Child Maintenance and Enforcement Commission

Annual Report and Accounts 2011/12

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Foreword by the Chair and Commissioner

2011/12 has been another year of change and steady performance for the Child Maintenance and Enforcement Commission. We continued to deliver the Government's reforms to the child maintenance system and made good progress in increasing the number of effective child maintenance arrangements in place.

Our main focus in the past year has been to develop and implement the Government's vision for the future of child maintenance, which is for a system where more parents are given the right support to be able to make their own family-based arrangements and a more effective and efficient statutory scheme is put in place for those who most need it. This will help to move away from a situation where only around half of children in separated families are supported by an effective child maintenance arrangement.

In our Delivery plan for 2011/12, we set four priorities to help us make progress towards delivering the vision. These were to promote financial responsibility in local communities through joined up services; continue the design and testing of the new statutory scheme; maintain existing levels of performance; and deliver value for money in all the Commission's activities.

As well as activity to promote responsibility in local communities through trusted intermediaries, excellent progress has been made in exploring how support services can be better co-ordinated to help parents in dealing with the range of issues they face after separation. During the year a Steering Group of experts, including representatives from voluntary sector organisations and academia helped to develop a long term vision for this work, the delivery architecture needed to support this vision. The first of these proposals will begin to be rolled out with an online service available later in 2012. An ideas fund has been established to test a range of projects to find the most effective way to help parents work together in the best interests of their children.

The building of the new statutory scheme of child maintenance continued throughout the year, with the main challenge being testing of the computer system on which the scheme will run. In order to avoid the mistakes of the past, we have committed to thoroughly testing the system and will not go live with it until we are sure it is ready to deliver. We remain focused on introducing the new scheme in 2012.

Although the limitations of the current schemes are abundantly clear, the CSA division of the Commission did continue to provide a stable service to clients over the year. £1,187m was collected or arranged over the year and a record 80% of those non-resident parents with a liability to pay maintenance are now paying. Just over 899,000 children were benefiting from statutory child maintenance as at 31 March 2012, meaning that more than one million children are now benefiting as a result of the Commission's work or following contact with the Commission.

Value for money improved during the year as the Commission worked to become more efficient in all its work, with overall operating costs reducing by 6%. The cost per £1 of maintenance collected under the statutory schemes fell to around 35 pence, down 10% on last year.[1]

[1] Maintenance collected for the existing schemes is sourced from the CSCS and CS2 general ledger. Maintenance arranged is based on the actual value of any calculation for Maintenance Direct performed by the Commission following a request by the parent with care. If the Commission becomes aware that these Maintenance Direct arrangements have changed the calculation is adjusted.

The cost to the Commission for each child benefiting from child maintenance also improved, by almost 13%.[2]

We are very pleased that strong progress was made against all four priorities during the year and that good progress was made under all of the performance indicators. We would like to record our thanks to colleagues across the Commission. Their collective efforts and willingness to embrace new challenges have been crucial both in providing better outcomes for children and in ensuring the new vision for the future of child maintenance becomes a reality.

During the year the Public Bodies Act was passed. The Act provides for the Commission to be abolished on 31 July 2012 and its functions to be transferred to the Department for Work and Pensions as part of the Coalition Government's desire for greater ministerial accountability for public bodies. For the Commission's employees and customers these changes will make very little day-to-day difference. Our customers will continue to interact with the Child Support Agency and with Child Maintenance Options. Our focus is, and will remain, on providing support to separated families whether that is through encouraging family-based arrangements or, for those parents who cannot come to their own arrangement, through the new scheme of child maintenance.

Rt Hon. Dame Janet Paraskeva DBE
Chair of the Commission

Noel Shanahan
Child Maintenance Commissioner and
Chief Executive

[2] Children benefiting on existing statutory schemes are sourced from the CSCS and CS2 computer systems. For clerical cases an estimate of children benefiting per case is applied across paying cases, as the clerical system does not record actual children benefiting. For the number of children benefiting from family based arrangements following contact with Options, data is based on a survey of customers.

Annual Report 2011/12 – Executive Summary

This Annual Report covers the activity and performance of the Child Maintenance and Enforcement Commission in 2011/12, and reports on the execution of its responsibilities, including the administration of the statutory maintenance service, for that period. Money paid in child maintenance is held, accounted for and reported on in a separately published Client Funds Account.

In January 2011 the Coalition Government published proposals for reforming the child maintenance system in its Green Paper, *Strengthening families, promoting parental responsibility: the future of child maintenance*. The Paper set out a vision for rebalancing the child maintenance system so that more parents are supported to make their own collaborative family-based arrangements while retaining a strong and efficient statutory service for those who need it. The Government published its response to the consultation in July 2011 and a number of the proposals were brought into statute through the Welfare Reform Act, enacted in March 2012.

During 2011/12, the Commission continued to make progress towards delivering the Government's vision for the future of the child maintenance system:

- As part of its programme to support parental responsibility, the Commission contributed towards the work of voluntary sector and other experts who set out a vision for how support services can be better co-ordinated to help parents after separation.
- The Child Maintenance Options service helped more parents; during the year the service reached the milestones of 900,000 telephone calls handled and one and a half million unique visitors to its website since it began in 2008. An estimated 140,000 children are now benefiting from an effective family-based arrangement put into place following contact with the service[3].
- The Commission made progress with development work on the new statutory scheme of child maintenance and the new IT system underpinning it.
- The CSA division of the Commission maintained a stable service to clients on the current statutory schemes, showing improvements across all performance indicators. The CSA, however, continued to be hampered by the inefficiencies of its IT systems, which is why the Government remains committed to investing in the new statutory scheme which will replace it over time.
- The Commission was more efficient, with overall operating costs reducing by 6%.

The rest of this report sets out how the Commission performed during the year against its core functions and the performance indicators set out in our Delivery Plan for 2011/12.

[3] This figure also includes those children benefiting whose parents already had an arrangement in place but changed it following contact with the Child Maintenance Options service.

About the Child Maintenance and Enforcement Commission

The Child Maintenance and Enforcement Commission was established by the Child Maintenance and Other Payments Act 2008 and came into being on 24 July 2008. The Commission took over responsibility for the child maintenance system in Great Britain from the Department for Work and Pensions (DWP) on 1 November 2008.

The Coalition Government has outlined its desire for greater ministerial accountability for public bodies and the Public Bodies Act 2011 allows for the abolition of the Commission and the transfer of its functions to be achieved by Order. A draft Order providing for the abolition of the Commission and the transfer of its functions to the Department for Work and Pensions has been laid in Parliament in accordance with the Act and it is now subject to Parliamentary approval.

The primary objective of the Commission is to maximise the total number of effective maintenance arrangements, whether made collaboratively by parents through a family-based arrangement, by court order or through its statutory maintenance service. The Commission does this through its three core functions, which are to:

1. Promote the financial responsibility that parents have for their children;
2. Inform parents about the different options available, guide them to those most appropriate for them and support them in making family-based arrangements (delivered through the Child Maintenance Options service); and
3. Provide an efficient statutory maintenance service, with effective enforcement (delivered through the Child Support Agency (CSA) division of the Commission).

The Commission's people

At the end of March 2012, the Commission employed an average of 7,924 (full-time equivalent) people (2010/11, 8,251), with the vast majority working in the administration of the existing statutory child maintenance schemes.

In addition, some of the existing statutory child maintenance caseload is managed through a service level agreement with Northern Ireland's Child Maintenance and Enforcement Division and some through a commercial contract with Vertex Data Science in Bolton. The national contact centre for the Child Maintenance Options service is delivered by Ventura in South Yorkshire, again through a commercial contract.

Status and authority of the Commission

The Commission was established under Section 1 of the Child Maintenance and Other Payments Act 2008 as a Crown non-departmental public body. As noted above, the Commission is to be abolished and its functions will transfer to the Department for Work and Pensions.

The Commission is sponsored by, and funded through, the Department for Work and Pensions. The Secretary of State for Work and Pensions is ultimately accountable to Parliament for the Commission's activities and performance. The Permanent Secretary of the Department for Work and Pensions, as the Department's Principal Accounting Officer, is responsible for ensuring that there is a high standard of financial management, both within the Department and in the non-departmental public bodies that it sponsors.

Corporate governance in the Commission

The Commission is governed by the Commission Board comprising the Chair, the Commissioner and a number of executive and non-executive directors who are responsible for developing the overall vision, strategy and policy of the Commission as well as for the governance of the organisation.

The Commission Board

The Board is responsible for the strategy and policy for the whole of the organisation. It is also responsible for ensuring that effective arrangements were in place to provide assurance on risk management, governance and internal control. It is specifically responsible for monitoring operational performance and establishing and taking forward the strategic aims of the Commission, consistent with its overall statutory objectives.

Chair of the Commission

The Chair is responsible to the Secretary of State for ensuring that the Commission's policies and actions support the wider policies of the Secretary of State and that its affairs are conducted with probity.

In addition, the Chair has the specific responsibility for ensuring that the Commission fulfils the functions set out in the Child Maintenance and Other Payments Act 2008; and an obligation to ensure that the work of the Board and its members is reviewed and that the Board is working effectively.

The Child Maintenance Commissioner

The Commissioner is designated by the Permanent Secretary of the Department for Work and Pensions as the Commission's Accounting Officer. As such he is personally responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those funds; and for the day-to-day operations and management of the Commission.

The Commissioner is responsible to Parliament for the Commission's accounts, internal controls and procedures; to the Department for corporate and business planning and informing it of progress in achieving agreed objectives and targets; and for advising the Board on the discharge of its responsibilities and for executing Board decisions.

Board committees

The Board has a number of committees which assist in ensuring that the Commission runs with propriety and good governance; is effective in delivering public service; and demonstrates good value for money for the taxpayer. These committees consist of Remuneration and Audit Committees which are overseen by a Non-Executive Functions Committee.

Members of the Child Maintenance and Enforcement Commission Board during the year

Name	Role	Date of appointment
Dame Janet Paraskeva	Chair	19 November 2007
Stephen Geraghty	Commissioner	1 January 2008 (to 6 May 2011)
Noel Shanahan	Commissioner	9 May 2011
Deborah Absalom	Non-Executive Director	10 June 2008
Rosemary Carter	Non-Executive Director	10 June 2008
Bill Griffiths	Non-Executive Director	10 June 2008
Heather Jackson	Non-Executive Director	1 September 2008
Alan Hardy	Executive Director	1 July 2008
Susan Park	Executive Director	1 July 2008
Ian Wright	Executive Director	1 February 2011

The Executive Team

The Commission's Executive Team is responsible for the executive management of the Commission and supports the Commissioner in discharging his responsibilities.

Management commentary

Activity and performance during 2011/12

Implementing the vision of the Coalition Government

The Government set out its vision for the reform of the child maintenance system in its January 2011 Green Paper *Strengthening families, promoting parental responsibility: the future of child maintenance* and its July 2011 response to the consultation on the Green Paper.

The central premise of the Government's vision is that the existing child maintenance system fails to provide support for parents to work collaboratively. As a result, around 50% of children in separated families do not currently benefit from an effective arrangement. The Child Support Agency (CSA) is too often viewed as the default option which, rather than encouraging collaboration between parents, engenders conflict that can have damaging consequences for children. These reforms are a component of the Government's wider Social Justice Strategy, within which the current child maintenance system is recognised as being an area of government policy which exacerbates family breakdown, rather than promoting collaboration.

The Government aims to rebalance the system so that the best interests of children are placed at its the heart, with parents being encouraged and supported to make collaborative, family-based arrangements which better reflect the unique needs of their individual families. An improved statutory service will remain accessible: it will continue to be subsidised but will include an element of charging, and focused on those parents who need it because they cannot make family-based arrangements.

The Government has also recognised that, despite improvements in the current statutory schemes, they remain cost-inefficient and that many children may miss out as a result of the time taken to process applications and the lack of annual reviews to keep clients' cases updated. The Government has decided that it is imperative to invest in the new statutory child maintenance scheme (known as the "new scheme"), which has been in development since 2008. The new scheme will be underpinned by a new IT system and procedures, which should overcome many of the problems associated with the existing schemes.

For example, the new scheme will improve the way child maintenance is calculated by taking information directly from HM Revenue and Customs. It is also designed to provide a faster and simpler way of working out maintenance, a more transparent assessment process and a more effective enforcement regime.

All of these reforms and improvements will deliver a better service for parents and efficiencies for the taxpayer.

The Commission's priority for 2011/12 has been to implement the Government's vision. As part of this, the Commission has worked closely with the Department for Work and Pensions (DWP), the Department for Education, the Ministry of Justice, academics and the voluntary sector to explore how support services for separated and separating parents can be better co-ordinated, with the aim of helping parents to collaborate on the range of issues they face around separation. During the year a long term vision for co-ordinated family support services for separating and separated parents was helped to develop by an Expert Advisory Group, including two non-executive directors, and the Commission began the process of developing costed proposals for web-based services and to support local delivery.

During the year, the Welfare Reform Act passed into statute, which provides the policy framework for some of the changes to the child maintenance system, and which will help to support parents to collaborate. The legislation provides for the creation of a “gateway” type service, with which parents will be required to engage before making an application to the new statutory scheme. It also provides for changes to maintenance direct (where non-resident parents within the statutory service pay maintenance directly to parents with care) whereby non-resident parents in the new scheme will be able to choose to pay by this method.

In January 2012, the Commission published research, based on the choices made by parents using Child Maintenance Options, which showed that those respondents who worked out their own child maintenance arrangements were more likely to be happier with them than those using the CSA. The report also showed that family-based arrangements made by respondents were more likely to see money flowing than those made through the CSA.[4]

Maximising effective arrangements

The primary objective of the Commission is to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. To this end, progress has been made over the past year, with over one million children benefiting. However, around 50% of children in separated families are still not benefiting from an effective arrangement.

Promoting child maintenance and financial responsibility

The Commission is required to promote child maintenance and the financial responsibility that separated parents have for their children, whether or not they live with them. Section 4 of the Child Maintenance and Other Payments Act 2008 requires the Commission to ‘take such steps as it thinks appropriate for the purpose of raising awareness among parents of the importance of (a) taking responsibility for the maintenance of their children, and (b) making appropriate arrangements for the maintenance of children who live apart from them.’

The Commission is therefore seeking to change attitudes and behaviours across society so that making child maintenance arrangements after separation becomes the norm, with non-payment no longer considered to be acceptable. To achieve this goal, the Commission undertook a number of activities in the past year. For example:

A key initiative saw Child Maintenance Options face to face consultants engaging with key organisations at a local level to raise awareness of parental responsibility and the support available. Consultants engaged with staff at Jobcentre Plus offices and Citizens Advice Bureaux, as well as local authority Family Information Services across Great Britain as part of this activity.

The Commission also continued work to explore how child maintenance can be integrated into existing support services provided within local communities. This approach was tested in partnership with 4Children, at a number of children’s centres in Essex.

A new guide for health professionals was also launched during the year, aimed at helping midwives and health visitors to understand the importance of child maintenance and the ways that they can help parents to find the information and support they need to put an arrangement in place.

The Commission also worked closely with a range of voluntary sector organisations, such as Family Lives, to ensure the information they provide to parents is as up to date as possible,

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[4] Allen, A & Goldstein, A. *Research Report No 4, Survey of Child Maintenance Options Outcomes 2009/10*

stresses the benefits to children of paying child maintenance, and the way in which family-based arrangements can provide an alternative to the CSA.
Through these activities, the Commission is seeking to ensure that awareness of child maintenance issues is increased amongst the frontline professionals who provide services to parents and children, those who can foster the right types of early intervention to ensure the best outcomes for children and those who work with the most vulnerable groups in society.

Providing information and support

The Child Maintenance Options service continues to provide information and support to separated and new lone parents, as well as to their families and friends. In 2011/12 the priorities for the service were to continue to build on the success of previous years by further developing the service.

To better support the Government's vision, the Child Maintenance Options service tested new ways to support parents to make family-based arrangements. For example, the guidance provided by call agents was nuanced so that parents are now encouraged first to consider trying a family-based arrangement, and using the CSA only if they are unable to do this. This was developed further with a more segmented approach to our service delivery which includes helping customers overcome the barriers they face in making effective family-based arrangements, supported by a new suite of more targeted guides developed in conjunction with voluntary sector partners.

