



Department
for Work &
Pensions

Preparing for the future, tackling the past

Child Maintenance – Arrears and Compliance
Strategy 2012 - 2017

January 2013

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Who's who in child maintenance

Child Maintenance Options is a free service that provides information and support to help parents make decisions about their child maintenance arrangements. It can:

- help parents set up a child maintenance arrangement between themselves (a 'family-based' arrangement)
- give parents information about other types of child maintenance arrangements
- offer practical information on a range of subjects linked to separation, such as housing, work and money
- put parents in touch with organisations who can give more specialist support and advice, including providing a link to the new Sorting out Separation web app which signposts to specialist information.

The **Child Maintenance Service** administers the 2012 child maintenance scheme on behalf of the Department for Work and Pensions. Introduced in December 2012, it works out, collects and pays out child maintenance payments on behalf of separated parents in England, Wales and Scotland who cannot make an arrangement themselves

The **Child Support Agency (CSA)** administers the 1993 and the 2003 child maintenance schemes, on behalf of the Department for Work and Pensions. It launched in 1993, and once the 2012 scheme and system has been operational for some time and is working well then the CSA schemes will start to gradually close down over the next few years. This is subject to Parliament making Regulations to this effect.¹

Ministerial Foreword

The vast majority of parents with a statutory child maintenance case willingly pay child maintenance, despite ever tightening household budgets. In 2012, four out of five parents were making payments to the Child Support Agency (CSA), an all time high. Other parents would benefit from a little support to help them do so, whilst only a fraction deliberately block attempts to collect the money they owe.

In addition, the majority of people recognise the time to pay child maintenance is when it's due, not years later when the debt has escalated into thousands of pounds. We should not have to use draconian remedies like forcing the sale of parents' homes in order to get them to face their responsibilities.

In reforming the statutory child maintenance service, the Government's chief priority is to ensure more parents pay the child maintenance they owe not only in full, but also on time. Only by the effective prevention and management of arrears can we get more money flowing to children and avoid increasing debts owed by parents for their children.

That is why we have created a new, fundamentally different and much more effective approach to child maintenance. One that intervenes early, putting in place support to encourage separated parents to work together and play an active role throughout their children's lives.

However, we must also deal with a difficult legacy. A legacy which allowed money owed for children to build-up. Between 1993 and 2008 money owed by parents expected to pay child maintenance was accruing in the CSA at an average rate of £20 million per month. Over its 19 year history, this debt built up to over £3.8 billion, of which £1.5bn is owed to the Secretary of State and £2.3bn is owed to parents with the main day-to-day care of the children or parents who previously had day-to-day care. Denying separated families this crucial support must not be allowed to happen again.

We know separation increases the financial burden on parents and that many are doing the best for their children whilst struggling to make ends meet. With targeted support, some parents can be encouraged to better manage their financial commitments, not only paying maintenance regularly, but also paying more to clear their debts.

We know collecting older arrears will be difficult. We are exploring innovative and more effective, ideas, not just within the world of child maintenance or DWP, but more widely as part of a cross-Government debt initiative being planned to address unpaid tax and fraudulently claimed benefits.

In developing this strategy we have been helped by the independent Advisory Panel on Child Maintenance Arrears appointed by the Secretary of State for Work and Pensions.

Collecting outstanding arrears from parents whose children will no longer benefit is costly and will not help today's children receive the child maintenance they need to help them flourish. My priority is to move on from the past and do all we can today to keep money flowing to children who will benefit from regular ongoing child maintenance now.

However, we must also alleviate the burden on families of historical unpaid child maintenance by doing what we can to address previous inefficiencies and collect what's owed.

We are committed to ensuring today's children get a better service than their predecessors, including those whose parents are part of that small minority who do not meet their responsibilities willingly.

**Steve Webb MP
Minister of State, Department for Work and Pensions**

Executive Summary

Preventing the growth in money owed by parents for their children

The Government's child maintenance reforms are designed first and foremost to encourage parents to work together. For parents who need the support of a statutory child maintenance scheme, the service will help parents continue to provide for their children. However, for those parents who deliberately avoid their responsibilities we will take swift and effective enforcement action.

While many parents are able to make their own family-based arrangements, some will still need our help. Good client service reduces cost and improves compliance, meaning we get more money to more children.

The majority of parents willingly pay the money they owe; our changes to the child maintenance system will support this. Improvements in efficiency and effectiveness in the CSA are being built upon following the launch of the Child Maintenance Service in December 2012.

Understanding the factors that influence a parent's willingness to pay child maintenance is key to helping them to make regular payments, and pay what they owe.

By responding quickly and providing assistance to our clients we can help them to continue to meet their child maintenance responsibilities. We understand individual circumstances are different and where people struggle to pay we'll try to help them to get back on track.

Every child has a legal right to be financially supported by both parents. For the small minority who choose not to pay we will take prompt action, using a comprehensive range of enforcement powers, as well as penalty charges.¹

Our priority is to stop the build up of new arrears.

Child Support Agency – money owed by parents for their children

Since its inception in 1993, the Child Support Agency (CSA) has had a well documented series of difficulties to contend with. Improvements over the last five years have led to £675m² child maintenance arrears collected and paid to parents. Over the same period, an equivalent amount of new arrears has built up leading to the outstanding arrears balance owed by parents remaining relatively static – proving that the considerable effort invested in child maintenance changes by government over that period has effectively stabilised the position.

¹ The government is proposing to introduce charging (application fees, on-going collection charges and one-off charges for particular types of enforcement) for the Child Maintenance Service, subject to parliamentary approval. It is further proposed that victims of domestic violence will be exempt from any application fee.

² Based on published QSS figures which are known to be understated.

Each child maintenance system across the world has different methods of assessment and collection. But they all tend to accrue substantial arrears balances each year as a result of parents failing to make the payments required of them.

The Independent Advisory Panel on Arrears appointed by the Secretary of State³, recognised the CSA has made significant progress with its analysis of child maintenance arrears over the past few years. It better understands how to prevent the build-up of arrears and is more effective at collecting arrears. However, during its 19 year history, the arrears balance accumulated to £3.8bn with thousands of children not receiving the benefit of that money. This collecting of historical arrears is expensive and managing it requires today's taxpayer to fund past inefficiencies. Our collection activities will balance fairness to the taxpayer whilst continuing to collect what's owed.

Managing the outstanding money owed by parents for their children

The operational priority of the statutory service is to collect money for children who will benefit from regular ongoing maintenance payments today, rather than prioritising the pursuit of historic arrears in cases where the children have now grown up. All areas of government face budgetary challenges and tough choices must be made on how much of taxpayers money can be allocated to this area. In older, arrears only cases the children have mostly by now reached adulthood so these arrears are a lower priority; but they remain owed and it is our ambition to collect them.

The position is clear - parents who owe money for their children, whenever that debt arose, are still expected to pay it. The Government has no plans to conduct a wholesale write-off of CSA debt on the grounds that it is unlikely to be collected.

More robust management information has only recently been collated due to improvements in recording and segmenting data. The Client Funds Account and Independent Advisory Panel on Arrears both reference an arrears segmentation model that helped develop our approach. With more in-depth analysis, combined with externally available data sources, our understanding of what is or isn't collectable has improved, informing operational priorities.

There are several proposed collection initiatives, both planned and underway, to tackle the historical arrears and ensure the overall balance either remains stable or decreases over time. We know there is no 'silver bullet' solution and, with such a large and diverse client base, our approach is to trial a variety of innovative approaches, drawing on all available intelligence about debtor parents and their ability to pay.

