

A fresh start:
child support redesign –
the Government's response
to Sir David Henshaw



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Presented to Parliament by
the Secretary of State for Work and Pensions
by Command of Her Majesty

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Ministerial foreword

Parents, whether they live together or not, have a clear moral as well as legal responsibility to maintain their children. Relationships end. Responsibilities do not.

Government and society as a whole have a clear interest in making sure these responsibilities are honoured. This was, rightly, the foundation on which the 1991 Child Support Act rested.

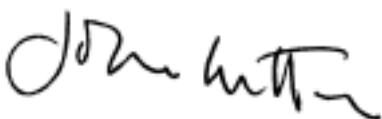
The Child Support Agency was set up in 1993 to help ensure that parents take financial responsibility for their children. But despite the best efforts of its committed and dedicated staff, the overall performance of the Child Support Agency has fallen well short of expectations. Only a minority of cases handled by the Child Support Agency actually receive any maintenance. Over £3 billion of debt has built up, with limited prospects of recovery. Customer service, although it has improved recently, has never been of the right quality and standard.

The need for a radical overhaul is clear and obvious. But there are no simple solutions. We have asked the Child Support Agency to deliver the impossible. The problems do not represent a failing of the staff – but rather of the policy framework and the system they are being asked to operate.

It was for these reasons that I asked Sir David Henshaw to begin a fundamental redesign of our whole system of child support. Sir David has presented his recommendations for change. We accept his principal recommendations. The system should be simpler, less bureaucratic and more cost-effective. Whether or not a person decides to use the state system to arrange child maintenance should be their choice. The system should prioritise the needs of children. It must help engender a new climate where parents can more easily come to their own financial arrangements concerning the maintenance of their children. And it should mark a clean break with the past, with a new organisation being created to give the delivery of child support a fresh start.

There is a great deal of detail in Sir David's report that should now properly be the subject of fuller consultation and debate. This document sets out the important questions which we need to resolve. We welcome the views of all those with an interest in this area.

The original proposals to set up the Child Support Agency had a broad measure of support. I want the new arrangements that must now be established to command a similar level of consensus. The publication of Sir David's report and this consultation document will, I hope, mark the beginning of building this new and necessary consensus.



Rt Hon John Hutton
Secretary of State for Work and Pensions
July 2006

Summary

In February 2006 the Secretary of State for Work and Pensions asked Sir David Henshaw to undertake a fundamental redesign of our system of child support. Sir David has now delivered his report. He has recommended that we move to a simpler system that enables and encourages parents to take responsibility for making their own arrangements, but delivers firmly and more effectively for parents who need help in arranging child maintenance.

We think the approach outlined by Sir David will meet the key objectives we have set for the child support system. These are to:

- help tackle child poverty by ensuring that more parents take responsibility for paying for their children and that more children, especially the poorest, benefit from this;
- promote parental responsibility by encouraging and empowering parents in their role and, where necessary, requiring them to meet their obligations;
- provide an efficient and professional service that gets money to children in the most cost-effective way for the taxpayer; and
- be simple and transparent, and provide an accessible, reliable and responsive service that is understood and accepted by users and their advisers and capable of being administered by staff.

We will therefore:

- support parents who wish to make their own arrangements by removing the requirement that all parents with care claiming benefit be treated as applying for child maintenance;
- significantly increase the amount of maintenance that parents with care on benefits can keep, thereby ensuring that more maintenance paid flows directly to the parent with care for the benefit of their children, leading to a substantial reduction in child poverty;
- provide better advice and guidance to parents so they can make the best decisions and arrangements for themselves and their children;
- strengthen our enforcement powers further by bringing forward legislation to suspend the passports of, and impose curfews on, parents who repeatedly fail to pay maintenance;
- further simplify and improve the detailed policy framework and processes underpinning child support; and
- consider further measures, in addition to those contained within the Welfare Reform Green Paper, to support more lone parents into work.