During 2011/12, the service focused on building relationships with key partners to raise awareness of the support available to their own separating or separated clients. For example, the service formed a partnership with the popular parenting website Netmums, resulting in child maintenance information and support becoming available through a new 'Separation Advice Clinic' on the site. Over 50,000 users accessed the clinic in its first few months, which led some to contact Child Maintenance Options and consider a family-based arrangement.

Usage of the service continued to grow during 2011/12. Over 260,000 calls were handled during the year and more than half a million users visited the Child Maintenance Options website in the same period. Since its launch in 2008, the service has handled over 900,000 telephone calls and received more than one and a half million unique visitors to its website. This has led to even more parents making arrangements; it is estimated that as at 31 March 2012, 140,000 children were benefiting from an effective family-based arrangement put in place following contact with the Child Maintenance Options service, up from 105,000 at 31 March 2011.

Providing an efficient statutory maintenance service, with effective enforcement

Until the new scheme of child maintenance is established, the CSA division of the Commission will continue to operate the two existing statutory maintenance schemes. 2011/12 was a year of stability and efficiency, with the CSA division continuing to deliver money for children at the same time as a significant reduction in costs.

The number of children benefiting from statutory maintenance during the year rose, as did the amount of money collected. There was a slight rise in the percentage of cases with maintenance flowing and in the percentage of applications cleared within twelve weeks. Detailed information on performance can be found on pages 14 to 16.

A key challenge during the year was to maintain performance whilst improving efficiency. Good progress was made in reducing the cost to the taxpayer of collecting each £1 of statutory child maintenance, which fell to around 35 pence (39 pence, 2010/11) and the cost per child benefiting, which was reduced to £425 (£488, 2010/11). The overall cost of delivering the statutory schemes was 7% lower than the previous year. More information on costs can be found on page 17.

Whilst performance has been maintained and efficiencies found over the past year, the IT systems underpinning the current statutory schemes still have significant underlying failures and the number of cases managed off these systems continues to grow. The number of cases managed off the main computer systems increased by 4% in 2011/12, reaching 104,100 by the end of the period. Whilst the rate of increase in these cases has slowed following investment in the computer systems, managing cases in this way remains costly. Cases managed off the main IT systems cost significantly more to manage (around 70% more per annum for each case) than cases on the systems. These cases cannot cost-effectively be loaded back onto the computer systems, and the introduction of the new statutory scheme is the only means of practically resolving these problems.

The Child Support Agency division pursued a range of initiatives and deployed its enforcement powers more effectively during the year in order to pursue those parents who refuse to pay. The Commission remains committed to tackling the accumulation of child maintenance arrears and during the year an independent panel provided advice to Ministers on how we might best tackle this issue. The Commission also consulted on commencing powers contained in previous legislation to enable it to write off a limited volume of arrears that cannot be realistically collected and to enable the Commission to negotiate with both the non-resident parent and the parent with care in order to accept a part payment in full and final satisfaction of all the child maintenance arrears owed.

The recommendations of the independent panel are currently being considered by the Commission and an arrears strategy will be brought forward in due course.

Building the new statutory scheme of child maintenance

Progress has been made in the last year to develop the new scheme and new IT system. The majority of the IT system to support the new scheme is now built and work continued with other Government Departments on the interfaces to support the new system, with the interface to Her Majesty's Revenue and Customs having completed development. Testing of the IT system by colleagues in the Commission began during the year.

Progress has also been made in developing the regulations which will underpin the new scheme and a consultation on the proposed calculation methodology was held during in the year.

Performance

A new approach to measuring performance was taken for the 2011/12 financial year, with indicators set across a wider range of performance areas than the Ministerial targets on which the Commission’s performance has been measured against in the past.

The progress made in delivering the new scheme of child maintenance

The Commission has almost completed development work on the new statutory scheme of child maintenance and the new IT system underpinning it has started a comprehensive testing phase.

Children benefiting

The total number of children benefiting from an effective child maintenance arrangement, both through the statutory child maintenance schemes and through family-based arrangements, following contact with Child Maintenance Options, was 1,039,700 by 31 March 2012. Those benefiting from the statutory child maintenance schemes rose to 899,700 and the Commission estimates that 140,000 children are currently benefiting from an effective family-based arrangement put in place following contact with the Child Maintenance Options service.

Maintenance outcomes of the statutory scheme

By 31 March 2012, 80% of cases under the statutory schemes had a positive liability and had received maintenance in the previous quarter, up from 78% in 2010/11.

Collections and arrangements through the statutory schemes

The amount (in £'s) of collections and arrangements through the statutory schemes reached £1,187m in the year to March 2012 (£1,150m in 2010/11).

Cost per £1 of maintenance collected through the statutory schemes

The cost per £1 of child maintenance collected under the statutory schemes was 35 pence, down from 39 pence in 2010/11.[5]

Cost per child benefiting

It cost the Commission £425 per child benefiting from its services, down from £488 in 2010/11.[6]

Cost of operating the Commission

The overall cost of operating the Commission (less investment costs) for 2011/12 dropped to £484m, a reduction of £29m on 2010/11 (£513m).

In 2012/13, the Commission will continue to measure its performance against these indicators and will again seek to show improvements across them all.

Performance trends

The following table shows the performance of the current statutory schemes over the last five years. The steady improvements under the Child Support Agency's Operational Improvement Plan (2006 to 2009) have been continued by the Commission in the last three years. All data has been sourced from internal management information and from the IT systems which are used to operate the statutory schemes.

Over the past five years:

- Annual child maintenance payments have increased by 17 per cent.
- An additional 150,400 children are benefiting from statutory maintenance payments, an increase of 20%.
- The percentage of non-resident parents paying maintenance has increased by 13%.
- Uncleared applications have reduced by over 108,000 to fewer than 14,000, with 90% of cases now cleared within 12 weeks of application.

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[5] Maintenance collected for the existing schemes is sourced from the CSCS and CS2 general ledger. Maintenance arranged is based on the actual value of any calculation for Maintenance Direct performed by the Commission following a request by the parent with care. If the Commission becomes aware that these Maintenance Direct arrangements have changed the calculation is adjusted.

[6] Children benefiting on existing statutory schemes are sourced from the CSCS and CS2 computer systems. For clerical cases an estimate of children benefiting per case is applied across paying cases, as the clerical system does not record actual children benefiting. For the number of children benefiting from family based arrangements following contact with Options, data is based on a survey of customers.

Five-year performance trends

	March 2008 Actual	March 2009 Actual	March 2010 Actual	March 2011 Actual	March 2012 Actual
Children benefiting (total)	749,300	810,500[#]	905,700*	972,800[~]	1,039,700^
Statutory schemes only	749,300	780,500	845,700	867,800	899,700
Cases in receipt of maintenance	561,400	593,500	647,700	668,600	695,800
Maintenance outcomes Percentage of cases with a current liability receiving maintenance	67%	71%	77%	78%	80%
Maintenance collected or arranged	£1,010m	£1,132m	£1,141m	£1,150m	£1,187m
Percentage of new scheme applications cleared within: 12 weeks (Dec intake)	77%	81%	86%	88%	90%
Percentage of new scheme applications cleared within: 18 weeks (Oct intake)	83%	81%	93%	93%	94%
Percentage of new scheme applications cleared within: 26 weeks (Sep intake)	89%	90%	95%	96%	98%
Uncleared applications	121,900	43,600	18,300	14,600	13,700
Telephony Average answer time from queue	20 seconds	13 seconds	8 seconds	9 seconds	12 seconds
Percentage of lost calls in a year	2%	1%	1%	1%	1%

Note: These figures are subject to revisions to reflect information which is received after the production of the previous quarterly statistics.

[#] of which 30,000 (estimated) through family-based arrangements supported by Child Maintenance Options
* of which 60,000 (estimated) through family-based arrangements supported by Child Maintenance Options
[~] of which 105,000 (estimated) through family-based arrangements supported by Child Maintenance Options
^ of which 140,000 (estimated) through family-based arrangements supported by Child Maintenance Options

Costs

The Commission incurs costs in discharging each of its functions. The overall cost of the Commission was £484m in 2011/12. The existing statutory service is managed by the CSA division of the Commission and cost £420m to deliver in 2011/12, a reduction of £30m compared to 2010/11.

Investment costs are one-off costs associated with building the new scheme and mostly relate to the new IT system, although the Commission has also invested in its existing schemes. Delivery costs have decreased in line with headcount in the CSA; delivery costs for new services relate to the Child Maintenance Options service and the promotion of financial responsibility.

The costs of the statutory schemes are driven by the size and composition of the statutory caseload, the number of children per case and ongoing performance improvements. The cost of a case managed on the main computer systems was around £350 a year. A case managed off the main computer systems costs significantly more, at around £600 a year.

New services include the Child Maintenance Options service, promoting financial responsibility and the development of the new statutory maintenance service.

Investment costs cover:

- The implementation of new legislation;
- Developing, building and introducing the new statutory scheme;
- Recruiting and training the additional people needed during the transition period to the new scheme;
- Setting up and managing the collection of CSA arrears once the new scheme is introduced and CSA cases begin to close;
- Redesigning and restructuring the organisation and its processes.

The following table shows total revenue expenditure in the period:

	2011/12 Actual £'m	**2010/11 Actual £'m**
Existing statutory service		
Investment	8	3
Delivery	420	450
New services (1)		
Investment	34	36
Delivery	21	24
Total	**484**	**513**

1. New services began when the Commission was established in July 2008.

Principal risks and uncertainties

The Commission faces a number of risks. The financial risks of the Commission are included within the financial instrument disclosures in Note 16. The Commission also faces a number of operational risks, the management of which are considered as part of the governance statement.

Future developments

As noted on page 8, the Public Bodies Act provides for the functions of the Commission to transfer to the Department for Work and Pensions. This transfer is now subject to parliamentary approval.

Non-Executive Functions Committee

Report on discharge of functions

The Child Maintenance and Other Payments Act 2008 requires the Non-Executive Functions Committee to prepare a report on the discharge of its functions. Those functions are:

(a) To determine the terms and conditions as to remuneration and other matters on the appointment of a subsequent Commissioner. Such terms and conditions are subject to the approval of the Secretary of State and the Minister of the Civil Service (paragraph 9 (4)(b) of Schedule 1).

(b) To determine the terms and conditions as to remuneration and other matters of the executive directors. Such terms and conditions are subject to the approval of the Minister of the Civil Service (paragraph 10(2) of Schedule 1).

(c) To determine the terms and conditions as to remuneration and other matters of members of a committee or sub-committee of the Commission who is not a member of the Commission or its staff (paragraph 12 of Schedule 1).

(d) To keep under review the question of whether the Commission's internal financial controls secure the proper conduct of its financial affairs (paragraph 19 of Schedule 1).

The members of the Committee are currently Commission Non-Executive Directors Deborah Absalom (Chair), Bill Griffiths, Rosemary Carter, Heather Jackson and Dame Janet Paraskeva.

The Committee met on 21 June 2011, 19 July 2011 and 18 October 2011. Its work included:

- Approving recommendations from the Remuneration Committee on Executive Director remuneration;

- Reviewing the work of the Audit Committee;

- A review of non-executives' roles on the Board as part of a wider Commission Board appraisal.

The Remuneration Committee considered the matters referred to in paragraphs (a) to (c), and is chaired by Rosemary Carter. Deborah Absalom is a member and Elizabeth McMeikan is an Independent member. The decision-making body for these matters will remain the Non-Executive Functions Committee.

The Non-Executive Functions Committee delegated the function referred to in paragraph (d) to the Audit Committee.

Remuneration Committee

Activity during the year

The Committee met four times on 10 May 2011, 24 June 2011, 10 November 2011 and 14 March 2012.

At these meetings the Committee considered various papers and presentations. Chief among these were:

- Review and agreement of the Committee's Terms of Reference;
- Consideration of, and recommendations on, remuneration issues relating to SCS pay band 2 directors;
- Consideration of non-consolidated remuneration for the Commissioner and SCS pay band 2 members.

During the year the Committee had three members:

- Rosemary Carter – Chair
- Deborah Absalom – Non-Executive Director
- Liz McMeikan – Independent Committee member

Full terms of reference for the Committee are available on request.

Audit Committee report

The Committee's Terms of Reference require it to advise the Accounting Officer and the Board on:

- Risk management, security, internal control and governance of the Commission;
- The accounting policies, the accounts and the annual report of the organisation, including the processes for delivering these products;
- The quality of decision making in child support cases;
- The planned activity and the results of both Internal Audit and the National Audit Office (NAO) (including the adequacy of management responses to issues identified by audit activity); and
- The effectiveness and independence of the NAO and the Internal Audit Service.

During the year the Committee had four members: two Commission Board Non- Executive Directors – Bill Griffiths (Chair) and Heather Jackson (from July 2011, Heather was replaced by Deborah Absalom) – and two external members – Dawn Johnson and Peter Conway. DWP Internal Audit and the National Audit Office regularly attended Committee meetings.

Full Terms of Reference for the Committee are available on request.

Activity during the year

The Audit Committee met six times during the year, on 6 June 2011, 4 July 2011, 12 July 2011, 14 October 2011, 5 December 2011, and 7 March 2012. At these meetings the Committee considered various papers and presentations. Chief among these were:

- Internal Audit Strategy. The Committee discussed the future direction of the Commission's internal audit strategy;
- External Audit Strategy. The Committee discussed key audit risks and the audit approach to be taken;
- Client Funds Accounts. The Committee discussed the issues that had delayed the publication of the Client Funds Accounts for 2010/11, and future external reporting proposals;
- Risk Management. The Committee were updated on and discussed the risk management process in use in the Commission;
- Internal Assurance. The Committee discussed proposals for a new internal assurance framework.

Foreword to the Accounts

Statutory background

The Commission was established in July 2008 as a Crown Non-Departmental Public Body of the DWP to take responsibility for the child maintenance system in Great Britain. The DWP transferred the functions of the CSA to the Commission on 1 November 2008.

The Commission presents its accounts for the financial year ended 31 March 2012. The Accounts have been prepared in accordance with the direction given by the Secretary of State in pursuance of Section 18(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008.

Principal activities

The Commission exists to maximise the number of effective child maintenance arrangements in place for children who live apart from one or both of their parents. These may be arranged collaboratively between parents, through the courts or through the statutory scheme. Its main objective is supported by the following subsidiary objectives under the Child Maintenance and Other Payments Act 2008:

- To encourage and support the making and keeping by parents of appropriate voluntary maintenance arrangements for their children;
- To support the making of applications for child support maintenance under the Child Support Act 1991 (c.48) and to secure compliance when appropriate with parental obligations under that Act.

These Accounts record the costs incurred by the Commission in pursuing these objectives and include those incurred in administering the calculation and collection of child maintenance. Client monies are held and accounted for separately in the Client Funds Account.

Performance indicators for 2011/12 were agreed with the Secretary of State and are set out in the Commission's Delivery Plan, published in July 2011.

Financial results

The Commission is required, under the Child Maintenance and Other Payments Act 2008, to prepare its accounts for the period from 1 April 2011 to 31 March 2012, and in accordance with directions made by the Secretary of State with the consent of Her Majesty's Treasury. The Secretary of State has required the Commission to comply with the requirements of the Financial Reporting Manual (FReM).

The Commission's net operating costs for 2011/12 were £484m: 2010/11 net operating costs were £513m. The Commission's net liabilities at 31 March 2012 were £27m; net liabilities at 31 March 2011 were £39m.

Going concern

The Public Bodies Act, which was passed into legislation on 14 December 2011, allows Ministers by order to abolish, merge or transfer the functions of the Commission. Following a public consultation, an order was laid in Parliament on Monday 23 April 2012 to transfer the functions of the Commission to the Department for Work and Pensions. This order remains subject to parliamentary approval.

The Commission continues to be financed, via the DWP, through parliamentary supply. The application for future financing of the DWP will be approved annually by Parliament. There remains uncertainty over the length of time for which the Commission will continue as a separate legal entity before its functions transfer to the DWP. However the timing of the order will not affect future funding approvals and therefore a going concern basis has been adopted for the preparation of these financial statements.

Parliamentary funding

The Commission is a Crown Non-Departmental Public Body and, as such, remains subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Commission's operations will be accounted for within the Statement of Parliamentary Supply(Schedule 1) in the Annual Report and Accounts of the Department for Work and Pensions. This account will be published separately.

The Commission’s work programme and expenditure plans are published in the Child Maintenance and Enforcement Commission’s Delivery Plan for 2011/12 which was published in July 2011.