Our aim is to collect as much as we can – and so ensure parents who haven't paid what they owe pay.

³ The Independent Advisory panel on Arrears of Child Maintenance, September 2011
<http://webarchive.nationalarchives.gov.uk/20120716161734/http://www.childmaintenance.org/en/pdf/advisory-panel-arrears-sep-11.pdf>

1. Compliance: Preventing the growth of arrears

1.1 Reducing the potential for arrears: Making paying on time the norm

The Government is committed to ensuring that children receive child maintenance payments, on time and in full. The majority of parents willingly pay the money they owe, and changes to the child maintenance system will support and encourage this.

1. Most parents want to financially support their children when they no longer live with them⁴. The vast majority pay their child maintenance on time, either through a family-based arrangement or through a Government child maintenance scheme.
2. For most parents using the statutory service, our focus will be on making the system easier to use by providing significantly improved client service – preventing missed payments from occurring. For those that need additional support we'll be taking faster action and providing assistance to help them continue to get money to their children on time. The minority of parents who continue to deliberately try to avoid meeting their child maintenance responsibilities will face a comprehensive range of enforcement actions and charges.⁵

CSA case compliance (the percentage of parents making payments in each quarter) has risen from just over 45% in 1995-96 to around 80% in 2011-12.

3. Our ambition within the statutory service is to have collection rates comparable with the best in the world.

⁴ Department for Work and Pensions Research Report No 503 *Relationship separation and child support study*. Nick Wikeley, Eleanor Ireland, Caroline Bryson and Ruth Smith (2008) <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep503.pdf>

⁵ The government is proposing to introduce charging for the Child Maintenance Service, subject to parliamentary approval.

1.2 Reducing the potential for arrears: Helping parents to pay

Understanding the factors that influence a parent's willingness to pay child maintenance is key to supporting them to make regular payments, and pay what they owe, on time.

1. We understand that a variety of circumstances can affect each parent's ability and willingness to pay child maintenance. Research⁶ indicates there are five key factors that influence the likelihood of a working child maintenance arrangement being in place:
 - Relationships- The past and present 'friendliness' of parents' relationships is an important influence on the success of a child maintenance arrangement. The ability of parents to talk together, putting aside their differences for the needs of their children can positively impact on arrangements. However, if there had been violence in the relationship (whether violence towards their partner or towards the children), this had a strong influence on the friendliness of the current relationship.
 - Emotions - Emotions run high for parents when a relationship ends. In particular, feelings of sadness, anger, resentment and frustration will affect different people at different times and can influence their willingness to support their children financially.
 - Attitudes, beliefs and values - Although there is near universal support for the principle of paying child maintenance, many view their own situation as the exception to the rule and need support to understand that in the most important way of all (their children's need for continued financial support) their case is not that different from all the others.
 - Affordability - The level of income is not the key factor influencing the existence of an effective child maintenance arrangement. However, in times of financial difficulty parents may need additional support to adapt to changing circumstances so they can keep paying towards their children.
 - Intentions - Intentions describe the actions a parent plans to take in relation to child maintenance. Negative stories reported by friends, family and media can hamper intentions to seek/provide child maintenance.

⁶ *Promotion of Child Maintenance: Research on Instigating Behaviour Change, Volume I: Main Report* by Sharon Andrews, David Armstrong, Lorna McLernon, Sharon Megaw and Christine Skinner, 2011.

1.3 Reducing the potential for arrears: Reforming child maintenance

The Government's main focus for the child maintenance system is to encourage parents to work together. For those parents that need the support of a statutory child maintenance scheme, the new service will offer different services to help parents continue to provide for their children. However, for those parents who deliberately avoid their responsibilities we will take swift and effective enforcement action.

1. In July 2012 the Government outlined its vision of a wholly refocused statutory child maintenance system founded on the understanding that children are more likely to prosper when their parents work together to support them. Relationships between parents may end, but responsibilities to children do not.
2. The new child maintenance system has been designed to provide early support and encouragement for separated parents to work together and make their own, family-based child maintenance arrangements. Child Maintenance Options provides a range of support and guidance to help either online, via the Sorting out Separation web app⁷ or by telephone.
3. For parents who are unable to make their own arrangements and need the support of a statutory child maintenance scheme, we will help clients understand and fulfil their financial obligations to their children. It has been designed to avoid fuelling unnecessary conflict between parents. Following the proposed introduction of charging in 2014, there will be additional encouragement for parents to move towards greater cooperation and trust by providing a new financial incentive for them to work together without requiring the intervention of the state. See Figure 1 – diagram on next page.
4. As more and more parents are encouraged and supported to make their own family-based arrangements it is anticipated that fewer parents will need to rely on the statutory system; this will mean the caseload managed by the new Child Maintenance Service introduced in 2012 will contain fewer parents who willingly contribute to their children's upkeep, and therefore is likely to be inherently less compliant than those of the Child Support Agency (CSA) have been in recent years.

⁷ The Sorting out Separation web app helps separated parents access the support they need by signposting to specialist organisations covering a range of topics such as parenting apart, housing, money and employment. It is available on the Child Maintenance Options website (www.cmoptions.org/en/sortingoutseparation/index.asp) and is also hosted by other organisations helping separated families.

1.4 Reducing the potential for arrears: Moving towards independence

The child maintenance reforms put in place early support to encourage parents to work together to make their own family-based arrangements, such as the launch of the Sorting out Separation web app and new content on the Child Maintenance Options website. For those that need the support of a statutory scheme Direct Pay enables them to manage the arrangement themselves with minimum involvement of a government statutory service. This strategy enables parents to take responsibility for their arrangements so freeing up resources which we will use to ensure arrears do not continue to grow.

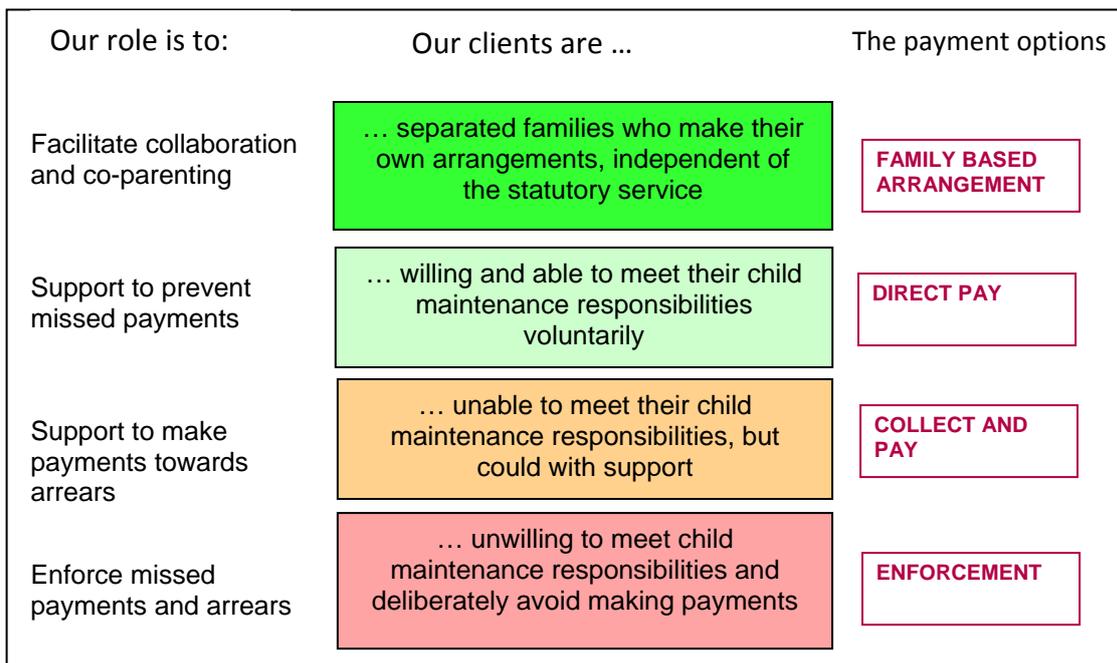


Fig1. Our approach to help clients meet their child maintenance responsibilities

Family-based arrangements

1. Flexible arrangements made when parents work together to set up and manage child maintenance between themselves. Parents can access help and support to establish their own arrangements by searching the Sorting out Separation web app or contacting Child Maintenance Options.