Summary (continued)

In order to achieve this, we agree with Sir David that the delivery of child support requires a fresh start. We will therefore create a new organisation to deliver child support. We will be undertaking an intensive programme of work, including full consultation with the staff of the existing Child Support Agency, to decide the best way forward. Meanwhile, we will intensify our compliance and enforcement efforts and the current Child Support Agency will continue with the Government's full support.

This approach will create a focused but effective child support system. It will:

- lift many more children out of poverty as families on benefit are enabled to keep substantially more of the maintenance paid;
- put more responsibility in the hands of parents – in line with what they tell us they want; and
- provide a simplified and more efficient system, leading to a significant reduction in administrative costs.

This document marks the first stage in the Government's response to Sir David's report. It sets out a series of questions around the broad principles of the proposed system. We want to hear your views. We will consider his report further over the summer and will publish a White Paper with detailed proposals in the autumn. We have also asked Sir David to give continuing advice on the more detailed assessment of the transition to the new system and the creation of the new organisation. We plan to bring forward legislation and our ambition is to see aspects of the new system in place from 2008.

Sir David's report raises a number of issues which are devolved to Scotland. It will be for Scottish ministers and the Scottish Parliament to determine how to respond to the report as it relates to devolved matters.

We are keen to push forward as quickly as possible, but it is vital for us that what we now do truly delivers money for, and contributes to the financial welfare of, more children.

Introduction

1. Since 1997 we have put children at the heart of our welfare strategy. We are committed to providing the best start in life for all children: to provide security and protection during their childhood while enabling them to have the opportunity to reach their full potential as an adult.
2. One of the key barriers to a child's current and future prospects is growing up in a poor household. We have set an ambitious and challenging goal to halve child poverty by 2010 and to eradicate it by 2020. This is the Department's top priority, and we must ensure that all our policies – especially child support – are directed at achieving this goal. Through our innovative and wide-ranging employment policies we are tackling one of the key causes of poverty – worklessness – by supporting and encouraging more people into employment. More people are now in work in the UK than ever before.
3. Child poverty can be associated with other changes in family circumstances. The birth of a child to a single person and the breakdown of a relationship are both situations when parents may require emotional and financial support, and are both key causes of child poverty in the UK: around 30 per cent of children in lone-parent families in the UK are poor.

Child support in the UK

4. Even where the parents' own relationship may have ended, or where they have no stable relationship, their responsibilities towards their children must continue. One of these responsibilities is the payment of child support – the money that the non-resident parent must pay towards the cost of bringing up their children.
5. Research tells us that people believe the primary responsibility for child maintenance following separation lies with the children's parents.¹ Some parents, however, do not find it possible to come to their own arrangements and some deliberately do not fulfil their responsibilities.
6. The Government must help to ensure that children receive the financial support to which they are entitled. While the primary objective of a child support system must be to contribute to the financial welfare of children, it needs to do so in a way that supports the rights and responsibilities of parents and is cost-effective for the taxpayer. These, then, are our guiding principles for reform – the system must:
 - **help tackle child poverty** by ensuring that more parents take responsibility for paying for their children and that more children benefit from this;
 - **promote parental responsibility** by encouraging and empowering parents in their role and, where necessary, requiring them to meet their obligations;
 - provide an efficient and professional service that gets money to children in the most **cost-effective** way for the taxpayer; and
 - **be simple and transparent**, providing an accessible, reliable and responsive service that is understood and accepted by users and their advisers and capable of being administered by staff.

¹ Peacey V and Rainford L, 2004, *Attitudes towards child support and knowledge of the Child Support Agency, 2004*, Department for Work and Pensions Research Report No 226.