Employment of disabled people

Disabled people, as defined in the Equality Act 2010, are employed across all parts of the Child Maintenance and Enforcement Commission. The Commission has a published Equality Scheme and continues to hold the two ticks disability symbol. The principles of diversity and equality are key to developing and delivering the good quality, accessible public services we give our clients, partners and internal customers. The Commission’s vision for equality is that the services we deliver to our clients, and the contribution of our people, celebrate the diversity and individual talents of all members of our society.

Sickness absence data

58,394 days were lost due to sickness absence during the year (2010/11 70,149 days). This is equivalent to an average of 7.32 days per person (full-time equivalent). This is an improvement on days lost in 2010/11, which stood at an average of 8.50 days per person.

Personal data related incidents

There were no incidents reported to the Information Commissioner’s Office in 2011/12 (2010/11 nil).

Summary of other protected personal data related incidents in 2011/12

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Commission are recorded in the table below. There are no incidents to report. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category		Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

The Commission has continued to further implement information security measures to ensure compliance with Cabinet Office recommendations and those advised by Internal Audit, within agreed timescales.

The Senior Information Risk Officer and Information Asset Owner are confident of their roles and responsibilities in understanding and protecting information. The Security and Information Governance Forum meets on a regular basis to address information risk and where necessary ensure controls are implemented to minimise risks. The information asset inventory has continued to be rolled out throughout the Commission with senior level support and accountability for assets. Substantial activities have been undertaken which have further improved the maturity of our information assurance including repeating the formal assessment conducted in collaboration with DWP. Work will continue in the area in readiness for the deployment of the new child maintenance system and in the central assessment and management of information risk.

Statement of compliance

The Commission has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Commitment to equality and valuing diversity

The Commission is committed to providing services which embrace diversity and which promote equality of opportunity. As an employer, the Commission is committed to equality and valuing diversity within its workforce. Our goal is to ensure that these commitments, reinforced by our values, are embedded in our day-to-day working practices with all our clients, colleagues and partners.

Sustainable development

The Commission contributes to and supports the Department for Work & Pensions' strategy and policy for sustainable development and the achievement of its targets from the Greening Government Commitments. Although the Commission is a Crown Non-Departmental Public Body, it shares much of its estate and procurement processes with DWP.

Details of the Commission's performance in relation to greenhouse gas emissions, water consumption and waste management can be found in Appendix A.

Employee involvement

Our people have access to welfare services, which support them and promote well-being in the workplace.

Our people also have access to trade union membership. The Commission has procedures for consulting its trade unions and supports representation in the workforce by trade union representatives.

The Commission is committed to ensuring that its people at all levels can contribute towards decisions affecting its day-to-day business.

Pension liabilities

Commission employees are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The Principal Civil Service Pension Scheme is the main pension scheme for all civil servants, including those of the Child Maintenance and Enforcement Commission. It is a defined benefit scheme, with benefit expenditure borne on the Civil Superannuation Vote.

Details of the pension scheme are disclosed in note 3 and the Remuneration Report.

Payments to suppliers

The Commission is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, they should be paid within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whatever is later. From 1 November 2008 this payment period was revised to 10 days for smaller companies. In 2011/12 the Commission paid 98% of relevant invoices within the ten-day period. In 2010/11, 97% of invoices were paid within the ten-day period.

The 'Late Payment of Commercial Debts (Interest) Act 1998', which came into effect from I November 1998, and the 'Late Payment of Commercial Debts Regulations 2002' which came into force on 7 August 2003, provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

In 2011/12, no interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998 (2010/11, nil).

Public interest

There are no company directorships or other significant interests held by Board members that may conflict with their management responsibilities. The register of directors' interests is held at the

Commission's Leeds head office (see "How to contact the Commission" on the final page of these accounts).

External audit

The accounts presented within this report have been subject to audit by the Comptroller and Auditor General, whose certificate and report can be found on pages 48 to 50.

The Accounting Officer confirms that, so far as he is aware, there is no information relevant to the audit of the accounts of which the auditors are unaware. The Accounting Officer has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Events after the reporting date

There have been no material events after the reporting date that require disclosure in these Accounts other than those declared elsewhere. The Accounts reflect the conditions that existed at the reporting date.

Signed

Noel Shanahan
Accounting officer
29 June 2012

Remuneration Report

Management

Appointment and remuneration of the Commissioner

The Commissioner is appointed by the Secretary of State for Work and Pensions. The appointment is for a fixed term under the terms of the Child Maintenance and Other Payments Act 2008 Schedule 1 Paragraph 9(3) (a).

On appointment the Commissioner's pay was determined by the Secretary of State in line with the Civil Service pay arrangements.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Apart from Stephen Geraghty, the former Commissioner, who was appointed on a three year contract commencing 1 January 2008, all of the directors covered by this report hold permanent appointments. All directors are required to provide three months notice of their resignation in writing.

In the event of early termination when the Chair considers that there are circumstances which make it right for that person to receive compensation, then compensation can be payable and the amount to be paid is to be determined by the Chair subject to approval by the Secretary of State.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.independent.gov.uk

Appointment and remuneration of Non-Executive Directors

The Non-Executive Directors of the Child Maintenance and Enforcement Commission were appointed by the Chair of the Commission with the approval of the Secretary of State for Work and Pensions under paragraph 3(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008. The appointment are all for fixed terms.

The remuneration of the Non-Executive Directors was, in accordance with paragraph 4(2) of Schedule 1 to the 2008 Act, set by the Chair with the approval of the Secretary of State for Work and Pensions.

Where a Non-Executive Director ceases to be a member of the Commission otherwise than on the expiry of their term of office, and it appears to the Chair of the Commission that there are circumstances which make it right for that person to receive compensation, the Commission may make a payment to that person of such amount as the Chair of the Commission may determine with the approval of the Secretary of State.

Contracts

The appointment of the Non-Executive Directors were made on merit and on the basis of fair and open competition.

All appointments were made on a three-year fixed term, unless terminated earlier in accordance with the agreement, The Chair, subject to the Secretary of State's approval, may extend the appointment by one further term of four years.

If the Commission is dissolved, wound up or ceases to exist for any other reason, the appointment will be terminated within six months of the termination of the Commission. Any compensation associated with this termination will only be payable in accordance with the Child Maintenance and Other Payments Act 2008.

A Non-Executive Director is required to give the Chair at least one months notice of their resignation in writing.

Remuneration policy

The Commission follows the remuneration guidance for Senior Civil Servants as determined by the Cabinet Office. Within those parameters, Executive Directors' pay will be determined by the Non-Executive Functions Committee, made up of the Commission's Non-Executive Directors on the advice of the Remuneration Committee. Other senior officials' pay may be referred to the Remuneration Committee.

The Remuneration Committee is chaired by Rosemary Carter. Deborah Absalom is a member and Elizabeth McMeikan is a co-opted member. The decision-making body for these matters will remain the Non-Executive Functions Committee.

In reaching its recommendations the Remuneration Committee, taking account of the conclusions of the Review Body on Senior Salaries following their work on civil servants' pay, has regards to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;

- Regional/local variations in labour markets and their effects on the recruitment and retention of people;

- The absolute levels of pay, linked to the performance of the individual and the organisation.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Each year the independent Senior Salaries Review Body makes recommendations to the Prime Minister on Senior Civil Servants pay which covers the pay bands, increases to base salary and variable pay in light of economic evidence and movements in the private and wider public sector markets for senior executives. Delivery of in-year performance against objectives is rewarded through non-consolidated pay. Individuals who make the biggest contribution receive the largest payments; individuals who make the weakest contribution receive the smallest payments or none at all.

Methods used to assess performance
There are four stages involved in the assessment of performance:

- Self-assessment
- Performance review discussion with line manager
- Recommendations by line manager to the Remuneration Committee
- Remuneration Committee

How these stages operate in practice is discussed below.

1. Although there is no requirement formally to record a self-assessment senior civil servants are encouraged to consider their own assessment in preparation for their performance review discussion. They would reflect on, and collect, a reasonable amount of examples and evidence that would be helpful in assessing their contribution in relation to the measures and required outcomes they signed up to either at the beginning of the year or as their role developed during the year.

2. The performance review discussion is an opportunity for the Senior Civil Servant and their line manager to address performance in relation to;

- The achievement of objectives;
- Contribution to organisational objectives;
- Growth in competences; and
- The application of skills and knowledge.

They will also discuss issues for the forthcoming year, which would include:

- The objectives for the forthcoming year;
- The range of sources to be used in assessing their performance in the forthcoming year; and
- The potential and development needs of the Senior Civil Servant.

Remuneration and pension entitlements

The following sections provide details of the remuneration and pension entitlements of the Board members of the Child Maintenance and Enforcement Commission and also other senior officials.

Salary (subject to audit)

Salaries quoted relate to individuals who served on the Commission Board during the period or other senior officials and are accounted for in the month they are paid. Non-Executive Directors receive fees rather than a salary.

'Salary' includes gross salary; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other cash allowance or expense to the extent that it is subject to UK taxation.

Other expenses for directors and other senior officials, incurred as part of carrying out official duty but which are not subject to UK taxation, are disclosed quarterly on the Commission website www.childmaintenance.org.

Non Executive Directors (subject to audit)

				2010/11		
		Taxable expenses classified as benefits in kind to nearest £100		Total fees	Taxable expenses classified as benefits in kind to nearest £100	Total Remuneration
	£'000	£	£'000	£'000	£	£'000
Dame Janet Paraskeva Chair	80-85	-	80-85	95-100	-	95-100
Deborah Absalom	20-25	2,200	20-25	20-25	2,300	20-25
Rosemary Carter	20-25	5,100	25-30	20-25	4,800	25-30
Bill Griffiths	20-25	4,100	20-25	20-25	3,700	20-25
Heather Jackson	20-25	3,500	20-25	20-25	1,500	20-25
Maeve Sherlock (to 31/07/10)	-	-	-	5-10 (full year equivalent 20-25)	200	5-10

Executive Directors (subject to audit)

	2011/12				2010/11			
		Bonuses	Taxable expenses classified as benefits in kind to nearest £100		Total salary	Bonuses	Taxable expenses classified as benefits in kind to nearest £100	Total Remuneration
	£'000	£'000	£	£'000	£'000	£'000	£	£
Stephen Geraghty Commission-er (to 06/05/11)	20-25 (full year equivalent 205-210)	10-15	900	35-40 (full year equivalent 215-220)	210-215	10-15	23,400	240-245
Noel Shanahan Commission-er (from 09/05/11)	115-120 (full year equivalent 140-145)	-	-	115-120 (full year equivalent 140-145)	-	-	-	-
Alan Hardy Finance & Commercial (Note 1)	160-165	10-15	12,300	185-190	150-155	5-10	18,900	180-185
Susan Park Corporate Affairs	120-125	10-15	100	135-140	120-125	5-10	100	130-135
Ian Wright Change (from 01/02/11)	125-130	-	8,900	135-140	15-20 (full year equivalent 115-120)	-	3,800	20-25
Keith Woodhouse Change (to 11/03/11)	-	-	-	-	120-125 (full year equivalent 125-130)	-	-	120-125
Stephen Leonard Customer & Commissioning (to 28/05/10)	-	-	-	-	25-30 (full year equivalent 150-155)	-	1,900	25-30

Other Senior Officials (subject to audit)

	2011/12				2010/11			
		Bonuses 11-12	Taxable expenses classified as benefits in kind 2011/12 to nearest £100		Total salary 2010/11	Bonuses 2010/11	Taxable expenses classified as benefits in kind 2010/11 to nearest £100	Total Remuneration 2010/11
	£'000	£'000	£	£'000	£'000	£'000	£	£'000
Simon McKinnon Information & Technology	155-160	-	4,900	160-165	145-150	5-10	8,000	160-165
Ian Pavey Human Resources	130-135	-	10,600	140-145	120-125	-	26,700	145-150
Christine Forster Operations (from 01/02/11)	90-95	10-15	7,200	110-115	10-15 (full year equivalent 85-90)	-	-	10-15
Angela McDonald Customer (from 01/02/11)	95-100	5-10	-	105-110	15-20 (full year equivalent 95-100)	-	-	15-20
Ian Wright Corporate Services (to 01/02/11)	-	-	-	-	90-95 (full year equivalent 105-110)	5-10	-	95-100
Mark Grimshaw CSA Managing Director (to 16/01/11) (Note 2)	-	-	-	-	125-130 (full year equivalent 160-165)	5-10	10,900	145-150

<u>Note 1</u>

Alan Hardy ceased to act as Finance and Commercial director of the Commission on 23 April 2012. From 24 April 2012 until 31 May 2012, he worked for the Department for Work and Pensions.

Note 2
A bonus was paid to Mark Grimshaw by the Rural Payments Agency during 2011/12 in respect of his work with the Commission during 2010/11. The bonus was within the £5k - £10k band and the cost will be recovered in full by the Rural Payments Agency during 2012/13.

	2011/12	2010/11
Highest Earners Total Remuneration (£'000)	215-220	240-245
Median Earners Total Remuneration	£18,280	£17,822
Ratio	11.89	13.60

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Child Maintenance and Enforcement Commission in the financial year 2011-12 was £215-220,000 (2010-11, £240-245,000). This was 11.89 times (2010-11, - 13.60) the median remuneration of the workforce, which was £18,280 (2010-11, £17,822).

In 2011-12, no (2010-11 – no) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £12,000 to £215-220,000 (2010-11: £13,110 to £240-245,000)

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Taxable expenses classified as benefits in kind (subject to audit)

Taxable benefits classified as benefits in kind cover any non cash expenses incurred by the Commission to the extent that they are subject to UK taxation together with the associated tax. For the 2011/12 financial year this consists of accommodation, travel and living allowances associated with directors working away from home on long-term detached duty arrangements. In the majority of cases, the Commission has an agreement with HM Revenue and Customs to meet income tax and national insurance on these benefits on behalf of employees, and these amounts of tax and national insurance are included within benefits in kind. In some cases, the tax and national insurance are paid by the employees and reimbursed by the Commission, and these amounts of tax and national insurance are included within salary.

Compensation to former senior manager (subject to audit)

The Commission did not make any awards to former senior managers in 2011/12. The equivalent for 2010/11 was £48,000.

Civil Service Pensions (subject to audit)

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus) or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits being met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased in line with changes in the Pensions increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at a rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement, For Premium benefits accrue at 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits in respect of benefits in respect of service before 1 October 2002, calculated broadly as per the Classic scheme and benefits from October 2002 calculated as the Premium scheme. In Nuvos a member builds up a pension based on their pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Pensions Increase Legislation. In all cases members may opt to give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution. Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pensionable age, or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

The Cash Equivalent Transfer Value (CETV) (subject to audit)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pensions figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV (subject to audit)

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension entitlements (subject to audit)

	Accrued pension at pension age as at 31 March 2012 and related lump sum	Real Increase in pension and related lump sum at pension age	CETV at 31 March 2012	CETV at 31 March 2011 (Restated)	Real Increase In CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Stephen Geraghty Commissioner (to 06/05/11)	25-30	0-2.5	506	476	29	-
Noel Shanahan Commissioner (from 09/05/11)	15-20	2.5-5.0	244	185	41	-
Alan Hardy Finance & Commercial	10-15	0-2.5	171	132	24	-
Susan Park Corporate Affairs	50-55 150-155 lump sum	No Increase in pension or lump sum	907	853	No Increase	-
Ian Wright Change	5-10	0-2.5	130	90	29	-
Simon McKinnon Information & Technology	10-15	2.5-5.0	100	70	21	-
Ian Pavey Human Resources	10-15	0-2.5	199	155	26	-
Christine Forster CSA Operations	30-35 90-95 (lump sum)	2.5-5.0 10-12.5 (lump sum)	609	496	52	-
Angela McDonald Customer	5-10	0-2.5	39	24	9	-

There is no related lump sum if none is shown because the director is a member of the Premium scheme.

Dame Janet Paraskeva and all other Non-Executive directors do not receive a pension as part of their role in the Child Maintenance and Enforcement Commission.

Signed

Noel Shanahan
Accounting Officer
29 June 2012

Statement of Accounting Officer's responsibilities

Under Section 18(2) of Schedule 1 to the Child Maintenance and Other Payments Act 2008, the Secretary of State for Work and Pensions has directed the Commission to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission at the year-end and of its net operating cost, changes in taxpayers' equity and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- Make judgements and estimates on a reasonable basis;

- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and

- Prepare the accounts on the going concern basis.

The Principal Accounting Officer of the Department for Work and Pensions has appointed the Commissioner for Child Maintenance as the Accounting Officer for the Child Maintenance and Enforcement Commission.