Direct Pay

2. Financial arrangements that we set up based on the statutory maintenance calculation. We work out a payment schedule, but parents arrange ongoing payments themselves. The Government proposes introducing application and collection fees^{*8} for child maintenance in

⁸ *The government is proposing to introduce application fees for the Child Maintenance Service and collection fees if clients choose to use the Collect & Pay service. If clients are unwilling to meet their child maintenance responsibilities they have to pay enforcement charges for any enforcement activities. This proposal is subject to parliamentary approval.

the future. However, to encourage parents to manage their own ongoing arrangements there will be no ongoing collection fees for Direct Pay (although the application fee will still apply).

Collect and Pay

3. Financial arrangements that we set up and manage. We work out a payment schedule, collect the maintenance from the paying parent and pay it to the receiving parent. The Government proposes the introduction of both application and collection fees* for Collect and Pay to encourage parents to manage their own arrangements wherever appropriate.

The journey towards independence

4. We will support parents in making effective working child maintenance arrangements using the most appropriate service for them. However, our ambition is to equip each parent to move towards managing their own arrangements, independent of statutory intervention. The statutory child maintenance scheme is therefore not only intended merely as a 'fall-back' option for people who cannot agree their own arrangements. It is deliberately structured so as to help move parents who are not presently collaborating in their children's interests to access available support to help them work better together or face the consequences of failing to meet their financial responsibilities.

1.5 Reducing the potential for arrears: Improving client experience

While many parents are able to put their own family-based arrangement in place, some will still need our help. Good client service reduces cost and improves compliance, ensuring we get more money to more children so that arrears do not arise in the first place.

1. In the Child Maintenance Service **we are committed to improving client experience, learning from CSA complaints and appeals.** Our Client Charter (see Annex A) outlines our promises to clients about our service. We will explain to parents what is happening in their case and keep them informed of progress which, in turn, will help parents to take responsibility for their child maintenance arrangements.
2. Delivering a better client experience requires some recognition of the difficult emotions that clients can experience during separation and when they come into contact with our services. **We have introduced new training for our people which has been designed to reflect this.**
3. Although we have specifically designed our service to make it easier for parents to keep paying there is always more we can do to help prevent payment breakdown at the outset. **We will be trialling a number of activities to see how best we can encourage and help parents to keep paying, including new payment reminder services and guides to help both parents understand the role they can play in keeping their child maintenance arrangement working.**
4. For the Child Maintenance Service we have redesigned the application process increasing the usage of automated data feeds which will result in fewer delays in getting payment schedules set up. In the CSA we are prioritising caseworker resources to make the existing CSA application process as efficient as possible. These changes will reduce the likelihood of cases starting with arrears from the outset by better managing client expectations and reducing the time taken to set up a case.

1.6 Dealing with non-compliance: Supporting paying parents

By responding quickly to problems and signposting independent debt advisory and other specialist support to our clients, we can help them to continue to meet their child maintenance responsibilities. We understand individual circumstances are different and, where people struggle to pay, we'll help them to get back on track.

1. We recognise that some parents may be struggling to cope with financial hardship. For people with fluctuating employment and lower incomes it can be hard to meet their child maintenance responsibilities regularly, in full, and on time.
2. We are **working with partner organisations, those which parents turn to for advice on child maintenance and financial issues, so that they can encourage parents to contact us for support.** No matter how complicated their situation, parents need to know that they can and should contact us to deal with their child maintenance responsibilities and prevent payment breakdown from escalating into enforcement actions which could be costly for them and the taxpayer.
3. Taking faster action is key to helping these parents to keep paying. **Our aim is to act within 72 hours of a missed payment. We have changed our priorities and our organisation to focus on this** enabling us to act swiftly in every case and to increase our chances of getting hold of parents who avoid paying.
4. In the first instance we will contact the parent directly to discuss the reasons for non-payment, and where necessary, we will provide assistance to help them continue to pay in full and on time for their children. **We will help both clients overcome any problems or financial difficulties they might be facing by signposting them to independent sources of advice and support specific to the issues they are struggling with.** Ensuring payment resumes as quickly as possible will help the paying parent avoid building up arrears that they might find difficult to pay back. **The new Child Maintenance Service has already been designed to signpost independent debt advisory and specialist support offered by experts in the voluntary and community sector at key points on the client journey, such as a change of circumstance.**
5. **We will run a trial to help caseworkers better identify those clients with arrears who are genuinely unable to make the payments required of them, and negotiate debt repayment plans that are affordable.** As part of the debt conversations, we will trial a budget planner which can help with affordability already used successfully in DWP debt teams, together with signposting to specialist debt support organisations to determine if, with some support, more parents are able to pay everything they owe, quicker.
6. Changes to a client's circumstances and resulting changes to their child maintenance schedule can also lead to payment breakdown. We are focussing caseworker resource so that when a client reports a change we are able to update their case much more quickly, reducing the likelihood of arrears building up.
7. The 2012 child maintenance scheme includes an annual review, which will keep clients updated on their child maintenance arrangement and any changes to this. This service

ensures the client's calculation for their statutory arrangement is an accurate reflection of their situation. We will not reassess a parent's liability during the course of the year unless their income varies by 25% or more. This threshold ensures that the regularity of payments is not disrupted by numerous and relatively minor recalculations, but does take into account significant changes in circumstances, such as the paying parent becoming unemployed or entering employment. The annual review is designed to help parents' forward plan and manage household budgets more effectively.

1.7 Dealing with non-compliance: Swift action where people choose not to pay

Every child has a right to be financially supported and parents are legally obliged to support them. For the small minority of parents who choose not to pay we will take serious measures, using a comprehensive range of enforcement actions, as well as levying additional charges* ⁹ where such measures have to be used.

1. For the small minority of parents who still fail to meet their financial responsibilities we will use our legal powers more effectively to get money flowing to children.
2. We have a comprehensive range of enforcement actions we can take against parents who choose not to pay the money they owe (see annex B). We can take money directly from their earnings or from their bank, building society or Post Office account without having to apply to a court first. If the paying parent still hasn't paid, or if we think it is a better course of action, we will use our enforcement powers to secure payment through the courts. We may also ask the courts to award us costs, which the paying parent will also have to pay, if awarded.

Taking enforcement action through the courts

We will apply for a court order called a 'liability order'. This means asking a court to recognise that the paying parent has built up an amount of child maintenance debt over a certain period of time. The order gives us the power to take legal actions that help us to collect the child maintenance owed. We will then use the liability order to take action such as:

- asking bailiffs or sheriff officers to go to the paying parent's home and seize belongings, and then sell them to cover the child maintenance owed
- putting a 'charge' against a property or some other asset so that it can't be sold or remortgaged without the child maintenance being paid off first (England and Wales) or prevent the individual debtor transferring property by sale or other means (Scotland). This makes things difficult for the paying parent and can encourage them to pay
- forcing the sale of a property or other asset and collecting the money from it to pay the child maintenance owed (England and Wales only)
- applying to the court to take away the paying parent's driving licence
- applying to the court to send the paying parent to prison.