7. Since 1993, the Child Support Agency has administered child support in the UK, helping parents to take financial responsibility for their children. It does so in what are often challenging circumstances that involve complex emotional, financial and legal issues. The client group is extremely diverse and their circumstances can change. As a result, clients may require different services or information to meet their needs.
8. Of the total 2.5 million parents with care in the UK, around half have an agreement for maintenance. Of these agreements roughly 40 per cent are completely private arrangements. There are 1.5 million cases registered with the Child Support Agency, but in only 700,000 of these cases is the non-resident parent assessed as liable to pay a positive amount of maintenance. Only around 425,000 cases have a payment being made to the Child Support Agency's collection service or a Maintenance Direct agreement made between the parents.
9. For many of those registered, the Child Support Agency does provide an important service. Around 580,000 children have maintenance collected by the Child Support Agency or an amount arranged by the Child Support Agency, which is then paid from one parent to the other. It is estimated that the payment of child maintenance, arranged either by the Child Support Agency or directly between parents, currently lifts 100,000 children out of poverty. Estimates show that lone parents not in receipt of maintenance have a risk of being in poverty of around 35 per cent. This compares with around 15 per cent when the lone parent receives maintenance.
10. Nevertheless, despite changes and improvements to the child support system, child support policy and its delivery have failed to live up to expectations:
 - Reclaiming most of the maintenance for the State when a parent with care is on benefit, rather than passing it through to the children, has meant that neither parent has a reason to co-operate with the Child Support Agency. As a result the policy has failed to deliver significant amounts of money to low-income claimants: in March 2006, only 42,000 parents with care were receiving the Child Maintenance Premium which allows new child support claimants to keep the first £10 per week of any maintenance received for their children without it affecting their benefit entitlement. Neither has the policy recovered substantial benefit expenditure: in 2005/06 only £110 million was recovered directly for the State. This policy has therefore neither delivered savings for the taxpayer nor – most importantly – done nearly enough to reduce child poverty.
 - Many claimants would prefer to make their own private arrangements and can often do so amicably. But when a parent makes a claim for benefit, these arrangements are automatically overturned, and the parent with care is obliged to make a claim via the Child Support Agency. This creates a large number of clients who do not want, and do not need, to be in the system.
 - Despite the Child Support Agency having collected around £5 billion in maintenance since 1993 through its collection service, around £3.5 billion of debt has also built up, of which around half is owed to parents with care and around half to the State.
 - It currently costs around 60 pence in administration costs to get each £1 of maintenance to a child.
 - The current system involves wholly disproportionate effort to move small amounts of money between relatively poor families.

11. These problems are profound and structural. In its recent report on the Child Support Agency and implementation of the child support reforms in 2003, the National Audit Office said:

“The Child Support Reforms have failed to deliver the improvements in customer service and administrative efficiency, which might have been expected from the much-needed new rules, simplified calculation and a new IT system. The Reforms were a final, but in the event unsuccessful, attempt to deliver the policy that led to the establishment of the Child Support Agency in 1993. This policy required a complex administrative process with poor incentives for compliance on the part of many, perhaps most, customers. With hindsight, the Agency was never structured in a way that would enable the policy to be delivered cost effectively. ... While they have benefited a number of the poorest parents and children, overall the new scheme has performed no better than its predecessor, although there are signs of improvement.”²

12. We have recently set out in an Operational Improvement Plan the steps we are taking to improve existing arrangements. This is helping to stabilise and improve the performance of the Child Support Agency in the short term. We are investing an additional £120 million up to 2009, which will help the Child Support Agency cut the level of historic debt, reduce the number of uncleared new scheme applications, increase compliance among non-resident parents and provide a better service to Child Support Agency clients.

13. However, the Operational Improvement Plan – while it is already being energetically and effectively put into place by the Chief Executive and staff of the Child Support Agency – does not go to the heart of the current problems. We believe that we can, and must, go further. While we must ensure that the children who currently benefit from maintenance payments continue to do so, it is time for fundamental change.

Child support redesign

14. In February 2006, the Secretary of State for Work and Pensions stated that the child support system needed to be fundamentally reformed. He asked Sir David Henshaw to develop proposals for the redesign of our child support system and to assess the longer-term policy and delivery arrangements. Sir David’s terms of reference are set out in Box 1.

Box 1: Terms of reference for Sir David Henshaw

Sir David was asked to consider:

- how best to ensure that parents take financial responsibility for their children when they live apart;
- the best arrangements for delivering this outcome cost-effectively; and
- the options for moving to new structures and policies – recognising the need to protect the level of service offered to the current 1.5 million parents with care.