The responsibilities of an Accounting Officer, include responsibility for:

- The propriety and regularity of the public finances for which the Accounting Officer is answerable;

- Keeping proper records; and

- Safeguarding the Child Maintenance and Enforcement Commission's assets.

These responsibilities are set out in Managing Public Money, published by Her Majesty's Treasury.

Governance Statement

1. **Introduction**

1.1. In line with guidance issued by HM Treasury, the Governance Statement replaces the Statement on Internal Control (SIC) in previous Annual Reports and Accounts. It is assembled from work carried out during the year and provides;

- a clear understanding of how the Commission works and the control framework;
- an overview of the arrangements for the stewardship of the Commission;
- a description of the systems of internal control employed;
- a summary of the key risks the Commission faced during 2011/12 and their management.

1.2. As Accounting Officer, I lead on the completion of the Statement supported by the Commission Board.

1.3. I was appointed Accounting Officer with effect from 9 May 2011, replacing Stephen Geraghty. There was a full handover of Accounting Officer responsibilities, conducted over a series of meetings. As Accounting Officer, I am responsible for the management and control of the resources used in the Commission.

1.4. The Commission's Executive Team, which I chair, has collective responsibility for the management of the Commission and its business, in line with Ministers' aims and the business strategy set by the Commission Chair and Board.

2. **Oversight by the Department for Work and Pensions**

2.1. The Department for Work and Pensions (DWP) is the Commission's sponsoring Department and the Commission is accountable to DWP and its Ministers for its use of resources and for its performance. The corporate governance arrangements between the DWP and Commission are set out in a Framework Document which can be found at http://www.childmaintenance.org/en/pdf/Framework.pdf

2.2. The Commission submits monthly data to DWP on its forecasts for, and use of, resources and quarterly on its operational performance. This data is incorporated in DWP Executive Team Reports and Quarterly Data Summaries.

2.3. Regular meetings take place between DWP Ministers and the Commissioner.

3. **Governance within the Commission**

3.1. The Commission Board is responsible for setting the overall strategic direction of the Commission and evaluating its performance. Chair of the Commission, Dame Janet Paraskeva is chair of the board and has responsibility for ensuring that the Commission's policies and actions support the wider policies of the Secretary of State and that its decisions comply with statute and any direction given by the Secretary of State.

3.2. During the 2011/12 year the Board members were:

- Janet Paraskeva – Chair
- Stephen Geraghty – Commissioner (to 6 May 2011)

- Noel Shanahan – Commissioner & Chief Executive (from 9 May 2011)
- Deborah Absalom - Non-Executive Director
- Rosemary Carter - Non-Executive Director
- Bill Griffiths - Non-Executive Director
- Heather Jackson - Non-Executive Director
- Alan Hardy - Finance & Commercial Director
- Susan Park - Corporate Affairs Director
- Ian Wright - Change Director

3.3. The Commission had four independent non-executive directors, recruited from all sectors as well as three independent members who sit on our sub committees – two on the Audit Committee and one on the Remuneration Committee.

3.4. Independent members were:

- Peter Conway (Audit Committee)
- Dawn Johnson (Audit Committee)
- Liz McMekein (Remuneration Committee)

3.5. The non-executive directors and independent members are not employees of the Commission. The non-executive directors are office holders and they provide 20 days a year for the Commission. The non-executive directors offer constructive challenge across the whole of the Commission's business and ensure that all aspects of strategy and delivery of policy are independently scrutinised for effectiveness and efficiency.

3.6. **Non-Executive Functions Committee.** The Board and the Non-Executive Functions Committee, which is a sub-committee of the Board, have joint ownership of senior succession planning for the Commission including identifying and managing any risk areas.

3.7. **Audit Committee**. The Audit Committee is a sub-committee of the Non-Executive Functions Committee and consists of two non-executive directors of the Commission Board and two independent members. The Board Chair, Commissioner, executive directors, officials from DWP and the National Audit Office or other employees of the Commission attend at the Committee's request to provide advice and information.

3.8. The Audit Committee provides an independent view on the appropriateness, adequacy and value for money of the Commission's governance, risk management and assurance processes. It provides constructive challenge, opinion and advice, taking account of risks, on the effectiveness of the Commission's control environment.

3.9. **Remuneration Committee**. The Remuneration Committee is a sub-committee of the Non-Executive Functions Committee and met three times during 2011/12. All reward recommendations are determined within guidance received from Cabinet Office for members of the Senior Civil Service and from HM Treasury for other senior colleagues. For Commission executive directors, the Commissioner makes recommendations to the Remuneration Committee. The Remuneration Committee is also invited to scrutinise and recommend reward proposals for the remainder of the Executive Team. The Committee's recommendations are submitted to the Non-Executive Functions Committee for ratification. The terms of any reward for the Commissioner are recommended by the Chair of the Commission to the Remuneration Committee and are then subject to final approval by the Secretary of State and the Minister for the Civil Service.

4. Board and Committee Activity and Performance

4.1. The Board conducted a review of its performance and operation during the year, led by the Chair and the Commission Legal Adviser. Board members were first invited to complete a questionnaire, the responses to which formed the basis of two Board discussions.

4.2. The Board was satisfied that it was able to oversee the Commission and its business effectively. It was agreed that issues raised in the previous review had been addressed.

4.3. The Board met monthly until January 2012 when meetings became bi-monthly starting in March 2012. All Board meetings were attended in full during the year.

4.4. Each meeting covered a range of items raised by the Board; standing items included the Commission's performance, funding, the Green Paper[7], other policy changes and the Commission's Change Programme. Additional items included the quarterly Audit report and an overview of the Commission's risk management process.

4.5. The Commission's Audit Committee also undertook a review of its performance in June 2011 with a summary of the findings discussed at a subsequent meeting. The review confirmed that the Committee met all five of the key principles (role, independence and objectivity, skills, scope of work and communication).

4.6. During the year, the Audit Committee had four full meetings that were attended in full**.** The Audit Committee discussed a variety of items including,

- the Administration Account and Client Funds Account,
- proposals for future reporting of the Client Funds Account,
- Internal and External Audit Assurance reports,
- development of a comprehensive assurance framework.

4.7. There were two additional meetings during the year, one to enable the Commission to provide information to the Audit Committee about its risk management process and the other to discuss the 2010/11 Annual Report and Accounts and Client Funds Accounts.

4.8. The Audit Committee Chair has provided information to the Board after each meeting detailing the Committee's discussions. During the year, non-executive Director Heather Jackson left the Audit Committee and was replaced in October 2011 by Deborah Absalom, who is also a member of the Commission Board.

4.9. I can confirm that there are no conflicts of interest between the members of the Board and its Committees and the Commission.

4.10. I confirm that no Ministerial Directions have been received this year in the Commission.

5. Data Quality to support the Board's needs

5.1. The Board receives reports at its meetings to support its discussions. All reports comply with a prescribed layout to ensure that the Board is able to focus on the key issues and the decisions which are required.

[7] Strengthening families, promoting parental responsibility: the future of child maintenance CM 7990 January 2011

5.2. The Board has not raised any specific concerns with the quality of the information it receives. The Board is aware of the underlying MI issues within the Commission and the steps being taken to improve this.

6. Compliance with the Corporate Governance Code

6.1. The Commission is required to comply with the provisions in the Corporate Governance Code ("the code") or explain where it has not done so. The only provision of the code that the Board has not complied with is the requirement for a Nominations and Governance Committee of the Board.

6.2. The code indicates that the role of a Nominations and Governance Committee is to;

- Ensure that there are satisfactory systems for identifying leadership and high potential;
- Scrutinise the incentive structure and succession planning for the Board and senior leadership;
- Scrutinise governance arrangements.

6.3. The Board is satisfied that relevant assurance covering each of these aspects is obtained through the Commission's HR Director, the lead non-executive Board member (who is also Chair of the Remuneration Committee) and the Audit Committee and therefore does not need a Nominations and Governance Committee.

7. Risk, controls and compliance

7.1. The Commission operates a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. Over the year new risks have been identified and risks have been escalated or de-escalated as circumstances have changed. The Commission's Executive Team (ET) regularly reviews the top risks and the Commission Board ensures that the top risks are considered as part of each meeting.

7.2. The Commission's Board and ET have a broad range of skills and experience from the public and private sectors. They recognise the importance of risk management and have managed the risks that have emerged during the year through a series of measures, including regular risk workshops and holding regular programme board meetings specifically addressing risks to the successful delivery of major programmes.

7.3. The letters of assurance completed by directors at the year end include confirmation that the Commission's risk process has been followed. This has confirmed that risk management is firmly embedded into directorates and programmes and that discussions are held regularly to ensure risks are being managed effectively.

7.4. Information risk remained an important focus during 2011/12. Information security featured as a risk on the Commission's strategic risk register, which was regularly reviewed by the Executive Team. As well as the overall risk register review, the Executive Team also looked at specific aspects of the information security risk during the year.

7.5. A range of potential information risks have been defined in a high level "Information Risk Profile" document, together with associated residual issues and key mitigations, which are actively tracked and monitored at the Security & Information Governance Forum. There were no significant lapses of information security during the year.

7.6. The Commission has a number of assurance measures to ensure that it is effectively managing security risks to people, IT systems, information and buildings. During 2011-12, the overall level of assurance over the management of information risks and mitigation of known control weaknesses has remained relatively stable, with progress made in a number of areas. This reflects the comprehensive end of year assessment against the HMG Information Assurance Maturity Model, which was independently assured by DWP Information Assurance Division.

7.7. During the year, progress was made in the following areas:

- key security policies, including the Commission's Identity Management and Access Control Policy and Information Sharing Policy, were reviewed and developed;
- there was continued focus on security awareness with programmes of communications;
- middle and senior managers received security presentations;
- all our people were again required to complete the DWP security e-learning course.

7.8. A major security awareness initiative entitled 'Protecting Client Information' which began in April 2010 completed in June 2011. This delivered improvements in security awareness, in particular around telephone security, post despatch and e-mail security.

7.9. This effectiveness of this activity can be seen in a reduction in security incidents across the Commission.

7.10. Business continuity exercises have been undertaken across the Commission to ensure that plans are robust. A number of live incidents have been successfully managed during the year by the Commission's business continuity teams. This has included two periods of Whitehall-wide industrial action, during which all Commission offices remained open and disruption to service delivery was kept to a minimum.

8. Findings from Internal Audit, External Audit and other reviews

8.1. During the year, the Commission was subject to a Value for Money study by the National Audit Office. A copy of their report can be found on the NAO website. http://www.nao.org.uk/publications/1012/cmec_cost_reduction.aspx

8.2. Findings from internal audit work during 2011/12 have continued to reflect the improving trend in governance, risk management and control, with audits completed throughout the year achieving 'reasonable' or 'strong assurance'. No audits resulted in a "weak " rating.

8.3. The overall internal audit opinion is that the Child Maintenance and Enforcement Commission's governance, risk management and control arrangements provide Reasonable Assurance that material risks are identified and managed effectively, with the exception of the following matters:

- Client Funds Accounting, where cumulative errors in maintenance assessments since the CSA was formed continue to impact on the accuracy of accounting records in relation to the outstanding debt balance. These problems will not be resolved and the position will remain unchanged, with New Scheme being the way forward; and

- Change Programme (New Scheme), where the Commission has made steady progress over the year in increasing capabilities and embedding stronger programme management disciplines, but where there remain a number of delivery challenges.

8.4. The majority of 2011/12 internal audit recommendations have been implemented during the year and in the opening months of 2012/13.

9. Internal Control Challenges

9.1. The Executive Team has identified the following significant control challenges.

9.2. **Client Funds Account**. The Commission has responsibility for the management of client funds relating to the two existing statutory maintenance schemes and for the pursuit of the accumulated arrears of maintenance owed by non-resident parents. The Commission is required by the Secretary of State for Work and Pensions to produce a Client Funds Account, which is separate from its Annual Report and Accounts.

9.3. Following the identification of a number of weaknesses in the information available from the child maintenance systems during preparation of the 2008/09 Client Funds Account, a suite of reports were developed to produce arrears listings. These listings formed the basis of Note 6 to the 2009/10 and 2010/11 Client Funds Account and will be used to prepare Note 6 of the 2011/12 Client Funds Account.

9.4. The Client Funds Account for 2010/11 was laid before Parliament on 14 May 2012. In common with the 2008/09 and 2009/10 accounts, the 2010/11 account carried an adverse opinion on the arrears note, arising from estimated errors in the underlying arrears, alongside the long-standing regularity qualification arising from estimated errors in maintenance assessments.

9.5. **New Scheme.** The Commission is part-way though a major project to reform the system of child maintenance, which is due to go-live in stages, commencing in late 2012. The new statutory maintenance scheme, which will ultimately replace the two existing schemes, is underpinned by a new IT system. The programme is to deliver in two stages – Phase 1 will introduce the basic new scheme for new cases in the latter months of 2012; Phase 2 will provide functionality for charging for use of the statutory scheme but will not go-live until at least six months after Phase 1.

9.6. As with any such large programme, there have been a number of internal and external reviews. As reported in last year's Annual Report and Accounts, these reviews had found that the programme was assessed as lacking an agreed verified delivery plan but that a rebaselining exercise had taken place and been agreed by the Commission Board.

9.7. There have been further reviews during this financial year, including in July 2011 and April 2012 by the Major Projects Authority (MPA). The first recognised that risks continued to exist; but confirmed the programme's viability and the improving programme management controls. Significant progress has subsequently been made to increase capability and governance within the programme. Nevertheless, over the last 6 months of the financial year, slippage occurred around testing. The more recent review assessed the programme as viable, but highlighted a number of required actions to improve delivery confidence. Ministers have always advocated a cautious approach and we will use a pathfinder to introduce the new scheme gradually. This, and improved testing velocity, mean that the Executive Team has strong confidence in a successful October introduction.

9.8. **Stuck and off-system cases.** The Commission currently operates two child maintenance computer systems: CSCS, implemented in 1993, and CS2, implemented in 2003. A problem with the CS2 system is that cases become unprogressable or ‘stuck’ on the system due to data issues, software defects or both. These cases became invisible to caseworkers unless clients complain about the lack of progress. At that point, the case would be referred for off-system management.

9.9. These off-system cases are known as “clerical” cases, though this is not strictly accurate as they are managed using a number of small IT systems. However, these systems are very limited in their functionality compared to CS2 and significant additional resource is required, incurring a much higher cost – estimated to be around 70% higher.

9.10. In March 2012, there were around 104,100 cases managed wholly off the main computer systems and a further 42,400 cases managed partially off the main systems, compared with 100,200 and 44,400 respectively in March 2011.

9.11. The September 2008 upgrade to CS2 fixed some known software defects and introduced for the first time a system of validation and error trapping. Cases experiencing problems are identified and either rectified by caseworkers or referred to an ‘initially stuck’ queue for technical fixes, if possible. If successful, the case is then transferred back to caseworkers for normal progression. In March 2012, around 1900 cases per week were entering the ‘initially stuck’ queue and approximately 16% of these cases move to the ‘long term stuck’ queue. Long term stuck cases are processed either wholly or partially off the main computer systems.

9.12. Although the permanent solution for the problems of stuck and off system cases is the new scheme IT system, the Commission remains committed to reducing the number of cases requiring clerical intervention and improving the management of such cases in the meantime, where it is cost effective to do so.

9.13. **Assessment accuracy.** A continuing issue, which has been central to the modified audit opinions of the Client Funds Account, concerns the inaccuracy of maintenance assessments and the consequent uncertainty around reported arrears (including doubts around the accuracy of estimates for non-collectability of arrears). The accumulated inaccuracies arising mainly from earlier years continue to affect current arrears balances.

9.14. The Commission continues to drive up accuracy and there has been a sustained campaign this year, including increased education and increased management focus. As a result, the Commission has made steady improvements over the last few years with Cash Value Accuracy[8] increasing from 97.4% in 2010/11 to 98.2% in 2011/12. We will continue this campaign in 2012/13, and will ensure lessons are learned for the new scheme.

9.15. **Adjustments to assessments and arrears.** The Commission became concerned that in some circumstances, case workers were inappropriately “adjusting” arrears (i.e. reducing the arrears balance) rather than “suspending” the arrears (i.e. not actively pursuing them) due to a poor understanding of procedures.