If a parent is believed to have dishonestly sought to evade their maintenance obligations they may face prosecution for fraud or providing false information under the Child Support Act 1991.

⁹ *The government is proposing to introduce application fees for the Child Maintenance Service and collection fees if clients choose to use the Collect & Pay service. If clients are unwilling to meet their child maintenance responsibilities they have to pay enforcement charges for any enforcement activities. This proposal is subject to parliamentary approval.

Credit reference information

3. Credit reference information, along with data from HM Revenue & Customs and the Land Registry, is already used by the CSA. It can identify where a parent lives and works, as well as his or her ability to repay arrears. **We are trialling whether to extend the use of this credit reference data (such as mortgage payments as a measure of affordability) to obtain a more complete intelligence picture of indebted parents, so we can act effectively to ensure they pay what they owe.**
4. In addition, the Child Support and Other Payments 2008 Act provided the powers to disclose information about the paying parent to credit reference agencies. This activity could directly impact on a client's credit score and is likely to be of interest to the self-employed parent who often relies on credit to run their business. **We are considering whether there is a benefit to enacting these powers particularly as a deterrent for parents who have child maintenance debt and who regularly rely on credit; albeit there is no set timescale for their introduction¹⁰.**

Introducing charges to provide an additional incentive

5. Taking enforcement action is expensive and this expense is currently met by the taxpayer. The Government has proposed that where a parent has chosen to avoid payment they contribute to these costs through new enforcement charges. These charges should provide an additional incentive for parents to pay maintenance in full and on time. Charges are being proposed to be introduced following Parliamentary approval.

¹⁰ The powers to share information only applies in relation to cases where there is a liability order in place, or the parent who should be paying child maintenance consents.

2. Child Support Agency: What is owed by parents?

Since its inception in 1993, the Child Support Agency (CSA) has had a well documented series of difficulties to contend with. Improvements over the last five years have led to £675m¹¹ child maintenance arrears collected and paid to parents. Over the same period, an equivalent amount of new arrears has built up leading to the outstanding arrears balance owed by parents remaining relatively static – proving that the considerable effort invested in child maintenance changes by government over that period has effectively stabilised the position. To inform more effective future collection activities, a frank explanation of how this balance accrued, together with a clear explanation of what can and can't be collected, is required. This chapter describes the outstanding arrears and explains how it accrued.

1. The Government's priority is to keep child maintenance flowing to children. The introduction of the 2012 statutory scheme, administered by the Child Maintenance Service, marks the beginning of the end of the existing statutory maintenance schemes, administered by the Child Support Agency (CSA), and the shift towards a fundamentally different system. In the future, fewer people will require the state to resolve their child maintenance and far more separated parents will take responsibility for making their own effective arrangements.
2. Since 2006, following the implementation of the CSA Operational Improvement Plan, the CSA has made significant progress in analysing arrears balances. It now makes better use of available collection techniques and resources. However this was not always the case and thousands of children who will by now have reached adulthood have missed out on child maintenance from their parents.
3. There is over £3.8bn in outstanding child maintenance arrears. Between 1993 and 2008 money owed by parents expected to pay child maintenance was accruing in the CSA at an average rate of £20 million per month. Well documented difficulties surrounded the CSA's performance, including an IT system which was not fit-for-purpose, insufficient collection expertise and a lack of information about the ability of parents to pay.
4. Public focus is rightly on the unpaid arrears, much of it owed by parents for their children over the last nineteen years.
5. This figure includes debt owed to the Government (or 'Secretary of State'), which was accumulated through the now discontinued policy of ensuring parents who no longer lived with their children took responsibility for some of the state benefits paid to help support those children.
6. The outstanding arrears are cumulative and date back to the CSA's launch in 1993. Since then, the Agency has had no general power to write off arrears even if collection is impossible, for example when the parent expected to pay child maintenance has died and there are no recoverable funds in his or her estate. The limited write off powers that have

¹¹ Based on published QSS figures which are known to be understated.

been introduced recently aim to address those cases where the receiving parent no longer wants the arrears collected; and the small number of cases where it is not legally possible to collect the arrears, such as the example above where the paying parent has died. Alongside this write off power, it is now legally possible to accept a partial payment of the arrears owed by the paying parent in full and final settlement, where the receiving parent provides their consent.

7. No child maintenance system is 100% compliant as it relies on a parent's emotional intent to pay (their willingness), as much as their ability to pay. Child maintenance organisations in other countries report similar issues and some have shared their experiences with us, helping inform our strategy.
8. Although only a minority of parents are not paying towards the child maintenance they owe, their arrears are added to the outstanding arrears balance. Therefore, to reduce the outstanding total, every year the CSA has to collect in current maintenance and arrears more than the entire maintenance liabilities that arise that year. Put in simple terms, it has to run fast just to stand still.

2.1 Child Support Agency – Money owed by parents: International comparisons

The precise definition of the financial obligations that must be met by those with parental responsibility varies between states and as a result different countries' child maintenance systems have different methods of assessment and collection. However, one thing each has in common is the accrual of substantial arrears as a result of parents failing to make the required payments for their children.

1. The graph below compares Great Britain collection rates with international child support agencies.

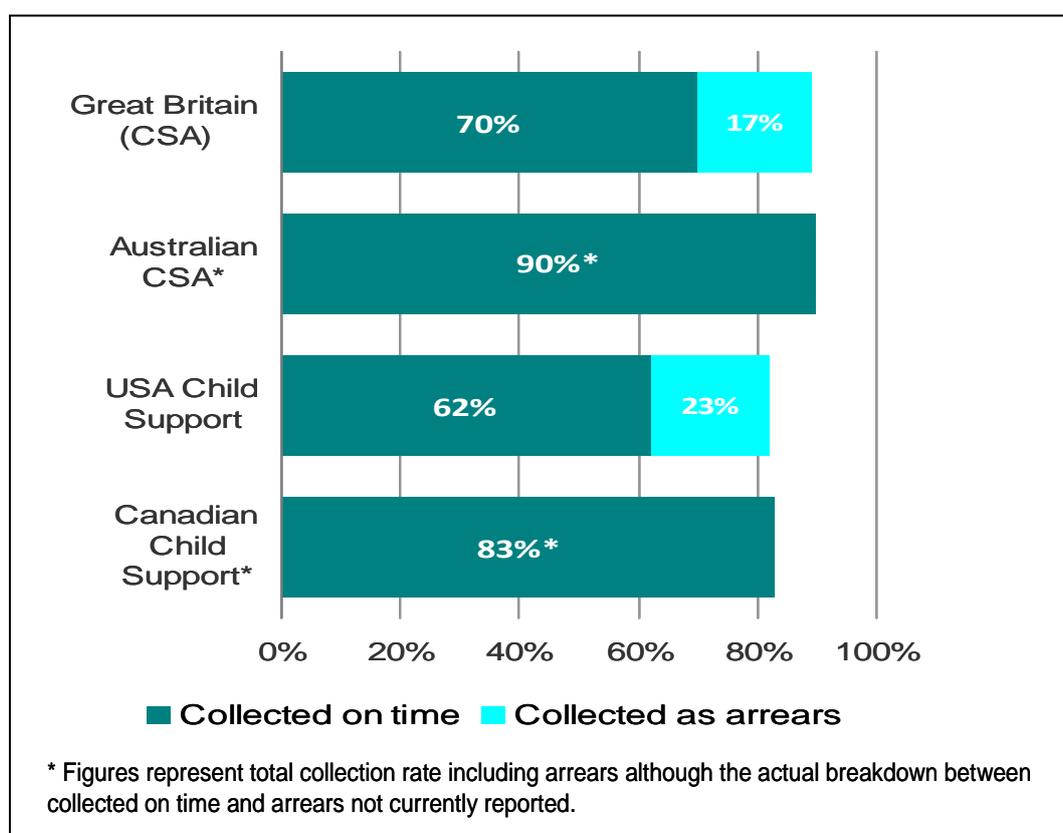


Fig2¹². International comparison based on new measures performance

2. The American child maintenance system has been in operation since 1975. Like the CSA it reports arrears cumulatively and without write-offs.