² National Audit Office, 2006, *Child Support Agency – Implementation of the Child Support Reforms*, HC 1174 Session 2005/06, 30 June.

15. Sir David has now delivered his report to the Secretary of State.³ He has concluded that: *“there is a need for fundamental change in the way child support is organised in this country”*.
16. Sir David has considered carefully what might be the most appropriate arrangements, drawing on contributions from, and the expertise of, a wide range of stakeholders as well as learning lessons from child support systems in other countries.
17. He has recommended that we move to a simpler system of child support that enables and encourages parents to take responsibility for making their own arrangements for child maintenance. This means that the Government would encourage and help parents to reach child maintenance arrangements between themselves but, for the sake of the children concerned, would step in quickly, firmly and effectively only when parents could not agree, especially where one parent did not fulfil their financial responsibilities.
18. We agree that the approach recommended by Sir David is the right way forward. Parents themselves tell us that this is what they want – the findings from new research commissioned by the Department for Work and Pensions are set out in Box 2.

Box 2: Redesign of the child support system – views of parents*

The Department for Work and Pensions commissioned a special research study to provide an insight into the views held by parents on child support arrangements in the UK, and into their likely responses to policy options.

The study was qualitative in scope and based upon a series of five focus groups that examined the views and experiences of a mix of 31 parents with care, non-resident parents and couples. The views of couples were useful in providing a broad ‘taxpayer’ perspective from parents who did not have a current emotional involvement in child support issues.

The key findings comprised support for:

- parents being enabled to reach child maintenance agreements between themselves;
- Government providing some level of ‘back-up’ for parents who are unable to reach an amicable agreement among themselves;
- strong enforcement measures;
- a single neutral information and support service, which should include areas such as finance, impacts upon mental and physical health, legal issues and practical advice; and
- parents with care being allowed to keep all the child maintenance paid by the non-resident parent.

In addition, there was little or no support for the alternative child support system models that have been considered, and rejected, by Sir David. These include a system that would guarantee maintenance in the event of non-compliance by the non-resident parent, and a universal system that all parents living apart would be compelled to use.

* Atkinson A, McKay S and Dominy N, 2006, *Future policy options for child support: The views of parents*, Department for Work and Pensions Research Report No 380.

³ Henshaw, Sir D, 2006, *Recovering child support: routes to responsibility*, Cm 6894.

Encouraging and supporting private arrangements

19. The policy approach being put forward by Sir David would mean ending the existing requirement that parents with care be treated as applying for child support when they claim Income Support or income-based Jobseeker's Allowance. This means that we would no longer end formal and informal maintenance agreements when people moved onto benefit. Such a change would also bring significant administrative benefits as we would stop having to treat people differently depending on whether they were claiming benefit or not.
20. Over the past three years, 70 per cent of child support applications have been received from parents with care on benefits, 660,000 since the new scheme began. This has, however, led to only around 100,000 parents with care benefiting from the Child Maintenance Premium at some point through the Child Support Agency, and only 42,000 receiving it as of March 2006.
21. Sir David's approach would, by contrast, significantly increase the extent to which child maintenance is disregarded in income-related benefits, thereby ensuring that more maintenance paid flowed directly to the parent with care for the benefit of the child. This would also significantly increase the incentive for parents with care to make an application for child maintenance through private agreements or through the state system, and for the non-resident parent to pay. In addition to delivering more money to more children, particularly the poorest children, this would also minimise the administrative burden on both customers and Jobcentre Plus. For those parents with care who received maintenance payments at or below the level of the new, significantly higher disregard – either via private arrangements or with support from the State – there would be no reduction in benefit payments at all.
22. We agree with Sir David's assessment of the advantages of a significantly higher disregard. In particular, this approach would have a substantial impact on child poverty – the Department's most important priority – and substantial administrative benefits. In deciding by how much to increase the disregard, however, we recognise the need to take into account the possible impact of such a change on work incentives and the importance of ensuring that the delivery of child support is cost-effective for the taxpayer. We will announce in the autumn the level at which maintenance will be disregarded in benefits.
23. We will implement the significantly higher and more generous disregard with respect to both new scheme and old scheme cases. This will mean that parents with care on benefits will retain significantly more of their maintenance irrespective of the scheme they are currently in.