[8] ‘Cash Value Accuracy’ gives an overall measure of inaccuracy for the Commission. This involves dividing the sum of all the errors by the sum of all the correct maintenance assessments for a sample of both accurate and inaccurate cases. Suppose, for example, that the total weekly value of correct assessments is £45,000. Of the cases found to be inaccurate, the aggregate error in weekly maintenance across might be £3,570 or 8% of the total assessments. This would give accuracy by value of 92%.

9.16. The Commission responded by introducing clearer guidelines and education for caseworkers. The accuracy checking regime the Commission employs has highlighted that improved guidance is reducing the level of adjustment errors and the accuracy of Debt Adjustments rose from 84.6% in 2009-10 to 90.6% in 2011-12. This action however, does not reduce the accumulated historical errors.

9.17. **Refunds made to clients**. The Commission continues to make inappropriate refunds to clients due to short term timing differences in confirming changes of circumstances. These refunds are financed by, and recorded as a loss in, these accounts.

9.18. Throughout 2011/12, the Commission continued to implement recommendations from earlier internal audit reviews to put in place robust controls over the checking and authorisation of refunds. Additionally, managers were provided with better management information on the volume and value of refunds.

9.19. As a result of these measures, the amount erroneously refunded continues to reduce. The value of refunds in 2011/12 was £5.3m, some £3.2m lower than in 2010/11. The Commission will continue to review its processes to further reduce the costs of erroneous reimbursements.

9.20. **Information security**. The Cabinet Office requirements on information security are set out in 'Data Handling Procedures in Government', published in June 2008 and 'HM Government Security Policy Framework', revised in April 2012.

9.21. The Commission holds a wide range of personal data. The 2011/12 Information Assurance Maturity Model (IAMM) analysed the approach to information risk management across the Commission. The overall maturity shows that information assurance processes are regarded as business enabling. Business critical information systems, and the information assurance status of all such systems, have been identified. All critical areas of the business, including information systems, are subject to a robust information assurance regime.

9.22. The Commission's CS2 IT system has full security accreditation. CSCS system has stronger security features than CS2. However, following a formal risk assessment by the Child Support Agency in 2008 the Department for Work and Pensions' (DWP) executive team decided not to pursue full security accreditation for CSCS. The Accounting Officer at the time was sighted on this decision in his capacity as senior responsible owner of CSCS.

9.23. The overall Internal Audit opinion of information risk, within the Commission, is 'Reasonable', which reflects the result of the IAMM assessment and the 'Reasonable' opinion of the 2011/12 internal audit of Information Risk Management & Assurance. The Commission has been working with the DWP to address a number of significant control challenges where these affect the Commission due to DWP dependencies.

9.24. **Management information (MI)**. The provision of robust management information continues to be an issue for the Commission. Action has been taken to improve the ability of our managers to drive performance improvement, which in 2011/12 was evident through higher maintenance collection and principal Ministerial targets being met. However, some issues remain over the robustness, timeliness and completeness of this information, in particular:

- Stability of MI production. The Commission produces many forms of performance reporting both for internal and external consumption. In the latter part of the year MI production has been affected by a number of problems centring on the data runs carried out on the Commission's behalf by the DWP’s Information Governance and Security Directorate (IGS). The Commission continues to work with IGS to improve the situation.

- The child maintenance computer systems lack the functionality to “age” arrears of payments to the Parent with Care from the Non-Resident Parent. This impacts the Commission’s ability to assess the collectability of debt. The cost of remedying this issue is considered prohibitive. The new scheme will improve our ability to show the age of debt.

- Legal enforcement. ‘Tallyman’ was introduced during 2010/11 replacing civil and criminal enforcement small systems. Tallyman is a commercial service which is widely used to provide support for managing and monitoring casework through the enforcement processes and on-line work management tools. Tallyman supports the Commission’s business within both civil and criminal proceedings and is tailored to each of the three jurisdictions (England/Wales, Scotland and Northern Ireland). When first introduced within the Commission there were issues with the MI as a result of users not properly understanding the features of the system. An improvement programme has been undertaken during 2011/12 and, although there remains some need for additional refinement, the Commission is now making substantial use of the system with regard to caseload and collections information.

- Complaints information. This was previously an area for improvement for the Commission, particularly around the reliability of Management Information. The computer system used to manage complaints was upgraded in 2009/10 which partially addressed performance issues and following a 2010/11 Internal Audit review key governance and controls were enhanced. The Commission now considers the MI and governance to be robust.

10. Conclusion

10.1. The Commission continues to deliver real and lasting improvements in performance and control, which is evident through the 899,700 children benefiting from statutory maintenance during 2011/12 and with the Commission collecting or arranging £1,186.6m in child maintenance, the highest amount since the inception of the Child Support Agency.

10.2. Despite a rolling programme of pragmatic value for money improvements to our systems and processes, the Commission continues to operate in a challenging operating environment, caused by serious underlying IT problems. Unfortunately, these issues will remain while the current systems remain in use.

10.3. I believe the continuing improvement in performance, coupled with the introduction of the new statutory child maintenance system, provides a solid footing for a first class child maintenance service in the future.

Noel Shanahan

Accounting Officer

29 June 2012

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Child Maintenance and Enforcement Commission for the year ended 31 March 2012 under the Child Maintenance and Other Payments Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Child Maintenance and Other Payments Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and

- the financial statements have been properly prepared in accordance with the Child Maintenance and Other Payments Act 2008 and Secretary of State directions issued thereunder.

Emphasis of matter – going concern

In forming my opinion, which is not qualified, I have considered the disclosures made in Note 1.1 to the financial statements concerning the basis of preparation. As explained in the Note, the Government is proposing to use the powers in the Public Bodies Act 2011 to abolish the Commission as a non-departmental public body and transfer its functions, property, rights and liabilities to the Secretary of State for Work and Pensions. Using the powers in the Act, the Government has laid an Order before Parliament to achieve this, although Parliament is not due to express a view on this Order until after the date of preparing and certifying these accounts, and therefore there is a material uncertainty as to whether the proposal to abolish the Commission will be approved.

The Order sets out that the transfer will be treated as a Machinery of Government change from one government body to another. Consequently the Commission has prepared these financial statements on a going concern basis, and this would not be affected by the crystallisation of the uncertainty referred to above.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Child Maintenance and Other Payments Act 2008; and

- the information given in the About the Child Maintenance and Enforcement Commission, Management Commentary and Foreword to the Accounts sections in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 2 July 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive net expenditure

	Note	2011/12 £'000	2010/11 £'000
Staff costs	3	225,306	235,867
Other costs	4	262,539	280,724
Gross Costs		487,845	516,591
Operating Income	5	(3,356)	(3,411)
Net Operating Cost		**484,489**	**513,180**
Other Comprehensive Expenditure			
Net loss on revaluation of intangibles		324	1,656
Other Comprehensive Expenditure		**324**	**1,656**
Total Comprehensive Expenditure for the year		**484,813**	**514,836**

All income and expenditure are derived from continuing operations.

The notes on pages 56 to 98 form part of these accounts.

Statement of financial position

	Note	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Non-current assets:			
Intangible assets	6	31,832	26,817
Property, plant and equipment	7	433	30
Trade and other receivables	9	22	39
Total non-current assets		**32,287**	**26,886**
Current assets:			
Trade and other receivables	9	2,018	6,275
Cash and cash equivalents	10	183	218
Total current assets		**2,201**	**6,493**
Total assets		**34,488**	**33,379**
Current liabilities			
Trade and other payables	11	(58,749)	(70,279)
Provisions	12	(961)	(216)
Non-current assets less net current liabilities		**(25,222)**	**(37,116)**
Non-current liabilities			
Provisions	12	(1,999)	(1,551)
Total non-current liabilities		**(1,999)**	**(1,551)**
Assets less liabilities		**(27,221)**	**(38,667)**
Taxpayers' Equity			
General Fund		(27,392)	(39,544)
Revaluation Reserve		171	877
Total Taxpayers' Equity		**(27,221)**	**(38,667)**

Signed

Noel Shanahan

Accounting Officer

29 June 2012

The notes on pages 56 to 98 form part of these accounts.

Statement of cash flows

	Note	2011/12 £'000	2010/11 £'000
Net cash outflow from operating activities	13(a)	(486,901)	(515,447)
Net cash outflow from investing activities	13(b)	(9,333)	(11,295)
Net cash inflow from financing activities	13(c)	496,199	526,456
Net cash outflow for the year		**(35)**	**(286)**
Cash and cash equivalents at the beginning of the period	**10**	**218**	**504**
Cash and cash equivalents at the end of the period	**10**	**183**	**218**

The notes on pages 56 to 98 form part of these accounts.

Statement of changes in Taxpayers' Equity

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2010		**(53,347)**	**2,812**	**(50,535)**
Changes in Taxpayers' Equity for 2010/11				
Funding from DWP	13(c)	527,001	-	527,001
CFERs payable to the Consolidated Fund	5	(795)	-	(795)
Net Operating Cost		(513,180)	-	(513,180)
Movements in reserves:				
Recognised in Statement of Comprehensive Net Expenditure		-	(1,656)	(1,656)
Transfers between reserves	1.18a)	279	(279)	-
Adjustment to Asset transfer to DWP		498	-	498
Balance at 1 April 2011		**(39,544)**	**877**	**(38,667)**
Changes in Taxpayers' Equity for 2011/12				
Funding from DWP	13(c)	496,650	-	496,650
CFERs payable to the Consolidated Fund	5	(391)	-	(391)
Net Operating Cost		(484,489)	-	(484,489)
Movements in reserves:				
Released on asset impairment	8	-	(411)	(411)
Recognised in Statement of Comprehensive Net Expenditure			87	87
Transfers between reserves	1.18a)	382	(382)	-
Balance at 31 March 2012		**(27,392)**	**171**	**(27,221)**

a. The General Fund represents the total assets less liabilities of the Commission to the extent that the total is not represented by other reserves and financing items.
b. The Revaluation Reserve reflects the revaluation surplus as a result of increases to asset values above their historic book value following indexation.

The notes on pages 56 to 98 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

1.1 Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with the 2011/12 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) adapted or interpreted as appropriate for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Commission are set out below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

All amounts included in the financial statements have been rounded to the nearest thousand pounds unless stated otherwise.

The Government is proposing to use the powers in the Public Bodies Act 2011 to abolish the Commission as a non-departmental public body and transfer its functions to the Secretary of State for Work and Pensions, thereby bringing the delivery of child maintenance strategic and operational policy under more direct Ministerial Control. Using the powers in the Act, the Government has therefore laid the Public Bodies (Child Maintenance and Enforcement Commission: Abolition and Transfer of Functions) Order 2012 before Parliament.

The Order proposes abolishing the Commission, and transferring its functions, property, rights and liabilities to the Secretary of State, with the Commission's staff transferring to the Department for Work and Pensions. The Order sets out that the transfer will be treated as a Machinery of Government change from one government body to another. Consequently the Commission has prepared these financial statements on a going concern basis.

Parliament is not, however, due to express a view on this Order until after the date of preparing and certifying these accounts, and therefore there is a material uncertainty as to whether the proposal to abolish the Commission will be approved. Nevertheless, a crystallisation of this uncertainty would not give rise to any changes in the financial statements or to a change to the going concern basis used to prepare them.

The Commission expects that its transferred functions will continue to be funded, via the Department, through parliamentary supply in the future.

1.2 Accounting Standards, Interpretations and Amendments

(i) Adopted in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2012, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the *FReM*.

The Commission has adopted the following new and amended IFRSs as of 1 April 2011:

IFRS 7 Financial Instruments: Disclosures – The Commission is compliant with the IFRS in that it discloses both qualitative and quantitative information to enable the user to form an overall picture on the Commission's exposure to risk. In addition, the Commission holds its balances at fair value or at a reasonable approximation of fair value, thereby disclosing the amount that represents the maximum exposure to credit risk.

IAS 24 Related Party Transactions – The amended standard provides exemption for full disclosure of transactions with state-controlled entities and does not impact the current exemption allowed within the FReM. The Commission is compliant with the IFRS by disclosing that it is related to the Department and other bodies for which the Department is regarded as parent.

Impending application of newly issued international accounting standards not yet effective

The following IFRSs and IFRIC Interpretations and Amendments have been issued but are not yet effective and have not been adopted early. An assessment will be undertaken to consider the impact of the IFRSs on the Commission.

IFRS 9 Financial Instruments: Classification and Measurement – introduces new requirements for the classification and measurement of financial assets.

IFRS 13 Fair Value Measurement (effective for periods beginning on or after January 2013) – this standard will improve consistency, reduce complexity and give a precise definition of fair value providing a single source of fair value measurement and disclosure across all IFRS's.

IAS 19 Employee Benefits (effective for periods beginning on or after 1 January 2013) – enhances the disclosure requirements for defined benefit plans.

1.3 Basis of Accounts

The Commission is required, under the Child Maintenance and Other Payments Act 2008, to prepare its accounts in accordance with directions made by the Secretary of State with the consent of HM Treasury. The Secretary of State has required the Commission to comply with the requirements of the FReM. The Commission was established on 24 July 2008 and the Department transferred the functions of the Child Support Agency to the Commission on 1 November 2008.

There are some limited transactions between the Commission's Administration Account and its Client Funds Account, which is published separately, and these are accounted for in both sets of accounts. The main areas are in Note 4, included in reimbursements and deferred debt payments, bad debts written off and in the trade and other receivables Note 9, for monies due from clients (included in other receivables).

1.4 Accounting Convention

These financial statements have been prepared under the historical cost accounting convention modified for the revaluation of non current assets at fair value, as determined by the relevant International Accounting Standard (IAS) and International Financial Reporting Standards.

1.5 Areas of Judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include depreciation and amortisation periods, provisions, early departure costs and impairment.

1.6 Estimation Techniques

The preparation of financial statements in accordance with IAS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Commission's accounting policies.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

a. Impairment of Administration Receivables

Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable.

The impairment percentage is calculated to reflect the aged profile characteristics of the receivable balances falling due within one year and the recoverability thereof.

The percentage is calculated using the prevailing recovery rates exhibited by the respective receivable profile for the Commission by receivable category type and age category (where appropriate) and by calculating the actual recovery rates from a recent preceding 12-month period. The calculation includes instalment payments but excludes receivables due within one year from other government departments as these are expected to be fully recovered.

The respective impairment percentage calculations are applied to the appropriate receivables falling due within one year (by category) as disclosed in the Statement of Financial Position at 31 March 2012. This ensures that assets are carried at no more than their fair value i.e. their expected recoverable amount.

Receivables greater than one year old are subject to 100 percent impairment as it is considered unlikely that debts of this age will be recovered.

b. Employee Leave Accrual

IAS19 requires the Commission to determine true short term employee benefit liability for employee leave as at 31 March 2012. The Commission payroll system cannot quantify this liability at the reporting date. In line with the Department, the Commission has used a sampling approach for estimating the accrual at 31 March 2011 and 31 March 2012.

c. Revaluation of Intangible Assets

The FReM interpretation of IAS 38 requires the Commission to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. The Commission has therefore applied appropriate indices to revalue software licences.

The Commission has opted to use the final February restated indices which is a change in the estimation technique in 2010-11 as prior year indexation was based on the latest available indices. Due to the publication timetable for indices, this change ensures that revaluation is based on final published indices instead of provisional indices which can be unreliable. The impact on software licences is negligible.

The Commission uses the Producer Price Index JV5(a) series for computers and peripheral equipment as a suitable proxy to establish fair value as this adequately reflects the movements in the costs of licences during changing market conditions.

1.7 Northern Ireland Child Maintenance and Enforcement Division

The Commission's Belfast based operations are housed in Great Northern Tower along with the Northern Ireland Child Maintenance and Enforcement Division of the Department for Social Development in Northern Ireland. All people working in the Commission's Belfast centre are employees of the Department for Social Development in Northern Ireland. The costs for processing the Commission's cases by the Department for Social Development in Northern Ireland are reimbursed by the Commission and are included in the Statement of Comprehensive Net Expenditure.

1.8 Employee Benefits

Short-term employee benefits, such as salaries and paid absences are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that the Commission has a present obligation to pay this amount as a result of past service and the obligation can be reliably measured. Bonuses in relation to Senior Civil Service employees are not recognised until individuals have been informed. The policy in relation to employee pensions is disclosed in Note 1.23.

1.9 Research and Development Expenditure

Expenditure on research is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred. The Commission is not able to calculate the amount of expenditure on research that has been expensed in 2011/12. Development expenditure is also recognised in the Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within IAS 38 Intangible Assets. Development costs that have previously been recognised correctly as an expense prior to the relevant capitalisation criteria being met are not subsequently recognised as an asset upon satisfaction of those criteria.

