. The Child Support Agency estimates 4800 such visits by inspectors each year. The Agency therefore estimates the same number of requests under the amended regulations – which enables the Agency to make requests for information via administrative means – rather than relying on visits by inspectors.

*Enforcement* - In seeking bank account information to facilitate an application for a third party debt order, the Agency would first seek data via credit reference agencies; but it estimates that credit reference agencies hold bank account information in only 70% of cases (because bank account data is normally only held by credit reference agencies where it is linked to a credit application). The Agency therefore requires access to data held by energy companies to act as an alternative data source in these circumstances.

The Child Support Agency anticipates that the number of requests made for this additional data would be subsumed within the number of requests made for information relating to prosecution proceedings (4800 per year in total).

## Policy Enforcement

The Agency will be responsible for enforcing this policy. The proposed changes would place a legal obligation on energy companies to give the Agency information it requires. Under Section 14A(2) and (3) of the Child Support Act 1991 it is an offence for any person required to provide information to:

- Make a statement or representation which he or she knows to be false;
- Deliberately provide false information or allow others to provide it; or
- Fail to provide information when the Agency asks for it.

A person found guilty of an above offence is liable on summary conviction to a fine not exceeding level 3 on the standard scale – currently £1,000.

## Monitoring and review

The policy will be subject to regular monitoring (following implementation) in order to measure the numbers and costs involved against the estimates provided within the impact assessment. Furthermore, we will undertake a full review at the end of the first year and consider any adjustments to the new policy that may therefore be needed.

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes/No	Yes/No
Small Firms Impact Test	Yes/No	Yes/No
Legal Aid	Yes/No	Yes/No
Sustainable Development	Yes/No	Yes/No
Carbon Assessment	Yes/No	Yes/No
Other Environment	Yes/No	Yes/No
Health Impact Assessment	Yes/No	Yes/No
Race Equality	Yes/No	Yes/No
Disability Equality	Yes/No	Yes/No
Gender Equality	Yes/No	Yes/No
Human Rights	Yes/No	Yes/No
Rural Proofing	Yes/No	Yes/No