Advice and guidance

24. We believe that in order to support such an approach parents need to be reassured that they have access to a good system of support if their maintenance arrangements break down and, equally, should be supported in making decisions about how they can best carry out their responsibilities as a parent. Research shows that there is a considerable demand for information about financial matters during the process of separation. At the moment provision is patchy and disparate with inadequate signposting to the support that is provided by government and the third sector.

25. As recommended by Sir David, we will consider how we can improve the content of, and access to, information and advice. This will help to ensure that parents are directed towards appropriate support and enabled to make an informed choice.

Ensuring that parents fulfil their responsibilities

26. As well as providing support and incentives we want to be sure that parents – both the parent with care and the non-resident parent – take steps to improve their children's welfare.

Supporting lone parents into employment

27. The changes we propose above will make lone parents on benefits who are in receipt of maintenance significantly better off, lifting many of them out of poverty. But remaining on benefits – with or without maintenance – is not the best long-term option for lone parents or their children.
28. To support our child poverty goals, the Government has set itself a challenging target of achieving a lone parent employment rate of 70 per cent by 2010. We have invested heavily in policies to support lone parents back into employment: our Welfare to Work policies are already equipping lone parents with the knowledge, support and skills to enable them to move into work, and our system of tax credits is making work pay.
29. Through this investment we have seen an unprecedented increase in the lone parent employment rate. It has risen by more than 11 percentage points since 1997; around 1 million lone parents are now in work, an increase of over 300,000 since 1997. But achieving the 70 per cent employment rate could lift a further 200,000 children out of poverty. We recognise, therefore, that we need to do more.
30. Jobcentre Plus is already enabling lone parents to discuss options for starting or resuming employment with a specialist personal adviser. Our programme of work-focused interviews and access to the New Deal for Lone Parents help parents understand the benefits of working, both financially and in terms of wider benefits for them and their family. This might typically include a discussion of the available employment and training opportunities in the context of the lone parent's own particular circumstances, and any barriers to work that they may experience such as the cost and availability of childcare. Research shows that, of those people who talked about childcare issues during their work-focused interview, a quarter discussed help in applying for child maintenance.⁴
31. We have already announced further steps in the recent Welfare Reform Green Paper.⁵ Developing our current model, we will increase the frequency of work-focused interviews for the majority of lone parents. Starting in April 2007, lone parents who have been on benefit for at least a year will have to see a personal adviser at least every six months. We have also set out our plans to test, as resources allow, work-related activity for lone parents with older children.

⁴ Coleman N, Rousseau N and Carpenter H, 2004, *Jobcentre Plus Service Delivery Survey (Wave 1)*, Department for Work and Pensions Research Report No 223.

⁵ Department for Work and Pensions, 2006, *A new deal for welfare: Empowering people to work*, Cm 6730.

32. We will build on our success. Although we will remove the requirement to make an application for maintenance as part of a benefit claim, we will further strengthen the framework provided by Jobcentre Plus, as resources allow, so that parents with care are supported, even more effectively than now, to find a job and, where necessary, given the opportunity to discuss, or be referred to information about, resolving child maintenance.
33. This support may include:
- increasing the frequency of mandatory work-focused interviews and increasing access to the New Deal for Lone Parents;
 - ensuring personal advisers are equipped to help lone parents take forward child maintenance agreements as they agree action plans in interviews;
 - ensuring personal advisers help customers understand the impact of child maintenance on their finances through better off in work calculations; and
 - the national roll-out of our successful initiatives such as the In Work Credit, the New Deal Plus for Lone Parents and, in due course, work-related activity.