1.10 Value Added Tax (VAT)

Most of the activities of the Commission are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

The Department has been granted dispensation for VAT chargeable on services provided to the Commission.

The Commission is registered for VAT and any VAT balances due are shown in the accounts (Note 9).

1.11 Insurance

The Commission does not purchase commercial insurance unless it is required under the standard terms of a service contract. Losses arising from damage to or loss of assets, employer's liability and claims from third parties are charged directly to the Statement of Comprehensive Net Expenditure.

1.12 Operating Income

Operating income is income that relates directly to the operating activities of the Commission. It comprises fees and charges for services provided on a full-cost basis to external clients as well as charges to the Department for Social Development in Northern Ireland for IT and telephony services. It includes both income appropriated in aid of the Estimate and income to be surrendered to the Consolidated Fund, which, in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT. (See Note 5).

1.13 Revenue Recognition

The Commission complies with IAS 18 in respect of its income streams and recognises revenue when earned.

1.14 Property, Plant and Equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, the Commission has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, plant and machinery and furniture and fittings.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Computer hardware has a capitalisation threshold of £1,000. For all other tangible assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered prohibitive and therefore the majority of these items are recorded on a pooled basis.

On initial recognition assets are measured at cost, including any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial period in which it is incurred.

1.15 Intangible Assets

Whether acquired externally or generated internally, intangible assets are initially measured at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Purchased Software

Purchased software licences and applications covering a period of more than one year and which are above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently revalued, using appropriate indices as a proxy for fair value. In view of the large number of software licences purchased across the Commission, those capitalised are accounted for on a pooled basis with any items/pools amounting to over £100,000 identified individually on the Commission non-current asset register.

Expenditure on annual software licences is charged to the Statement of Comprehensive Net Expenditure.

Internally Developed Software

Internally developed software is capitalised if it meets the criteria specified in IAS 38 Intangible Assets. Costs that are categorised as research or development costs are accounted for in accordance with Note 1.9. Development costs which meet the IAS 38 criteria are classified as assets under construction until the asset is available for use at which point the asset is transferred to the relevant asset class. Directly attributable staff costs are capitalised in accordance with IAS 38.

Expenditure that does not meet the criteria for capitalisation is recognised as an expense in the year in which it is incurred. Costs associated with the maintenance of software are also expensed when incurred.

Website Development Costs

Website development costs are capitalised in line with the requirements of SIC 32 Website Costs and the specific criteria as determined by IAS 38 Intangible Assets. Assets are recorded as assets under the course of construction until the asset is available for use at which point the asset is transferred to the relevant asset class.

Costs are categorised as research or development costs and accounted for accordingly (see Note 1.9).

1.16 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method to reflect the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Depreciation commences once an asset is available for use and continues until the asset is derecognised or categorised as held for sale or written down to nil value. Property, plant and equipment are therefore depreciated from the month of acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until the asset is available for use. Following the introduction of a new fixed asset current cost accounting module the Commission changed its depreciation policy during the year. Previously depreciation was charged from the month after assets were available for use. From 2011-12 depreciation was charged from the month assets were available for use. The impact of this change is negligible.

Estimated useful asset lives are normally in the following ranges:

Information Technology	3 to 7 years
Plant and Machinery	5 to 10 years
Furniture and Fittings	2 to 15 years

The residual values and useful lives of assets are reviewed and adjusted if appropriate at the end of each reporting period.

1.17 Amortisation

Amortisation is calculated on intangible assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Intangible assets are therefore amortised from the month of acquisition. No amortisation is charged in the month of disposal. Assets in the course of construction are not amortised but are subject to impairment reviews until the asset is brought into use. Following the introduction of new fixed asset current cost accounting module the Commission changed its amortisation policy during the year. Previously amortisation was charged from the month after assets were available for use. From 2011-12 amortisation was charged from the month assets were available for use. The impact of this change is estimated to have increased amortisation in 2011/12 by £0.4m.

Estimated useful asset lives are normally in the following ranges:

Software Licences	Shorter of licence period and 5 years

The residual values and useful lives of intangible assets are reviewed and adjusted if appropriate at the end of each reporting period.

1.18 Revaluation and Impairment of Non-Current Assets

a) Revaluation

Gains on revaluation are credited to the revaluation reserve. Losses on revaluation of assets, that do not result from a clear consumption of economic benefits, are debited to the revaluation reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the Statement of Comprehensive Net Expenditure. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

b) Impairments

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a revalued asset, the balance on the revaluation reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

All non-current assets and assets under the course of construction are reviewed for impairment annually and if circumstances arise that indicate the carrying amount may not be recoverable an impairment is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.19 Financial Assets and Liabilities

Financial assets and liabilities are recognised when the Commission becomes party to the contracts that give rise to them. The Commission determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by IAS39 as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or the Commission has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligations under the liability are discharged, cancelled or expire. It is, and has been, the Commission's policy that no trading in financial instruments is undertaken.

Fair Value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between informed and willing parties. On initial recognition of a financial instrument, this is usually the transaction amount.
Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost, net of any impairment. The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the Statement of Comprehensive Net Expenditure. Loans and receivables are included in current assets, except for those maturing more than 12 months after the end of the reporting period, which are classed as non-current assets.

Cash and cash equivalents comprise cash in hand and current balances, with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Financial liabilities measured at amortised cost

Financial liabilities within trade payables and accruals are non-interest bearing and are initially recognised at fair value, which is deemed to be the original invoiced amount. They are subsequently carried at amortised cost.

Impairment of Financial Assets

The Commission assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial instrument they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant, on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counter party's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and is recognised in the Statement of

Comprehensive Net Expenditure. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Additional information is provided in Note 1.6.

For the purpose of measuring the impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows.

1.20 Inventories

The Commission holds inventories of stationery, computer spares and similar consumable materials for its own use. Due to the nature of these items the Commission does not consider it appropriate to reflect their value in the Statement of Financial Position. Accordingly, the Commission charges all expenditure on consumable items to the Statement of Comprehensive Net Expenditure.

1.21 Provisions

Provisions are recognised when the Commission has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the end of the reporting period, are included on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2% - 2010/11 2.2%). The only exception to this is early departure provisions which are discounted using the rate outlined at Note 1.22 The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Statement of Comprehensive Net Expenditure.

1.22 Early Departure Costs

For past early departure schemes, the Commission meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Commission provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 2.8% (2010/11 2.9%) in real terms.

From 22 December 2010, all exit costs falling to be paid by the Commission under the Civil Service compensation terms consist of lump sum payments only.

1.23 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The Commission recognises the expected cost of these elements, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk)

1.24 Operating Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.25 Private Finance Initiative (PFI) transactions

Where the Commission does not have control over the PFI asset and the balance of risks and rewards of control are borne by the Department, the assets are recognised on the Departments Statement of Financial Position and any related payments or charges are recorded as an expense. The Commission has no PFI assets or current control over such assets.

1.26 Contingent Liabilities

Contingent liabilities are possible obligations which arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission or present obligations arising from past events where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless the likelihood of a transfer of economic benefits is remote.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Commission discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

These comprise:

- Items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Commission entering into the agreement; and

- All items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the accounts) which are required by the *FReM* to be noted in the accounts.

Where the time value of money is material, contingent liabilities that are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.27 Third-Party Assets

The Commission holds, as custodian, certain monies belonging to third parties relating to maintenance under the existing statutory child maintenance schemes (see Note 18). These are not recognised in the accounts, as neither the Commission, nor the Government more generally, has a direct beneficial interest in them. The transactions are included within a Client Funds Account, which is published separately.

1.28 Operating Segments

IFRS 8 applies in full to the Commission. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Commission's Board.

2. Statement of Operating Costs by Operating Segment

IFRS 8 requires the Commission to disclose costs and balances by operating segment as reported to the Commission Board. The costs of the Commission are reported to the board on a monthly basis, and are analysed as existing statutory services and new services.

Existing statutory services is the operation of the existing statutory maintenance schemes. Delivery costs cover the costs of running the statutory maintenance schemes. Investment on the existing statutory service includes non-contracted out expenditure under the operational improvement plan.

New services include the Child Maintenance Options service and the new statutory maintenance service. The costs of providing these services are recorded as delivery costs.

Investment costs cover:
- The implementation of the new legislation;
- Developing, building and introducing the new statutory scheme;
- Recruiting and training the additional people needed during the transition period to the new scheme;
- Setting up and managing the collection of existing scheme arrears once the new scheme is introduced and cases on these schemes begin to close; and
- Redesigning and restructuring the organisation and its processes.

The net operating costs in the period were deployed on the following activities:

	2011/12	**2010/11**
	£'000	**£'000**
Existing statutory service		
Investment	8,338	2,500
Delivery	420,611	450,092
New services (1)		
Investment	34,688	36,273
Delivery	20,852	24,315
Total	**484,489**	**513,180**

(1) New services began when the Commission was established in July 2008.

3. Staff numbers and related costs

a) Staff costs consist of:

	2011/12 Total £'000	2011/12 Permanently employed staff £'000	2011/12 Other £'000	2010/11 Total £'000
Wages and salaries	180,298	179,284	1,014	187,470
Employer's National Insurance	11,656	11,609	47	12,319
Superannuation and pension costs	30,664	30,657	7	31,530
Lump sum exit costs	2,688	2,688	-	4,548
Total net costs	**225,306**	**224,238**	**1,068**	**235,867**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details are published in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2011/12, employer's contributions of £30.6 million were payable to the PCSPS (2010/11 £31.4 million) at one of four rates in the range 16.7% to 24.3% (2010/11, 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £2.9 million (2010/11, £2.9 million) were payable to the Civil Superannuation Vote at 31 March 2012 and are included in trade and other payables (Note 11).

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer's contributions of £102,609 (2010/11, £102,043) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6,976 (2010/11 £6,974), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £8,897 (2010/11 £9,877). Contributions prepaid at that date were £nil (2010/11 £nil).

During the year 13 people (2010/11, 11 people) retired on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £32,467 (2010/11, £13,712). These liabilities are the responsibility of the Commission but are to be paid by the Civil Superannuation Vote.

Other refers to staff employed on casual contracts and contractors.

b) Average number of people employed

The average number of full-time equivalent people employed (including senior management, staff on secondment or loan into the Commission and agency/temporary staff, but excluding staff on secondment to other organisations) during the year was as follows:

	2011/12	2010/11
Directly employed permanent staff	7,815	8,145
Other – casual staff and contractors	61	106
Staff employed on capital projects	48	-
Total	**7,924**	**8,251**

c) Exit packages

Exit package cost band	Number of compulsory redundancies 2011/12	Number of other departures agreed 2011/12	Total number of exit packages by cost band 2011/12	Total number of exit packages by cost band 2010/11
< £10,000	-	72	72	68
£10,000 - £25,000	-	117	117	47
£25,000 - £50,000	-	28	28	40
£50,000 - £100,000	-	1	1	32
£100,000 - 150,000	-	-	-	5
£150,000 - 200,000	-	-	-	-
>£200,000	-	-	-	1
Total number of exit packages by type	**-**	**218**	**218**	**193**

Exit package cost band	Cost of compulsory redundancies 2011/12 £'000	Cost of other departures agreed 2011/12 £'000	Total of exit packages by cost band 2011/12 £'000	Total of exit packages by cost band 2010/11 £'000
< £10,000	-	401	401	158
£10,000 - £25,000	-	1,816	1,816	730
£25,000 - £50,000	-	866	866	1,549
£50,000 - £100,000	-	70	70	2,175
£100,000 - 150,000	-	-	-	629
£150,000 - 200,000	-	-	-	-
>£200,000	-	-	-	214
Total resource cost	**-**	**3,153**	**3,153**	**5,455**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when the early retirement programme becomes binding on the Commission but actual dates of departure may fall in the following reporting year. Where the Commission has agreed early retirements, the additional costs are met by the Commission and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4. Other costs

	Notes	2011/12	2010/11
		£'000	£'000
Computer systems costs and IT service Charges	4b/4c	100,609	120,096
Hire of plant and machinery		441	285
Other operating leases	4a	11,035	12,996
Special payments	4d/19	1,733	2,276
Accommodation costs	4a	21,379	22,359
Contracted out services		41,944	35,623
General office expenses		1,081	594
Consultancy		2,159	3,053
Printing, postage, publicity and stationery		1,752	2,931
Professional fees		6,519	6,931
Staff expenses and other related staff costs		5,693	4,610
Reimbursement and deferred debt payment		5,807	8,507
Bad debts written off		1,954	2,049
Impairment charges – receivables		16	(328)
Impairment charges – non-current assets	8	132	347
Services provided by Northern Ireland Child Maintenance and Enforcement Division	4e	24,843	25,772
Corporate charges		25,655	24,662
Depreciation and amortisation	6/7	5,824	5,010
Other		1,660	2,344
Revaluation loss on intangible assets		140	598
Movement in provisions in the period	12d	1,673	(617)
Auditor's remuneration	4f	490	626
		262,539	**280,724**
The above totals comprise of:			
Cash items – directly charged		252,801	273,665
Non-cash items – provided without the transfer of cash:			
Other		9,738	7,059
		262,539	**280,724**

a. The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation. As part of this provision, the Commission has an operating lease arrangement in place with the Department for the properties, or parts thereof, which they occupy. A similar arrangement is in place for properties held under the Newcastle Estates Accommodation Agreement.

b. DWP has a contract with Hewlett Packard Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services. The Commission receives its share of these services via a rental arrangement in place with the Department.

c. DWP has a contract with BT Syntegra for its fully serviced IT and telephony network. The assets used to provide the service are an integral part of a network serving DWP sites across the country and are recognised at departmental level. The Commission pays service charges for its use of these assets.

d. Special payments consist of compensation payments £1.092m (2010/11, £1.579m), advance payments of maintenance £0.421m (2010/11, £0.392m), special payments to staff/contractors/public £0.088m (2010/11, £0.097m) and interest payable at £0.132m (2010/11, £0.208m) which represents payments to clients in lieu of bank interest lost due to late maintenance payments.

e. Services are provided through a Service Level Agreement by the Northern Ireland Child Maintenance and Enforcement Division of the Department for Social Development in Northern Ireland, on behalf of the Child Maintenance and Enforcement Commission. The costs are reimbursed during the course of the period. These costs represent the cost of people and other associated costs.

f. Auditor's remuneration represents the cost of the audit of the Administration and Client Funds Accounts carried out by the Comptroller and Auditor General. Costs for the Administration Account were £0.168m (2010/11, £0.171m) and for the Client Funds Account were £0.348m (incl. VAT) (2010/11, £0.385m (incl. VAT)). In addition, £0.026m was credited (2010/11, £0.070m charged) in respect of adjustments to prior year fees.

5. Operating income

	2011/12			2010/11		
	Appropriated -in-aid	**Payable to Consolidated Fund**	**Total**	**Appropriated -in-aid**	**Payable to Consolidated Fund**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operating income						
Sundry Income from clients	(1,234)	-	(1,234)	(860)	-	(860)
Fees and charges from outside bodies	(38)	-	(38)	(22)	-	(22)
Departmental project income	(44)	-	(44)	-	-	-
Income from other government departments	(1,649)	-	(1,649)	(1,734)	-	(1,734)
Consolidated Fund Extra Receipts	-	(391)	(391)	-	(795)	(795)
	(2,965)	**(391)**	**(3,356)**	**(2,616)**	**(795)**	**(3,411)**

Sundry Income from Clients – Income recovered from the Commission clients mainly consists of recovery of advance payments of maintenance and maintenance payment errors subsequently recovered from customers. In addition the Commission incurs an outlay for legal costs. These can under certain circumstances be recovered and such recoveries are included as sundry income.

Fees and charges from outside bodies – This represents freedom of information charges levied on individuals for Subject Access Requests (SARs) under the data protection act.

Departmental project income relates to work undertaken by the Commission on DWP's simpler money project to replace payments made by giro cheque.

Income from other government departments – Relate to the recovery of IT costs from the Northern Ireland Social Security Agency (NISSA). NISSA utilises the Commissions systems and IT contracts in delivering services. Where NISSAs "consumption" of the IT service can be separately identified, NISSA are invoiced directly by the Department. Where NISSAs usage cannot be separated from the Commission, initially the Commission pays for the entire service. The Commission then charges NISSA for its estimated share on an apportionment basis. Management consider this apportionment recovers the full cost of the service provided.