12

- Great Britain. Analytical Ad Hoc Publication. http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2013/csa_liability_on_time.pdf
- Australia. 2008-09 Facts and Figures publication. Receipts - Table 4.3. Liability - Table 4.5
- USA. Office of Child Support Enforcement, FY2009 Annual Report to Congress, Tables 83, 84 and 86.
- Canada. Table 12 www.statcan.gc.ca

3. Great Britain and the United States explain the arrears this way, providing very few indicators to parents whether the arrears that have accrued on their case will ever be collected.
4. The Australian child maintenance system holds an annual review of arrears on each case. This review is used to provide the parent who is owed child maintenance with clear information on what can and can't be reasonably expected to be collected given the information currently held on the paying parent. The parent who is owed maintenance will be told not to expect the collection of their arrears (where some or all of it is not collectable) unless circumstances change or further information about the whereabouts of the indebted parent or their ability to pay can be obtained. This method of reporting helps minimise the arrears accrued each year. **We are running a 12 month trial to inform whether we incorporate this 'Australian model' of recording and reporting,** aiming to give parents a more realistic transparent assessment of what they are likely to receive of the arrears on their case, a recommendation of the Independent Advisory Panel on Arrears.

2.2 Child Support Agency: Money owed by parents: Yesterday's children, a history of debt

The Independent Advisory Panel on Arrears¹³ recognised the CSA has made significant progress understanding the potential collectability of arrears and has adapted operational practice as a result. However, during its nineteen year history the arrears balance reached £3.8bn. Collecting historical arrears is expensive requiring today's taxpayer to fund past inefficiencies. Our collection of outstanding arrears will balance fairness to the taxpayer with action to recover as much as we can of what's owed.

1. The graph below shows how arrears grew quickly before 2008 when the growth rate was substantially arrested due to both improved collection and improved compliance.

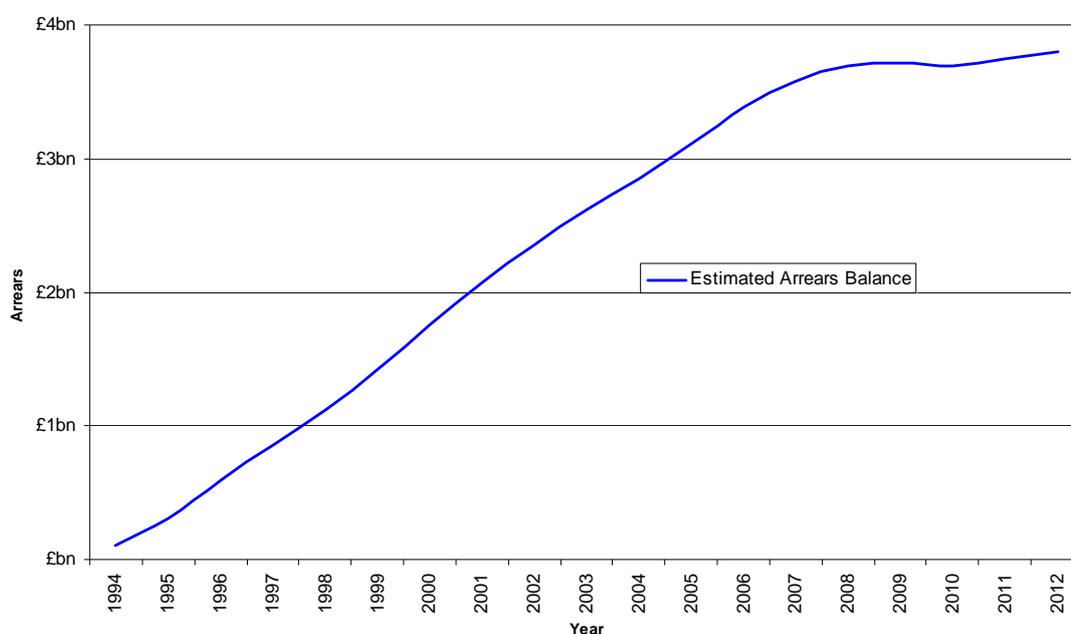


Fig3¹⁴. Growth of Child Support Agency Arrears – 1993 - 2012

2. While the headline arrears total has not changed, it is wrong to assume that the CSA has collected no arrears. In the past five financial years it has collected £675 million of arrears from parents who are expected to pay child maintenance.
3. With finite operational resources, the **CSA will continue to prioritise the collection of maintenance in cases where there is an ongoing maintenance liability** (maintenance which benefits children now, paid on time and in full). In older, closed cases the children have mostly reached adulthood so these arrears are a lower priority; but they remain owed and it is our ambition to collect as much of them as we can.

¹³ The Independent Advisory panel on Arrears of Child Maintenance, September 2011
<http://webarchive.nationalarchives.gov.uk/20120716161734/http://www.childmaintenance.org/en/pdf/advisory-panel-arrears-sep-11.pdf>

¹⁴ Analytical Ad Hoc Publication.
http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2013/csa_arrears_growth.pdf

4. **But we should be realistic about older debt.** It is recognised in the commercial credit industry that the older the debt, the harder, and more expensive, it is to collect. The Independent Advisory Panel noted that more than half of CSA outstanding arrears (51%) is over 3 years old. **We will therefore use proportionate resources to collect what's owed, making sure the cost of recovery, in cases where it is wholly disproportionate to the sum owed, is a relevant consideration in deciding whether to take enforcement action in individual cases.** The cost of debt recovery is not however the only consideration, taking enforcement action on individual cases is a discretionary decision, and other factors, such as the circumstances of the parents concerned, are equally important. We will continue to ensure that the dedicated resources employed to collect older debt strike the right balance between the cost of collection and the impact on parents.
5. As shown, during the last five years, the CSA has worked hard to better understand the size and extent of the money owed for children, categorising arrears and learning from other organisations, government bodies and the international child support community. With advances in the IT technology and data analysis, combined with an unprecedented drive to improve client service we are determined that arrears will never again escalate out of control.

3. Child Support Agency: Managing the outstanding arrears balance

The Child Support Agency's operational priority since 2006 has been to collect money for children who will benefit from regular ongoing maintenance payments today. Historic arrears (where, for example the children has grown up) are treated with less priority, however they remain outstanding, will not be written off and we will seek to collect them wherever possible. This chapter analyses the outstanding arrears balance, and then explains how we intend to tackle it.

Of the £3.8bn owed by parents, almost £1.5bn is owed to the Secretary of State (£100m of which is not collectable in the chart below). Just over £1bn is owed to parents whose children benefit from child maintenance payments today. A further £1.2bn is owed to parents with arrears only cases (for example when their children have grown-up) including £150m arrears payments currently being made.