Increasing enforcement powers

34. Sir David has recommended introducing strong new sanctions, including the withdrawal of passports, to ensure that parents comply with their financial obligations to their children. We have considered this proposal carefully and will bring forward legislation to allow suspension of passports. But we think we must go further. We have also examined the potential to impose curfews on those who repeatedly fail to pay maintenance and we intend to bring forward legislation to put this in place. Moreover, as part of our commitment to stronger enforcement we will explore all methods of publicising successful prosecutions, including the feasibility of naming those so prosecuted.
35. But even before any new sanctions are in place we will continue to enforce payment more rigorously than in the past. Taking more action is having an impact. We have seen the use of Deduction from Earnings Orders increase from around 35,000 in November 1995 to over 150,000 in March 2006. This is more than a fifth of the cases where the Child Support Agency collects money.
36. In cases where money cannot be deducted from earnings, the Child Support Agency will enforce through the courts, up to and including forcing the sale of properties. It obtained over 10,000 Liability Orders⁶ in 2005/06, an increase of 3,000 on the previous year.
37. Where enforcement does not work, the Child Support Agency is increasingly using powers to deal with people who wilfully fail to make payments. In 2005/06 15 people were committed to prison and 5 had a driving licence withdrawn. A further 376 people received suspended committal sentences and 35 had the withdrawal of their licence suspended. The Child Support Agency intends to collect an additional £300 million over the lifetime of the Operational Improvement Plan, via improvements in its own efforts and through contracting out to debt collection agencies.

⁶ A Liability Order is granted by a court and is legal recognition of the arrears of maintenance. Once the Child Support Agency has the order, it can enforce it by taking action to sell goods owned by a non-resident parent. This may involve using bailiffs or putting a charge on assets.

Birth registration

38. A first step towards getting maintenance flowing to children is being able to identify the non-resident parent. The easiest way to begin to trace a parent is from the information on a birth certificate. As Sir David sets out in his report, up to 20 per cent of children in the potential Child Support Agency client group do not have their father’s name on their birth certificate. In some cases this means that parentage is disputed, and in others, tracing the parent and getting maintenance in payment proves impossible.
39. At present, where parents were married at the time the child was conceived or born, both parents are included on the birth register. This is not always the case for unmarried parents. Having both parents’ names on a birth certificate would not only help facilitate the payment of maintenance but could have wider benefits for children and parents. Children would have the security of knowing and being acknowledged by both parents, and it might encourage both parents to be active in their children’s lives.
40. We want to look more closely at policy in this area. We could offer information and advice to parents from various sources. One option might be to include details in the package of information given to new parents at hospitals and antenatal clinics. Some countries, such as Australia, have gone further and expect all parents to register births jointly, unless there are exceptional circumstances. We will look at the full range of options to ensure that more fathers take responsibility for their children and we will set up a cross-departmental group with relevant representation from the devolved administrations.
41. Overall we believe that this package of incentives, encouragement and strong enforcement will enable and support parents to make their own arrangements in the confidence that they will be supported by the state system if arrangements break down.

Question 1: Is this the correct balance of support to ensure that parents fulfil their responsibilities?

Question 2: Do you agree that parents should jointly register the birth of their children? What steps could the Government take to support this outcome?

Role of the courts

42. Before 1993, the courts took the lead role in determining child support arrangements in the UK. Often, however, the system failed to provide effectively for children: child maintenance awards were largely discretionary and often small, and rulings were sometimes perceived to be inconsistent. Although the courts have changed since then, we agree with Sir David’s assessment that we should not return to this system as a universal arrangement. We want a child support system based on collaboration, where parents take responsibility and agree what is best for their children. We do not want to return to a regime where courts impose child support arrangements.

43. Although courts no longer impose child maintenance agreements, the current system allows parents to agree child maintenance and register their agreement by court order as an alternative to using the Child Support Agency. This is known as a consent order. Parents mostly use this route on divorce, when they have additional financial matters to settle, but it is also possible to have a court consent order which deals solely with child maintenance. At the moment, however, where either parent chooses to apply for a child maintenance calculation, the Child Support Agency can overturn a court consent order of more than 12 months’ duration.
44. Sir David recommends that we abolish this 12-month rule. This will mean that once parents agree a consent order they can only vary and enforce that order through the court system. We need to give particular thought to this proposal as it would essentially mean we would operate two parallel child support systems. We will consider a change where a case can be made that this would result in a better service for customers and lower cost to government.