Consolidated Fund Extra Receipts – This income, due or already paid to HM Treasury, relates to ongoing activities of the Commission. The above disclosures principally relate to amounts received by the Client Funds Account where exhaustive enquiries have been unable to identify either a qualifying child or non-resident parent to correctly allocate the receipt. Should a recipient subsequently be identified, this amount would be payable.

6. Intangible assets

	Notes	Software Licences £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
As at 1 April 2011		26,922	8,967	35,889
Additions		1,173	10,221	11,394
Revaluation in year	6a	(85)	-	(85)
Impairment		(1,197)	-	(1,197)
As at 31 March 2012		**26,813**	**19,188**	**46,001**
Amortisation				
As at 1 April 2011		9,072	-	9,072
Charged in year		5,783	-	5,783
Revaluation in year	6a	(32)	-	(32)
Impairment		(654)	-	(654)
As at 31 March 2012		**14,169**	**-**	**14,169**
Net book value as at 31 March 2012		**12,644**	**19,188**	**31,832**
Net book value as at 31 March 2011		**17,850**	**8,967**	**26,817**

	Notes	Software Licences £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
As at 1 April 2010		28,447	2,008	30,455
Additions		1,425	6,959	8,384
Revaluation in year	6a	(2,712)	-	(2,712)
Impairment		(238)	-	(238)
As at 31 March 2011		**26,922**	**8,967**	**35,889**
Amortisation				
As at 1 April 2010		4,624	-	4,624
Charged in year		4,954	-	4,954
Revaluation in year	6a	(458)	-	(458)
Impairment		(48)	-	(48)
As at 31 March 2011		**9,072**	**-**	**9,072**
Net book value as at 31 March 2011		**17,850**	**8,967**	**26,817**
Net book value as at 31 March 2010		**23,823**	**2,008**	**25,831**

All assets in the above table are owned by the Commission.

Cash flow reconciliation

	Notes	2011/12 £'000	2010/11 £'000
Capital accruals as at 1 April	11	455	3,358
Capital additions		11,394	8,384
Capital accruals as at 31 March	11	(2,870)	(455)
	13(b)	**8,979**	**11,287**

a) Software licences have been revalued at 31 March 2012 using the Producer Price JV5(a) Computer and Peripheral Index. Had revaluation not taken place, software licences as at 31 March 2012 under amortised historic cost would have been valued at £12.473m (2010/11 £16.955m).

7. Property, plant and equipment

	Notes	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Total £'000
Cost or valuation					
As at 1 April 2011		73	1	41	115
Additions		444	-	-	444
Disposals	7a	(46)	-	-	(46)
Impairment		-	-	-	-
As at 31 March 2012		**471**	**1**	**41**	**513**
Depreciation					
As at 1 April 2011		73	1	11	85
Charged in year		37	-	4	41
Disposals	7a	(46)	-	-	(46)
Impairment		-	-	-	-
As at 31 March 2012		**64**	**1**	**15**	**80**
Net book value as at 31 March 2012		**407**	**-**	**26**	**433**
Net book value as at 31 March 2011		**-**	**-**	**30**	**30**

	Notes	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Total £'000
Cost or valuation					
As at 1 April 2010		3,481	463	683	4,627
Additions		-	-	8	8
Disposals	7a	(3,403)	(426)	(4)	(3,833)
Impairment		(5)	(36)	(646)	(687)
As at 31 March 2011		**73**	**1**	**41**	**115**
Depreciation					
As at 1 April 2010		3,478	456	458	4,392
Charged in year		2	3	51	56
Disposals	7a	(3,403)	(426)	(4)	(3,833)
Impairment		(4)	(32)	(494)	(530)
As at 31 March 2011		**73**	**1**	**11**	**85**
Net book value as at 31 March 2011		**-**	**-**	**30**	**30**
Net book value as at 31 March 2010		**3**	**7**	**225**	**235**

a. During 2010/11, the Commission participated in a cross-departmental review of the fixed assets register. This review removed a number of fully depreciated assets from the register which were both no longer available for use or supported by the original supplier. Revised procedures were in place for 2011/12.

b. The Commission is a beneficiary of a number of "orders for sale" over property currently owned by non-resident parents. The Commission holds an exercisable right to order the sale of these properties, although the mortgage lender holds the first charge over the proceeds of the sale. The Commission believes that the substance of the arrangement is that of a legal mortgage, under which it holds the right to take a non-resident parent's property if an obligation to a parent with care is not discharged. The value of the six properties over which the Commission holds a legal mortgage, has consequently not been disclosed in the balance sheet.

Cash flow reconciliation	**Note**	**2011/12 £'000**	**2010/11 £'000**
Purchases of property, plant and equipment		444	8
Capital expenditure accruals as at 31 March		(90)	-
	13(b)	**354**	**8**

8. Non-current assets: impairment

	Note	2011/12 £'000	2010/11 £'000
Net impairment in year:			
Intangible assets impairment	8a	543	190
Property, plant and equipment impairment	8b	-	157
Charged to Revaluation Reserve		(411)	-
Total – charged to Statement of Comprehensive Net Expenditure	**4**	**132**	**347**

a. Net impairment of £0.543m (2010/11 £0.190m) comprises costs of £1.197m (2010/11 £0.238m) and amortisation of £0.654m (2010/11 £0.048m). (See Note 6).
b. Net impairment of £nil (2010/11 £0.157m) comprises costs of £nil (2010/11 £0.687m) and depreciation of £nil (2010/11 £0.530m). (See Note 7).

9. Trade and other receivables

(a) Analysis by type

	Notes	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Amounts falling due within one year			
Trade receivables		8	8
Deposits and advances	9a	126	117
Amounts due from Other Government Departments		212	727
Other receivables		1,926	14,336
Gross trade receivables		**2,272**	**15,188**
Less: provision for impairment	9b/9c	**(1,412)**	**(13,746)**
Net trade receivables		**860**	**1,442**
Value Added Tax		977	4,228
Prepayments and accrued income		181	605
		2,018	**6,275**
Amounts falling due after more than one year			
Deposits and advances	9a	22	39
		2,040	**6,314**

a. Deposits and advances include £34,302 (2010/11, £48,350) of house purchase advances due from 7 employees (2010/11, 9 employees).

b. An impairment provision was made in earlier years, reflecting non-payment of fees by non-resident parents. This has been written off in 2011/12 following HM Treasury approval. Further information is given in Note 19.

	Receivables £'000	Provision £'000	Net £'000
Balance as at 1 April 2011	12,350	(12,350)	-
Net movement during the period	(12,350)	12,350	-
Balance as at 31 March 2012	**-**	**-**	**-**

b. An impairment review has been carried out for all debts recoverable from clients and ex-employees. At 31 March 2012 the impairment provision was £1.412m (2010/11 £1.396m).

(b) Intra-government balances
The following table analyses total trade and other receivable balances across the categories shown:

	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Amounts falling due within one year:		
Balances with other central government bodies	1,190	4,955
Balances with bodies external to government	828	1,320
	2,018	**6,275**
Amounts falling due after one year:		
Balances with other central government bodies	-	-
Balances with bodies external to government	22	39
	22	**39**
Total:		
Balances with other central government bodies	1,190	4,955
Balances with bodies external to government	850	1,359
	2,040	**6,314**

10. Cash and cash equivalents

	2011/12 £'000	2010/11 £'000
Balance at 1 April	218	504
Net change in cash and cash equivalents balances	(35)	(286)
Balance as at 31 March	**183**	**218**

	31 March 2012 £'000	31 March 2011 £'000
The following balances at 31 March were held at:		
Government Banking Services	23	51
Commercial Banks	160	167
	183	**218**

The Commission holds its own bank accounts with Government Banking Services (Citibank and Royal Bank of Scotland) and HSBC and these are reported above.

11. Trade and other payables

(a) Analysis by type

	As at 31 March 2012 £'000	As at 31 March 2011 £'000 (restated)
Amounts falling due within one year:		
Taxation and National Insurance	3,860	4,287
Superannuation	2,899	2,907
Trade payables	884	2,099
Other payables	476	351
Accruals and deferred income – non capital	47,349	59,799
Accruals and deferred income – capital	2,960	455
CFERs due to be paid to the Consolidated Fund – received	321	381
	58,749	**70,279**

(b) Intra-government balances

The following tables analyse total trade payables across the categories shown:

Amounts falling due within one year

	As at 31 March 2012 £'000	As at 31 March 2011 £'000 (restated)
Balances with other central government bodies	12,006	13,548
Balances with bodies external to government	46,743	56,731
	58,749	**70,279**

The Commission's classification of trade and other payables has changed and the position at 31st March 2011 have been restated in Table (a) and (b). The overall liability remains the same at £70.279m. The two changes at 31st March 2011 are :

Table (a) £26.482m of balances previously classified as other payables have been classified as accruals and deferred income - non capital. This change reflects the fact that at the 31st March 2011 the Commission had not received an invoice from the supplier for the services provided.

Table (b) £20.539m of balances previously classified as balances with other central government bodies has been classified as balances with bodies external to government. This reflects a change in the treatment of these costs in the Department which no longer accounts for them as income from the Commission. The liabilities were due to a private sector supplier outside of government.

12. Provision for liabilities and charges

(a) Administration provisions

	Early Departure and Pension Provision £'000	Industrial Injuries Benefit £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2011	436	-	1,331	1,767
Provided in year	-	121	1,569	1,690
Uplift	3	4	-	7
Provisions not required written back	-	-	(39)	(39)
Provisions utilised in year	(450)	(8)	(22)	(480)
Borrowing costs (unwinding of discount)	11	4	-	15
Balance at 31 March 2012	**-**	**121**	**2,839**	**2,960**

The Commission is entering into discussions with pension providers to settle any outstanding obligations in full, and as a result the early departure and pension provision has been utilised and the estimated settlement amount included in accruals and deferred income in Note 11.

Other Provisions

	London Office £'000 Note (a)	Contractual Provisions £'000 Note (b)	Office closure costs £'000 Note (c)	Total other Provisions £'000
Balance as at 1 April 2011	-	1,231	100	1,331
Increase in provisions	1,264	129	-	1,393
New provision	-	176	-	176
	1,264	**1,536**	**100**	**2,900**
Amounts utilised in the period	-	(22)	-	(22)
Amounts released in the period	-	(39)	-	(39)
Balance as at 31 March 2012	**1,264**	**1,475**	**100**	**2,839**

(a) The Commission vacated its London office in January 2012. The lease for the property expires in December 2013. From April 2012 part of the property has been sublet on a short term basis and further tenants are being actively sought. In the absence of any firm long term commitment from a tenant to rent the whole site a provision has been created for future rental payments until the end of the lease in December 2013.

(b) Contractual provisions represent principally the termination costs payable by the Commission on an outsourcing contract (£1.299 million) for the administration of off-system maintenance cases. In addition a provision of £0.176 million has been created in year to meet the costs of buying out employment benefits of staff working outside of normal office hours. The timing and value of these remain uncertain and the estimate included of £1.475 million represents management's best estimate of the amounts eventually due.

(c) The provision for office closure costs relates to the Commission's vacating one site. The cost relates to rectification costs to restore the building to its original state. The vacation is complete but the rectification work is ongoing.

(d) The total new provisions created in 2011/12 were £1.712m, £0.039m of provisions were released. This led to a net credit to the Statement of Comprehensive Net Expenditure of £1.673m (2010/11 net credit: £0.617m).

(b) Analysis of expected timing of discounted flows:

	Industrial Injuries Benefit £'000	**Contractual Provisions £'000**	**London Office £'000**	**Office Closure Costs £'000**	**Total £'000**
Not later than one year	7	176	678	100	961
Later than one year and not later than five years	26	1,299	586	-	1,911
Later than five years	88	-	-	-	88
Balance as at 31 March 2012	**121**	**1,475**	**1,264**	**100**	**2,960**

13. Notes to the Statement of Cash Flows

	Note	2011/12 £'000	2010/11 £'000
a) Cash flows from operating activities			
Net operating cost		(484,489)	(513,180)
Depreciation	7	41	56
Amortisation	6	5,783	4,954
Non-current asset impairment	4/8	272	945
Decrease/(Increase) in trade and other receivables	9	4,274	(54)
(Decrease) in trade payables	11	(13,975)	(3,043)
Increase /(Decrease) in provisions	12	1,193	(5,125)
Net cash outflow from operating activities		**(486,901)**	**(515,447)**
b) Cash flows from investing activities			
Purchase of property, plant and equipment	7	(354)	(8)
Purchase of intangible assets	6	(8,979)	(11,287)
Net cash outflow from investing activities		**(9,333)**	**(11,295)**
c) Cash flows from financing activities			
Funding from DWP		496,650	527,001
Payments of amounts due to Consolidated Fund		(451)	(545)
Financing		**496,199**	**526,456**
d) Net decrease in cash and cash equivalents in the period		**(35)**	**(286)**
Cash and cash equivalents at the beginning of the period	10	218	504
Cash at bank and in hand at the end of the period	10	**183**	**218**

14. Capital and other financial commitments

No capital commitments existed at 31 March 2012 (31 March 2011 – £nil).

The Commission has entered into two contracts which are not leases, PFI or other service concession arrangements. These contracts relate to the provision of legal advice and the future scheme options advice services. At the 31st March 2012, the payments to which the Commission is committed amount to £0.457m, all amounts due are payable within one year.

15. Commitments under non-PFI leases

(a) Operating leases

Total future minimum lease payments under operating leases are given in the table below.

	31 March 2012			31 March 2011		
	Land £'000	Buildings £'000	Other £'000	Land £'000	Buildings £'000	Other £'000
Due within one year	3,232	7,669	781	4,188	7,946	778
Due after one year but not more than five years	3,232	7,575	634	8,376	15,765	1,077
Due thereafter	-	-	-	-	-	-
	6,464	**15,244**	**1,415**	**12,564**	**23,711**	**1,855**

Details of the most significant contracts assessed under IAS 17 Leases and determined as an operating lease are provided below.

Private sector Resource Management of the Estate (PRIME)

The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation until 2018. Within the accommodation provision, the Commission has a separate operating lease arrangement in place with the Department for the properties, or parts thereof, which it occupies. This is provided by means of a Memorandum of Terms of Occupation which includes a maximum commitment of 3 years for the Commission at any given time. The amounts shown above reflect the commitment for a 2 year period compared with a 3 year period as at 31 March 2011.

Newcastle Estates accommodation

The Department entered into an arrangement with Her Majesty's Revenue and Customs for the provision of accommodation on the Newcastle Estate from 1 April 1999. Within the accommodation provision, the Commission has a separate operating lease arrangement in place with the Department for the properties, or parts thereof, which it occupies. This is provided by means of a Memorandum of Terms of Occupation, which includes a maximum commitment of 3 years for the Commission at any given time. The amounts shown above reflect the commitment for a 2 year period compared with a 3 year period as at 31 March 2011.

Fleet contract

The Commission has an arrangement in place with Inchcape, via a departmental contract, for the use and associated maintenance of motor vehicles. The contract covers a period of 5 years until August 2012.

Sustainable Print Services

The Commission has entered into a contract, via the Department, with Xerox for the supply of multi-function devices. This contract replaced the previous photocopiers and printers in place within the Commission on a rolling basis and all devices were replaced by May 2011. The contract runs from January 2010 until the end of June 2014.

Other

The Commission vacated the 6th floor of Stockley House, London in January 2012 and are actively seeking a sublet until the lease ends in December 2013. A provision of £1.264m has been created for future rental payments until the lease ends in December 2013, this is included at Note 12.

16. Financial instruments

(a) Financial instruments by category

	As at 31 March 2012 £'000	As at 31 March 2011 (restated) £'000
Financial assets – Loans and Receivables		
Deposits and advances	148	156
Balances with DWP	18	15
Other government departments	194	712
Trade receivables	8	8
Other receivables	514	590
Cash and cash equivalents	183	218
Total	**1,065**	**1,699**

	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Financial liabilities at amortised cost		
Superannuation	2,899	2,907
Trade payables	884	2,099
Other payables	252	321
Other government departments	224	30
Accruals	50,309	60,254
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund - received	321	381
Total	**54,889**	**65,992**

(b) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to be approximate to their fair value. The book values of the Commission financial assets and liabilities at 31 March 2012 are not materially different from their fair values. They have accordingly not been shown separately.