Of the just over £1bn owed to parents with current cases, £525m is owed to those where money is already flowing (so ongoing maintenance payments are being made, perhaps also with a regular repayment of arrears). £490m is owed in cases where there is a requirement to pay child maintenance but no payments are being made.

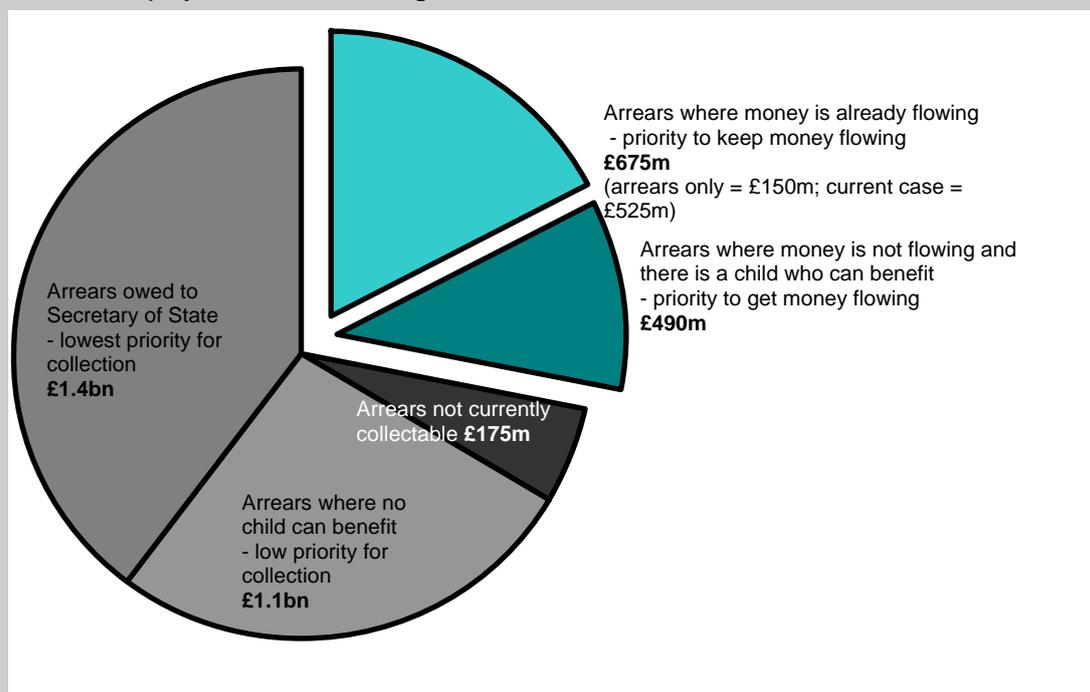


Fig4. Distribution of outstanding arrears and priorities

1. The arrears in the segments shaded in blue/green (above) are the highest priority for collection because today's children stand to benefit, or arrears payments are being regularly made. Next are those cases which are **closed but where arrears are owed to parents who have the main day-to-day care of their children. These arrears will still be targeted taking into account the resource available to the service, the cost of collection and the indebted parents' ability to pay.**

2. The Secretary of State debt is generally the lowest priority for collection. However, these arrears continue to be owed and we will take action to enforce recovery wherever possible, for example, where we are also collecting arrears owed to parents in the same case. Notwithstanding the generally lower priority with which these arrears are treated, as this debt represents welfare payments which were actually made, and alongside the collection activity we already undertake, **we will continue to collaborate and explore ways to recover this in line with the approach taken by the cross-government Fraud, Error and Debt Taskforce, ensuring that the taxpayer is not short-changed.**
3. The segmentation criteria are described in Annex C.

- b. 'potentially collectable', if the parent has recently had an arrears arrangement put in place, or with the increased use of Deduction Orders could be made to pay arrears
 - c. 'uncollectable' for these purposes is everything which doesn't fit into either category a. or b.
6. The Client Fund Accounts estimates that £509m of the current £3.8bn of arrears is likely to be collected based on current performance. No time limit is put on collecting these arrears. New arrears will always accrue as no child support system collects 100% of what is due.
7. These forecasts are closely tied to CSA's current performance in collecting arrears, heavily biased in favour of current cases with an ongoing maintenance arrangement. They make no allowance for the increased use of enforcement powers or intelligence from Her Majesty's Revenue & Customs (HMRC) and other sources to more readily identify those parents who are in work and able to pay. Nor does it take account of the more innovative work underway with other government departments. As a next step, **we will develop and test an arrears segmentation approach which combines a client's willingness and ability to pay with other available data sources, and the client's history of paying to test different communications messages and the impact this has on payment behaviour.** This will help receiving parents better understand how we have collected arrears and what our next steps might be.
8. It is estimated that improved processes introduced into the CSA and the greater operational effectiveness of the Child Maintenance Service will increase the proportion of maintenance received on time leaving a stock of older arrears which could be more difficult to collect. It is estimated that between £750m to £1bn in arrears over the period between 2013 and 2018 will be collected which includes arrears which have not yet accrued. Around one third of this estimate is existing arrears with the remainder yet to accrue.

3.2 Child Support Agency: Collecting outstanding arrears

There are several proposed collection initiatives, both planned and underway, to tackle the historical arrears and ensure the overall balance remains stable or decreases over time. We know there is no 'silver bullet' solution and, with such a large and diverse client base, our approach is to trial a variety of innovative approaches, drawing on all available intelligence about debtor parents and their ability to pay. The activities described below are set out in broadly chronological order. The operational priorities which steer the use of these tools are set out in section 3.

In preparation for case closure (2012-14)

Understanding our performance

1. To better understand the extent to which we are managing outstanding arrears, whilst continuing to prevent the build-up of new arrears and keep money flowing to children, **we will develop clear indicators of progress** against the delivery of this strategy. Appropriate measures will be included in the CSA Quarterly Summary of Statistics which will include information on 2012 child maintenance scheme cases in due course.

Making better use of available data

2. Already used within CSA is TraceWatch, a tool which allows HMRC and Experian (our credit reference partner) to automatically inform us of any changes in contact information that may help trace a parent who is expected to pay child maintenance. In addition, **we are trialling using additional information from Experian to assess whether or not we can model a client's ability to pay by looking at their mortgage and credit scores.**

Working together

3. **We will continue to work closely with stakeholders and partners to explore innovative ideas, to identify new approaches to tackle the outstanding arrears.** In addition, we are working closely with international colleagues in child support agencies around the world to share best practice and learn from each other, and in this country we are part of the cross-government group on debt management, exploring different ways to recover debts owed to the Government.

Specialist collections team

4. Following recommendations from the Independent Advisory Panel, **we have deployed a specialist team to focus on collecting outstanding arrears on older historic debt cases.** This team are conducting several different trials to assess the most effective way of encouraging parents to pay what they owe, with results from the trials informing the CSA's approach to arrears collection.

Limited Write-off

5. In the Child Maintenance and Other Payments Act 2008, Parliament allowed for the writing off of some arrears in strictly limited circumstances. These are circumstances when the

parent who is owed the money specifically requests us not to collect it, or when collection is impossible because (for example) the parent expected to pay child maintenance has died and the arrears cannot be recovered from the estate. There are several reasons why a parent who has the main day-to-day care of the children would ask for the arrears to be written off. They may, for example, have reconciled with their former partner.