Question 3: What role should the courts have in a model where parents are encouraged to reach their own child support arrangements?

Role of HM Revenue & Customs

45. Sir David has considered whether transferring the responsibility for collecting child support to HM Revenue & Customs could be a solution. He has concluded that this is not a sensible approach. As the full information on income and deductions made through the tax system is not known until after the end of the relevant tax year, the system could not support an in-year transfer of money between parents. This would only work if HM Revenue & Customs were to take the financial risk of guaranteeing maintenance and then subsequently sought to recoup the money from the non-resident parent. Research has shown us that this is not what parents want from a system of child support. Given there is no policy justification for collecting child support through the tax system, there is little operational justification for locating the child support system within HM Revenue & Customs.
46. We will, however, consider how HM Revenue & Customs could play a more effective role in the delivery of child support. This will include looking at the practicalities of using tax-year income data held by HM Revenue & Customs as a basis for child maintenance assessments.

Further simplification and improvement of policy and processes

47. We will consider the role of HM Revenue & Customs as we take forward a wider piece of work – as recommended by Sir David – on simplifying and improving the child support assessment, collection and enforcement processes. The original child support scheme’s attempt to be fair to all people, in all circumstances and at all points in time, was unworkable.
48. The scheme introduced for new cases from March 2003 went a long way in terms of simplification. But, as the National Audit Office has concluded, it did not deliver all that was hoped of it. We believe we can do more to provide a better service to clients. A substantial proportion of the client group have complex personal lives. Half of all parents who use the Child Support Agency have no

contact with the other parent. Many parents also tend to move in and out of work and between jobs on a regular basis: around 30 per cent of non-resident parents on the new child support scheme have two or more spells of employment each year.

49. By attempting to reflect all these changes, the current system inevitably struggles to keep up. In addition, parents are not routinely informed of the progress of their case. Within the redesigned system we will want to ensure that there is regular and accurate communication with parents. This will ensure that parents are left in no doubt about the basis on which decisions have been made and the consequences of not meeting their obligations. We also want to ensure that the redesigned system is far easier for parents to understand and for staff to administer.

50. As part of this work we will look at:

- how we treat changes of circumstances, simplifying the type of changes which can affect the level of the maintenance award;
- the basis for calculating maintenance awards, in particular by making use of historic tax-year income data held by HM Revenue & Customs to set awards and using this income data to keep awards up to date, or alternatively indexing awards by average earnings. We will also look at the basis for calculating maintenance for the self-employed;
- how we treat non-resident parents who are on benefit and currently pay a minimum fee of £5 a week – the flat rate. We will consider whether, in a system where parents with care on benefit are not treated as having made a claim for child support, we could increase their incentive to pursue maintenance by increasing the level of the flat-rate payment to £10 a week and how we might best maintain its value over time;
- whether we should extend the threshold for shared care, how best to deal with shared care and whether the amount of maintenance should routinely be affected by the existence of second families;
- how, with a simpler formula in place, we deal with unusual circumstances. We will consider if further grounds, in addition to those in the current variations system, need to be developed;
- ways in which we can improve the flow of information to clients so that they are aware of the progress of their case and the basis on which decisions have been made; and
- how to improve compliance rates by maximising the use of the most reliable ways for people to pay.

Question 4: Do you agree that these are the right areas to focus on in order to simplify the system further? What changes would you make in the areas identified above?

Charging

51. Sir David has recommended that we consider charging clients for using the system. We agree that charging could provide an effective mechanism to offset, at least in part, the costs to the taxpayer of parents using the administrative service while, at the same, incentivising parents to make their own child support arrangements. We will explore the most appropriate, simple and cost-effective arrangements for doing this, in particular in a way that does not penalise parents with care and their children who depend on the new system and places the burden of charging on the non-resident parent.

Question 5: How can we best construct a charging regime that will incentivise parents to make their own arrangements?

What will these changes mean for parents and children?