(c) Exposure to risk

Due to the largely non-trading nature of its activities and the fact that the cash requirements of the Commission are met through the Estimates process, the commission is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Commission expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Minimal deposits are held with commercial banks.

The Commission exposure to credit risk is limited due to a significant amount of administrative related receivables being with other government departments.

Liquidity risk

The net resource requirements of the Commission are financed by resources voted annually by Parliament. It is not, therefore, exposed to significant liquidity risk.

Market risk

Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Commission in achieving its objectives.

Interest rate risk

The Commission has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates. The interest profile of the Commission financial assets and liabilities has therefore not been disclosed.

Foreign currency risk

The Commission does not have any significant exposure to foreign currency risk.

(d) Aged analysis of financial assets

Financial assets that are past due but not impaired are analysed and set out below:

Financial assets that are past due but not impaired are analysed by age and set out below:

	0-30 days past due £'000	30-60 days past due £'000	60-90 days past due £'000	90-180 days past due £'000	180-360 days past due £'000	360+ days past due £'000	Total £'000
Trade receivables	-	-	-	-	-	-	-
Amounts due from other government departments	8	25	2	17	185	77	314
Other receivables	1	41	7	7	6	-	62
As at 31 March 2012	**9**	**66**	**9**	**24**	**191**	**77**	**376**
Trade receivables	-	-	-	-	-	-	-
Amounts due from other government departments	60	9	14	19	274	56	432
Other receivables	12	6	4	8	13	-	43
As at 31 March 2011	**72**	**15**	**18**	**27**	**287**	**56**	**475**

17. Contingent liabilities disclosed under IAS 37

The Commission had one contingent liability at 31 March 2012. It had no contingent liabilities at 31 March 2011. The contingent liability at 31 March 2012 relates to a sum payable to a supplier when it completes a specific piece of testing work on the Commission's new child maintenance system. Successful completion of that testing is possible, but not currently considered to be probable. The value of the contingent liability is £276,490, all of which will crystallise during 2012/13, if the testing is completed successfully.

18. Third party assets

Some monies are held on behalf of third parties and relate to maintenance collected from non-resident parents and due to be paid to either parents with care or the Secretary of State. These are not Commission assets and are not included in the accounts, but are accounted for in the separate Client Funds Account. The cash balance held at the reporting date is set out in the table below:

	31 March 2012 £'000	31 March 2011 £'000
Client funds	**16,825**	**16,832**

19. Losses and special payments

	2011/12		2010/11	
	£'000	Number of cases	£'000	Number of cases
Losses	20,408	17,733	10,556	20,003
Special payments	1,733	6,254	2,276	8,008
	22,141	**23,987**	**12,832**	**28,011**

Losses

	2011/12		2010/11	
	£'000	Number of cases	£'000	Number of cases
Salary related losses	(1)	548	27	288
Non Salary related losses				
Reimbursement	5,805	14,715	8,507	16,535
Other	2,254	2,469	2,022	3,180
Write off (fee income)	12,350	1	-	-
	20,408	**17,733**	**10,556**	**20,003**

Losses consist of salary-related losses (net of recoveries), reimbursements as described below and unrecovered fees which Treasury has approved for write off. Other losses relate to overpayments of maintenance to clients, rent payments made on the London office from February 2012 when it was vacated, car hire accident claims and fixed asset impairments. No single item within losses exceeded £250,000.

Reimbursement payments arise where a non-resident parent has a change in circumstances which have been notified to the Commission and where a delay has occurred in implementing the new maintenance assessment, leading to an overpayment. In these circumstances, rather than clawing back overpayments made to parents with care the Commission funds the refund to the non-resident parent.

Special payments are compensatory amounts paid to parents with care on an ex-gratia basis where delays or administrative errors have resulted in lower than expected service standards.

Details of losses over £250,000

In 2011/12 the Commission reported an individual loss of £12.350m (2010/11 Nil) for the write off of aged debt relating to unrecovered fees. This debt was created when the Child Support Agency was first established. The total relates to a number of customers, on which a fee was levied. The debt is around 19 years old and information on the number of customers the fees relate to is no longer available. Because no information is available to disaggregate the total of £12.350m, it has been shown as a loss of over £250,000. Based on the short period that fees were levied, management are of the view that no individual customer had a liability in excess of £250,000.The amount could not be recovered, due to the time that elapsed since the debt was first created. The debt was not actively pursued when it was first created due to operational difficulties and that similar such charges were withdrawn for new customers.

Special payments

	2011/12		2010/11	
	£'000	**Number of Cases**	**£'000**	**Number of Cases**
Compensation payments	1,092	5,828	1,579	7,286
Advance payments of maintenance	421	96	392	120
Special Payments to staff/contractors/public	88	31	97	9
Interest	132	299	208	593
	1,733	**6,254**	**2,276**	**8,008**

Details of Special payments over £250,000

There are no individual cases over £250,000 (2010/11, £nil).

20. Related party transactions

The Department for Work and Pensions is regarded as a related party. During the year, the Commission has had a number of material transactions with the Department for Work and Pensions and with other entities for which the Department for Work and Pensions is regarded as the parent. The Commission has therefore relied upon the exemption available under IAS 24 and has not disclosed transactions between these entities which are shown in the Department for Work and Pensions Annual Report and Accounts.

The Commission has had a number of material transactions with other government departments and other central government bodies, mainly HM Revenue and Customs, the Cabinet Office and the Northern Ireland Child Maintenance and Enforcement Division.

All directors (including the Child Maintenance and Enforcement Commission's Non-Executive Directors) have provided confirmation that they have no related interests through other directorships/non-executive directorships. Compensation paid to management, expenses, allowances and similar items paid in the ordinary course of the Commissions business are disclosed in the remuneration report.

The Commission maintains a register of Directors' interests in third party organisations and other than already disclosed there were no material transactions with key management during the financial period.

No board member, key management person or other related party has undertaken any transactions with the Commission during the period.

21. Late payment of commercial debt

The Late Payment of Commercial Debts (Interest) Act 1998 which came into effect from 1 November 1998 and the Late Payment of Commercial Debts Regulations 2002 which came into force on 7 August 2003 provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

In 2011/12, £nil of interest (2010/11 £nil) was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

22. Events after the reporting date

An order has been laid in Parliament under the Public Bodies Act 2011 proposing that the Commission be abolished, and its functions be transferred to the Department (note 1.1 provides more information).

IAS 10 requires the Commission to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

The authorised date for issue is 2 July 2012.

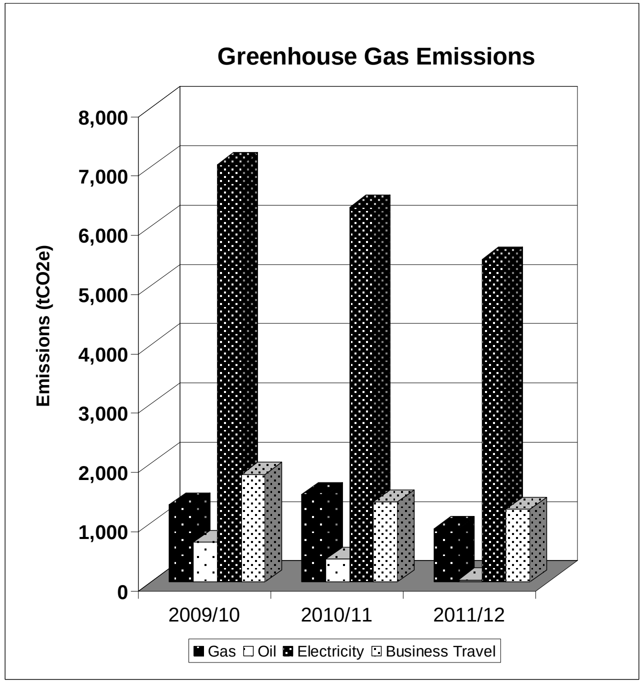
Appendix A: Sustainability Report

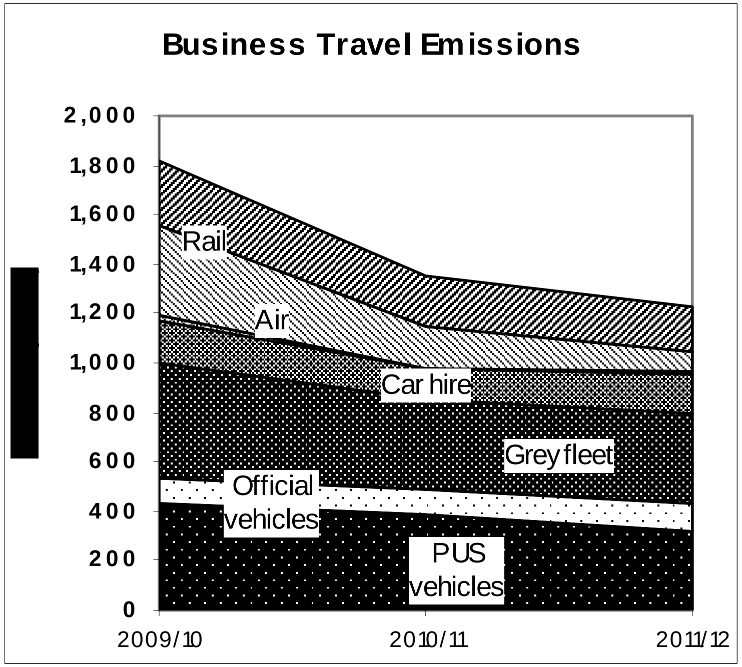
The Commission's sustainability performance is detailed below. This Appendix does not form part of the Account, but does form part of the Annual Report. It is only covered by the consistency statement in the Audit Certificate.

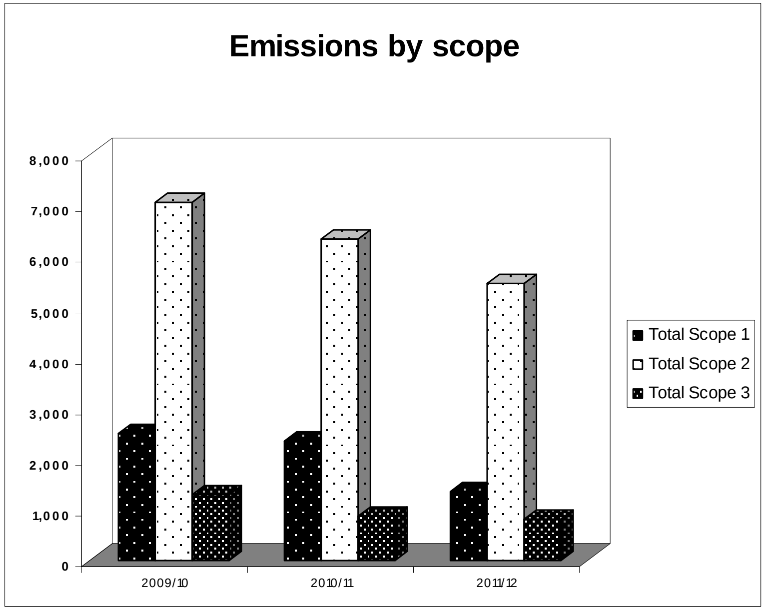
Greenhouse gas emissions

		2009/10	2010/11	2011/12
Non-Financial Indicators (tCO2e)	**Scope 1 Emissions**			
	Gas	1,298	1,473	896
	Oil	669	383	32
	PUS vehicles	434	387	313
	Official vehicles	95	101	116
	Total Scope 1	2,496	2,344	1,357
	Scope 2 Emissions			
	Electricity	7,038	6,323	5,445
	Electricity: Brown	3,631	4,743	4,083
	Electricity: Green	1,464	632	545
	Electricity: CHP	1,943	948	817
	Total Scope 2	7,038	6,323	5,445
	Scope 3 Emissions			
	Grey fleet	471	359	364
	Car hire	172	127	162
	Taxis	16	8	7
	Air	367	164	84
	Rail	260	206	182
	Total Scope 3	1,286	864	799
	Business Travel	1,815	1,352	1,228
	TOTAL EMISSIONS	**10,820**	**9,531**	**7,601**
Related Energy Consumption (KWh)	**Scope 1**			
	Gas	7,010,043	7,951,989	4,882,833
	Oil	2,431,529	1,391,080	113,079
	Scope 2			
	Electricity	12,909,209	11,596,303	10,379,751
	Electricity: Brown	6,661,152	8,697,227	7,784,813
	Electricity: Green	2,685,115	1,159,630	1,037,975
	Electricity: CHP	3,562,942	1,739,445	1,556,963
	TOTAL ENERGY	22,350,781	20,939,372	15,375,663
Financial Indicators (£)	**Scope 1 and 2**			
	Gas	208,459	243,215	169,228
	Oil	125,196	95,428	12,810
	Electricity	1,149,455	1,095,228	1,064,165
	Electricity: Brown	593,119	821,421	798,124
	Electricity: Green	239,087	109,523	106,417
	Electricity: CHP	317,250	164,284	159,625
	Leased vehicles	847,210	1,020,166	663,893
	Scope 3			
	Grey fleet i-expenses	520,935	381,004	325,646
	Coach	43,394	19,498	6,932
	Car hire	274,672	226,325	140,280
	Taxis	203,578	132,571	111,956
	Air/Rail/Ferry	2,167,950	1,170,914	1,042,215

Greenhouse Gas emissions: graphical analysis







Water consumption

		2009/10	2010/11	2011/12
Non-Financial Indicators (m3)	Water Consumption	38,375	37,771	34,798
Financial Indicators (£)	Total Water and Sewerage Costs	212,833	185,349	107,642

Performance commentary and targets

The Commission contributes to and supports the Department for Work & Pensions' strategy and policy for sustainable development and the achievement of its targets from the Greening Government Commitments. The Commission's performance on reducing water consumption has continued to follow a positive trend with total consumption reducing year on year.

Controllable impacts commentary

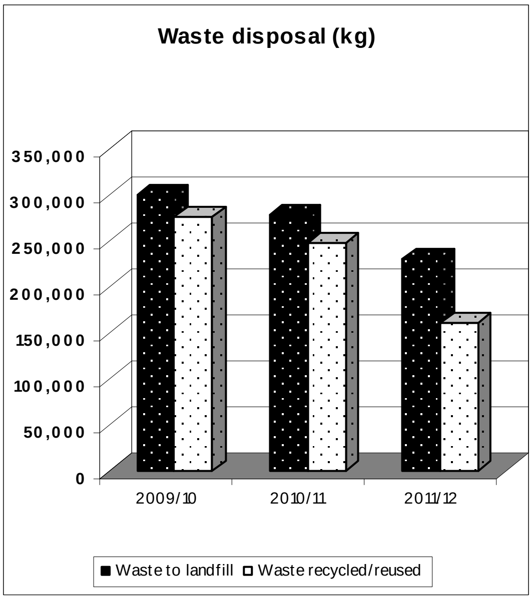
The Commission's main water impact is through the normal use and provision of water for staff and offices. Regular maintenance and management of the offices by our Estates partners is in place to minimise the Commission's water consumption.

Overview of influenced impacts

The Commission will continue to work with the Estates partners to minimise water waste by eliminating leaks and investigating abnormal consumption patterns.

Waste

		2009/10	2010/11	2011/12
Non-Financial Indicators (kg)	Total Waste	576,545	527,423	391,960
	Waste to landfill	300,138	278,724	230,645
	Waste recycled/reused	276,407	248,699	161,315



Performance commentary and targets

The Commission contributes to and supports the Department for Work & Pensions' strategy and policy for sustainable development and the achievement of its targets from the Greening Government Commitments. The Commission's performance on reducing waste has continued to follow a positive trend with total waste reducing year on year.

Controllable impacts commentary

The main direct impact for the Commission is the production of paper and cardboard waste. This is being reduced by recycling.

Overview of influenced impacts

Regular internal communications encourage staff to reduce their paper usage in the first instance and to re-use and recycle thereafter.

Notes: The data above is provided by the Department's Sustainability & Climate Change team. Actual data is only available for the period up to 31 January 2012; estimated data is provided for February and March.

How to contact the Commission

Child Maintenance and Enforcement Commission

The Commissioner

Child Maintenance and Enforcement Commission

PO Box 239

Holbeck

LS11 1EB

www.childmaintenance.org

Child Maintenance Options

National helpline: **0800 988 0988**

www.cmoptions.org

For impartial information and support on the range of options for making child maintenance arrangements.

Child Support Agency

National helpline: 08457 133 133 (textphone: 08457 138 924)

www.csa.gov.uk

For information about existing child maintenance cases and the current statutory service.

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