Part- payment of arrears

6. Together with the legislation allowing the limited write off of CSA arrears, provision has also been made for the parent who is owed the money to accept part-payment in full and final satisfaction of the outstanding arrears. This is likely to be a welcome alternative for many parents with closed, arrears only cases or others who are seeking to draw a line under past disputes.
7. At this stage we will not be recommending to any parent that they should accept any offer. **We will act as a conduit of information but a part-payment agreement must be initiated and agreed by the parents freely and of their own volition.**

Part-payment powers: We are reviewing the impact of reactively accepting part payment offers, to consider whether there is an opportunity to explore a more proactive approach in the future to get money flowing to benefit children.

Case closure (2014-17)

8. The Government's proposed reforms of the child maintenance system were recently subject to public consultation and Parliament will need to pass Regulations to bring them into effect. The command paper, *Supporting Separated Families, Securing Children's Futures*¹⁷ describes how as cases are closed, the case will be checked to verify if any outstanding arrears figure is accurate. This information will be used to help inform targeting of collection activities, including informing both parents to establish whether the parent who is owed the money still wants us to attempt collection. Cases where the entire debt is owed to the 'Secretary of State', or those where the outstanding arrears are owed to parents but no children stand to benefit, will be our lowest priority.
9. When CSA cases close and clients choose to join the Child Maintenance Service, we intend to use the case closure process to verify outstanding arrears by:
 - writing-off any permanent uncollectable debt, for example if the parent has died;
 - offering the receiving parent the opportunity to say they do not want the arrears, if for example payments have been made informally; or
 - if the receiving parent chooses to apply to the 2012 scheme, any outstanding arrears from CSA will be scheduled and the parent will be kept informed of what the next steps are.
10. The different trials described in this strategy are to prepare for case closure. The intention is that we learn the most effective ways of minimising disruption to payments that are being made, whilst collecting money owed.

¹⁷ *Supporting Separated Families, Securing Children's Futures*, DWP, July 2012
www.dwp.gov.uk/consultations/2012/childrens-futures.shtml

Longer-term collection initiatives (2017+)

11. Outstanding arrears will not be extinguished. Parents are still expected to pay what they owe. As part of a cross-Government debt initiative which will target unpaid child maintenance along with unpaid tax and fraudulently claimed benefits, **we are examining ways in which these outstanding arrears can be collected over the long term; any legislative change in this area will be subject to public consultation.**

Work with commercial debt recovery organisations

Selling debt

12. The Independent Advisory Panel on Arrears recommended assessing whether there would be any benefit in selling arrears to commercial debt recovery organisations to collect on the receiving parents behalf. A 'soft market' exercise took place which showed that Debt Companies would be interested in buying child maintenance debt, but at a very low cost (around 4 to 7%). Although this exercise looked solely at selling debt owed to the Secretary of State, we believe if we were to sell arrears owed to parents the proposed return would be similar. Because of the extremely low amount which would be offered to the parent who was owed child maintenance arrears (around 4% of the total owed), **we have no intention of disadvantaging so many parents who would receive approximately 4p for every £1 owed. As a result we will no longer pursue this as an option.**

Contracting out the collection of debt

13. In July 2006 a 3 year Debt Collection contract was let by Child Support Agency (CSA). This contract involved two Debt Collection Agencies (DCAs) working over 63,000 cases totalling £357m of arrears owed by parents, on behalf of the CSA. The DCAs were paid commission based on a percentage of the debt that they collected - with the higher rates being applied to the categories of arrears considered more difficult to collect.
14. The DCAs did not however achieve the anticipated rate of collection, and upon the end of the contract term, all cases where the DCAs had not been able to make a debt collection arrangement were returned to CSA. This left just under 8,000 cases, which under the terms of the contract could be retained by the DCAs until all of the outstanding debt was collected, or the payment arrangement broke down. As of December 2012, around 2,200 cases remained with the DCAs.
15. **The performance of DCAs in relation to arrears of child maintenance is not consistent with their performance in relation to other government debts. The Department for Work and Pensions will review the results in conjunction with the Fraud, Error and Debt Taskforce in the Cabinet Office to agree an approach going forward.**

4. Strategic summary

The DWP Child Maintenance Arrears and Compliance Strategy, *Preparing for the future, tackling the past*, describes three strategic objectives:

- The Government has no plans to conduct a wholesale write-off of CSA debt on the grounds that it is unlikely to be collected.
- The statutory service will continue to prioritise the collection of maintenance in cases where there is ongoing maintenance liability.
- Collecting child maintenance arrears in cases where the child is now an adult is a lower priority for the CSA, but this money remains owed and we aspire to collect it.

We will deliver a number of activities designed to meet these three key strategic objectives:

An efficient, effective infrastructure to support delivery	
2012 +	We will work closely with stakeholders, partners, international colleagues and the cross-government debt group to share best practice and explore innovative ideas.
2012 +	We have now introduced the new 2012 child maintenance scheme, designed to support clients, act quickly and prevent the build-up of arrears.
2012 +	We will trial activities before implementing as business as usual, to ensure we learn what works and share lessons learned.
2013-14	We will develop clear indicators of progress and consult on the format and content of this.
2013-14	We will develop and test an arrears segmentation approach which combines a client's willingness and ability to pay with other available data sources, and the client's history of paying to test different communications messages and the impact this has on payment behaviour.
Prevent the build-up of arrears by encouraging more money paid in full and on time, every time	
2012 +	We have introduced training and procedures for our people which focus on behaviours and the difficult emotions experienced through separation.
2012 +	We will help both clients overcome any problems or financial difficulties they might face by signposting to specialist support services at key points in the client journey, such as change of circumstance.

2012 +	We will work with partner organisations, those to which parents turn for advice on child maintenance and financial issues, so that they can encourage parents to contact us for support quickly and before payments are missed.
2012 +	Our aim is to act within 72 hours of a missed payment. We have changed our priorities and organisation to focus on this.
2012 +	We are trialling whether to extend the use of credit reference data so we can obtain a more complete intelligence picture of indebted parents so we can act effectively to ensure they pay what they owe.
2013-14	We are considering whether there is a benefit to commencing powers to share information about paying parents with credit reference agencies, particularly as a deterrent for parents who have child maintenance debt and who regularly rely on credit; albeit there is no set timescale for their introduction.
2013-14	We will run a trial to help caseworkers better identify those clients with arrears who are genuinely unable to make the payments required of them, and negotiate repayment plans that are affordable.
2013-14	We will be trialling a number of activities to see how best we can encourage and help parents to keep paying, including new payment reminder services and guides to help both parents understand the role they can play in keeping their child maintenance arrangement working.
Increase historical arrears collected, clearly articulating what is and isn't collectable	
2011-12	We are running a 12 month trial to inform whether we incorporate the 'Australian model' of recording and reporting arrears into our delivery ¹⁸ .
2012 +	We have deployed a specialist team to focus on collecting outstanding arrears on older historic debt cases.
2012 +	We will explore ways to recover Secretary of State debt by collaborating with the cross-government working group.
2012 +	We will act as a conduit of information for those wishing to undertake a part-payment agreement.
2012 +	We will use proportionate resources to collect what's owed, giving due consideration to the cost of recovery against the sum owed.
2014-17	We will review the reasons behind debt suspension ¹⁹ in older cases through case closure.

¹⁸ The Australian model: http://guide.csa.gov.au/part_5/5_7_1.php

¹⁹ The recovery of arrears may be 'suspended' by the Child Support Agency where, for example, the paying parent cannot be traced or is living abroad

2017 +	We are examining ways in which these outstanding arrears can be collected over the long term; any legislative change in this area will be subject to public consultation.
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Annex A – The Child Maintenance Service client charter

Our commitment to you

We keep the interests of your child at the heart of everything we do. We do this by working with you to provide a service that helps you to easily manage your child maintenance arrangements.