52. We think that taking forward Sir David’s proposals will bring real benefits. They will:

- lift many more children out of poverty, as families on benefit will keep substantially more of the maintenance paid;
- put more responsibility in the hands of parents – in line with what they tell us they want; and
- provide a simplified and more efficient system, leading to a significant reduction in administrative costs.

53. Any new system must provide an accessible, reliable and cost-effective service which staff can administer. This has not been achieved in the past. Despite the best efforts and commitment of the Child Support Agency’s staff, the current system has proved impossible to administer effectively. While there are now encouraging signs of improvement, with increasing numbers of cases receiving maintenance (up by over 50,000 in the last year), the Child Support Agency in its current form, operating the current system, will always suffer from the legacy of the past.

54. Sir David has concluded that the current Child Support Agency cannot provide the basis for the radical shift in business model which is needed to deliver the new system. We agree that there is a need to reform the delivery system radically and create a fresh start. Therefore, we will be creating a new organisation to manage future claims for child support. Within this we will want to harness the best of the public, private and third sectors.

55. As Sir David recognises, there are a range of approaches that could be taken in relation to the structure and governance of such an organisation. We will be undertaking an intensive programme of work, including full consultation with the staff of the existing Child Support Agency, to set out the way forward. We want to be certain that the future structure makes good financial and organisational sense.

56. During the period when we are setting up the new organisation, the current Child Support Agency will continue and will have the Government’s full support. We will intensify our efforts on compliance and enforcement. In particular, as part of the Operational Improvement Plan, we are improving our capacity to enforce maintenance by investing up to an additional £30 million over the next three years to employ private sector debt collectors to pursue debts where we have so far been unable to secure payment.

Transition to the new system

57. We have always said that we would only convert old scheme cases to the new scheme when it was working well. Sir David has recommended a radical approach allied to his proposal to create a new organisation. He recommends that both of the existing schemes are closed down and that people are asked to re-apply to a new, simplified system. We think this has considerable merit and will help ensure that the new organisation is not contaminated by the failures of the past. However, we need to do more analysis to assess the most appropriate way to enable existing clients to either move to private arrangements or make a claim under the new system.

58. As part of this we will consider how to deal with the legacy of existing debt. Sir David has recommended that a residuary body is established to pursue this debt aggressively and handle residual existing scheme work, to ensure the maximum return for parents with care and for the taxpayer. He also recommends that we consider taking powers to negotiate or factor debts to optimise returns. We agree that it is important that we should put in place institutional arrangements that enable a single-minded focus on vigorous enforcement. There can be no question of allowing non-resident parents who are able to pay to escape their responsibilities when collection is feasible. We will need to look closely at what to do when efforts to collect are exhausted and the costs and benefits of the options available. In such circumstances it may be appropriate for us to bring forward legislation to write off debts.

Question 6: What would be the most appropriate way to enable existing clients to either move to private arrangements or make a claim under the new system?

Question 7: Under what circumstances should we take powers to write off debts?

What happens now?

59. We agree with the approach that Sir David has recommended. This document marks the first stage in the Government's response and has set out a series of questions around the broad principles of his proposed system. We have also asked Sir David to give continuing advice on the more detailed assessment of the transition to the new system and the creation of the new organisation.
60. We will consider Sir David's report further over the summer and plan to publish a White Paper with our final, detailed proposals in the autumn. We plan to bring forward legislation and our ambition is to see some aspects of the new system in place from 2008. In the meantime the Child Support Agency needs to continue to operate, to deliver improved services to clients through its Operational Improvement Plan and to ensure that child maintenance is collected and paid to parents with care.
61. We are keen to push forward as quickly as possible. But it is vital that what we now do truly delivers money for, and contributes to the financial welfare of, more children while improving cost-effectiveness for the taxpayer. We recognise the importance of creating a positive climate around this redesign and ensuring that the new framework enjoys the support of, and is understood by, all stakeholders. The more people who sign up to the new approach, the better it will be for the long-term stability of child support arrangements in the UK.

62. We are committed to maintaining an open approach and listening to people's ideas. We would welcome your views on the questions raised in this document. Please send comments by post to:

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Please send in your comments by 18 September 2006.

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