We will be:

Responsive... We will answer your questions and sort out any issues as quickly as we can. If your needs change, we'll change with you. And we'll use your feedback to improve how we do things.

Reliable... We will always tell you what is going on in your case and if we say we'll do something, we'll do it. You'll get the right information – and it will be the same information no matter who you speak to.

Respectful... We'll be open and honest, and treat you fairly. We will explain what we are doing or why we are asking you for something. And because we respect the fact that every case is different, you can manage your case in the way that suits you best.

What this means for you

When you open your case – we'll work out a child maintenance amount as soon as we can. If you need us to, we'll try to find the other parent as quickly as possible.

When you need to contact us – you can call us or send a message online.

If your circumstances change – we'll look at your case and work out if your payments need to change.

If payments are missed – we'll act quickly, taking the appropriate action to get the child maintenance owed.

After 12 months – we'll look at your case in your Annual Review, to make sure your payments are still accurate.

To help us give you the best possible service, we need you to:

- tell us as soon as possible if anything changes that could affect payments
- treat our people with courtesy and respect
- send us any information we ask you for as quickly as possible
- have information you think is relevant ready when you call us

Annex B – Enforcement actions

We only use enforcement powers when we have to. We will always give the paying parent the chance to pay voluntarily before using the actions below.

Deduction from Earnings Orders

We work with employers to take compulsory deductions of up to 40% from the net salaries of their employees.

Deduction Orders

We can deduct money directly from parent's bank, building society or Post Office accounts.

Liability Order

We can apply to court to recognise that the paying parent has built up an amount of child maintenance debt over a certain period of time. The order gives us the power to take legal actions (shown below) that help us to collect the child maintenance owed.

Next Steps – England and Wales

Bailiff action

We can tell bailiffs to go to the paying parent's property, seize their belongings, and sell them to get the child maintenance owed. The bailiffs can also add their charges to the debt.

Register of Judgments, Orders and Fines

We can enter a liability (a debt) onto the public register used by credit reference agencies. This can affect the paying parent's ability to get finance and if they have their own business suppliers may change the way they ask the paying parent to pay.

Charging Order

Where we obtain a charging order from the court we can tell the Land Registry to put a 'charge' against a house, land or other assets that the paying parent owns (or jointly owns). If the paying parent then decides to sell it, we can claim the child maintenance owed from the money made from the sale.

Orders for Sale

Once we have a charging order, we can apply to the court to force the sale of a property or asset. Once the sale goes through, we can collect the money raised from it to pay the child maintenance owed.

Next Steps – Scotland

Service of a Charge for Payment

We can tell sheriff officers to issue a formal demand for payment and, if payment of the debt is not made, continue with the following diligence actions to enforce payment:

Attachment and Exceptional attachment

We can tell sheriff officers to seize the paying parent's belongings, held both outside of and within their home, and sell them to get the child maintenance owed. These actions will also result in charges being added to the debt.

Inhibition

An inhibition is a personal prohibition which, once registered in the Register of Inhibitions and Adjudication, prevents the paying parent from being able to sell or transfer any heritable assets they own or jointly own such as land or property. This can affect the paying parent's ability to get finance and if they have their own business suppliers may change the way they ask the paying parent to pay. If the paying parent then decides to sell the inhibited assets, we can claim the child maintenance owed from the money made from the sale.

Ordinary Arrestment and Action of Furthcoming

We can tell sheriff officers to freeze assets owned or jointly owned by a paying parent which are held by a third party known as the arrestee. This can include money owed to the parent or held in a bank account. If the paying parent doesn't authorise the release of the asset then we can apply to the sheriff court for an action of furthcoming in order to force the arrestee to release the goods or where the money is held in a bank or building society account we can wait for the funds in excess of a protected minimum sum to be released automatically after fourteen weeks.

Interdict or Action of Reduction

Where we become aware that the paying parent has assets that are either in the process of being sold or have already been disposed of in order to avoid payment of the child support maintenance debt we can ask the court to either freeze or to get back anything that's already been sold or transferred.

Additional Powers

Freezing order, third party debt order and set aside disposition order

We can ask the court to freeze the paying parent's money and other assets so that he or she can't sell or transfer them. We can also ask the courts to get back anything that's already been sold or transferred. In Scotland we can ask the courts to freeze the paying parent's money or goods through an 'arrestment'.

Driving bans and commitment to prison: We can apply to the courts for:

An order for disqualification from driving which means if the court find the paying parent guilty taking away their driving licence or stopping them from getting or keeping a driving licence for up to 2 years. Alternatively the court may decide that where the paying parent is found guilty they will be sent to prison for up to six weeks. The court may decide to suspend the sentence issued on condition that the paying parent makes payment of the debt.

We hope that the threat of this kind of serious action will cause the paying parent to pay. If it doesn't, and we go ahead with the disqualification or commitment, they will still have to pay all the child maintenance owed.

Annex C – Segmenting outstanding arrears

To help better understand outstanding arrears, and determine collection priorities, the Government applied the below criteria:

‘Arrears’ or ‘Secretary of State’ debt

Who the arrears are owed to – either as arrears to the parent with the main day-to-day care of the children²⁰ whereby the ex-partner has not paid the required child maintenance or as a debt to the Government, specifically the Secretary of State (SoS) for Work and Pensions.

‘Live’ or closed case

Live cases are cases where the parent who is expected to make child maintenance payments²¹ has children who would benefit from those payments. CSA cases are ‘closed’ when there is no longer an ongoing requirement to pay child maintenance. The case is usually closed because the children have reached adulthood and no longer legally qualify for child maintenance payments.

Money flowing or not flowing

Money is flowing in cases where payments are being made so children are benefiting. These include payments of ongoing maintenance or arrears or a combination of both.

Real’ or not ‘real’

The Independent Advisory Panel on arrears regarded around £900m of debt as ‘not real’. This includes the cases where Interim Maintenance Assessments were used and where the debt that can be collected is likely to be much smaller. This tends to contribute towards an exaggeration of the £3.8bn outstanding arrears.

In the past, parents who could not be traced or did not respond to the CSA were subject to punitively high “Interim Maintenance Assessments’ (IMAs) – these assessments would typically reduce when parents came forward with actual earnings however not all IMAs were converted to assessments and instead were often added to the arrears balance. It is understood IMAs account for around £930m of arrears on IMA cases, of which £83m cannot be collected due to a gap in the legislation between 1993 and April 1995.

²⁰ Referred to in legislation as the parent with care (PWC)

²¹ Referred to in legislation as the non resident parent (NRP)

Annex D – The Independent Advisory Panel on Arrears of Child Maintenance

In 2011, the Secretary of State for Work and Pensions commissioned an independent advisory panel on arrears. Its report made recommendations which fell into 4 broad categories:

- Improve the performance of the Child Support Agency
- Work with commercial debt recovery organisations – *not pursued*
- Implement powers to write-off and reclassify arrears
- Create separate debt recovery organisation – *not pursued*²²

²² The creation of a separate debt recovery organisation was not pursued principally because it was not seen to represent value for money; in that it would be unlikely to collect child maintenance debt with such greater efficiency that would lead to significant savings, and would incur high start-up costs as a result of the need to bring cases fully up to date and validate the level of debt before it could be pursued. In addition, significant changes in legislation would likely be needed in order to make any such body operate effectively.